

# KARELIA

CBC // Cross-border cooperation



## Training of auditors

Petrozavodsk, 16.4.2019



14.5.2019

## Practical examples of inaccurate reporting

### ❖ General on expenditure verification documents

- Other than the Programme template has been used for the reporting or the Programme template has been modified
- Reporting period in the Financial Report and in the Expenditure Verification Report is inconsistent
- Partner's expenditure verification is made after the Lead Partner's expenditure verification
- One Auditor and two Partners: One Checklist + one Expenditure Verification Report
  - The Auditor does not specify in the documents which of the two Partners' expenditure the Auditor refers to

### ❖ Financial Report

- No information which invoices have been verified (in case the ECR is less than 100%)
- Systematic exclusion of certain type of expenditure (e.g. revenues, holiday bonuses)



## Practical examples of inaccurate reporting

### ❖ Expenditure Verification Checklist

- Auditor did not answer to all the relevant questions presented in the Checklist
- Several comments *"Not verified"* or *"N/A"* in the Checklist, e.g.
  - *"Is expenditure incurred during the implementation period?"*
  - *"Is the expenditure paid by the date of submission of the Final Report?"*
  - Procurement process was not verified at all
- Comments in the Checklist *"Yes and No"* or *"Yes and N/A"* without explanation what does that answer mean, e.g.
  - *"Are the costs recorded in the Partner's accounting records?"*
  - *"Is the Partner using appropriate accounting and accrual based double-entry bookkeeping system?"*
  - *"Is there a clear audit trail from Financial Report to the accounting records and underlying supporting documents?"*

## Practical examples of inaccurate reporting

### ❖ Expenditure Verification Checklist vs. Expenditure Verification Report

- In the Checklist "*VAT not eligible*", BUT
  - Expenditure Verification Report states "*VAT is eligible cost*"
  - Expenditure Verification Report does not clearly state whether the VAT is an eligible expenditure or not
- In the Checklist there is mentioned "*ineligible costs*" BUT
  - Expenditure Verification Report does not mention what are those expenditure items / invoices
  - Expenditure Verification Report states "*No factual findings*"

## Practical examples of inaccurate reporting

### ❖ Expenditure Verification Report

#### Table "*Financial Report*" (amount budgeted, amount reported, amount verified, ECR %)

- Lead Partner's Auditor did not fill in the table "Consolidated Financial Report"
- Inconsistency between the amounts in the Financial Report and in the Expenditure Verification Report:
  - "*Total amount of costs reported by the Partner*" under a cost heading is different
  - "*Total amount of costs reported by the Partner*" to the Auditor is not clearly stated at all
- Calculation errors, e.g.
  - "*Total amount of costs verified by the Auditor*" under a cost heading (incl. sub headings)
  - "*Total eligible net costs verified by the Auditor*" is not correctly calculated

## Practical examples of inaccurate reporting

### ❖ Expenditure Verification Report

#### ECR

- ECR for each cost heading is less than 10% (verification requirement is not fulfilled)
- Statement "ECR 100%" BUT not all expenditure are verified
- "Amount verified" is reported only as %, not also in euros

## Practical examples of inaccurate reporting

### ❖ Expenditure Verification Report

#### Auditor's Opinion

- Not informative enough (Opinion "OK" under the headlines in the Expenditure Verification Report)
- Observation "*No exceptions found*", however, the Managing Authority found ineligible expenditure
- No clear statement or no statement at all, e.g.
  - No statement under several relevant headlines in the Expenditure Verification Report
  - No statement about the revenues
  - No clear statement e.g. is all reported expenditure recorded in Partner's general ledger

## Practical examples of inaccurate reporting

### ❖ Expenditure Verification Report

#### Auditor's Opinion

- Statement about ineligibility or irregularity but no explanation which expenditure item / invoice this refers to
  - *"document is missing (metro ticket)"*
  - *"incorrect use of InforEuro"*
  - *"salary receipt and general ledger is inconsistent"*
  - *"partner has procured services without tendering process"*



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**Thank you for your attention!**

<https://kareliacbc.fi/en/payments-and-expenditure-verification>



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