

**Homologues' Group Meeting – Prague, Czech Republic
25-26 September 2023**

Workshop 4 – “System audits and the audit strategies for 2021-2027 (new risks, verification of double funding or self-declarations). World café”

Monday 25 September 2023, 14:45-16:45

Room: EUFORIE

Facilitators:

Ms Cendrine de Buggenoms, Head of Unit DAC.5

Ms Androulla Ioannou, Head of Unit DAC.3

World café format with the support of:

Ms Cristina Asturias, Head of Unit DAC.2

Ms Beatrice Stanciu, Deputy Head of Unit DAC.5

Ms Cristina Chaparro Ramirez, Assistant to the Director DAC

Mr Roman Kalis, Team Leader Unit DAC.3

Rapporteur:

Mr Jan Eiken, Audit Authority, Bremen

Objective of the workshop

This workshop aims at discussing in world café tables some key topics and risks to be considered in preparing/updating the AA audit strategy for the 2021-2027 programming period, in particular:

- Implementing a more efficient audit strategy,
- Double funding,
- Self-declarations - challenges of audits to strengthen assurance based on self-declarations,
- The audit function in line with simplified regulatory requirements,
- Databases and AI tools and how to better use them in your audit work.

We consider these aspects should be covered in the audit strategies, and where specific risks identified, appropriate mitigating actions should be planned in the strategy.

Context

Article 78 of the CPR 2021/1060 states that: *The audit authority shall, after consulting the managing authority, prepare an audit strategy based on a risk assessment, ..., covering system audits and audits of operation. The audit strategy shall include system audits of newly identified managing authorities and authorities in charge of the accounting function.*

Practical arrangements for the workshop and related "World Café" debate

Participants in each world café table will change to another table after a 40-minute discussion. The participants will change once during the workshop, to be able to contribute to the world café debates of two topics. Each table will have one host from the Commission and one host from the Member States. The role of the hosts is to introduce the subject of the table and launch the discussion, using the information / points raised in the questions set out below, as well as others which the group considers

Homologues' Group Meeting – Prague, Czech Republic 25-26 September 2023

also useful to discuss in relation to the table's subject. The hosts from each table will share the main conclusions with the rapporteur who will present them to the plenary¹, the next day, using flip charts/slides.

The following **subjects** could be of value to be discussed in the following 5 world café tables:

Table 1: Implementing a more efficient audit strategy

- How best to perform the audit work with available resources in an environment with multiple funding opportunities (Cohesion, RRF, BAR, EUSF, JTF etc)?
- Focusing on the specific risky areas and assuring an in-depth risk analysis (i.e. risk-based management verifications, multiple sources of funding, new forms of financing, FNLC/ one operation FI and grants, etc)
- How to best articulate, complement and focus system audits and audits of operations, and which are the main challenges?

Table 2: Double funding

- How to check and identify potential double funding from multiple EU instruments (Cohesion, RRF, BAR, EUSF, JTF, local funding etc)?
- Available instruments, databases, IT systems in your own MS?
- How would you plan to audit double funding: 100% or sample checks of audits of operations?
- Red flags and risk indicators to look for, leading to more in-depth checks.

Table 3: Self-declarations² - challenges of audits to strengthen assurance based on self-declarations

- When self-declarations are used: SME status, absence of conflict of interest, other?
- How to perform the check? What would you use in your own MS?
- Sample checks of self-declarations? Selection of the ones to be verified in-depth: risk based or random?
- Main risk indicators leading to the need for more in-depth checks?
- How to build up a proper audit documentation?

Table 4: The audit function in line with simplified regulatory requirements (i.e. enhanced proportionate arrangements, risk-based management verifications, FNLC/SCOs)

- How best to perform the audit work considering Article 83 - Enhanced proportionate arrangements? Consider which of the possible options offered in CPR may be used, if not all.
- How to integrate the audit of the Art. 94 SCOs in the audit plan?
- AA ex ante involvement in FNLC under Art. 95?
- Audit of FNLC and SCO during audits of operations: extent of control (sub-sampling), extrapolation, elements to cover?
- How to design system audits to get assurance for FNLC and SCOs (timing, scope, opportunity, and approach)?

¹ And to the workshop participants, if time allows

² Recommendation of ECA and special report on Col

**Homologues' Group Meeting – Prague, Czech Republic
25-26 September 2023**

Table 5: Databases and AI tools: how to better use them in your audit work

- Which databases, data mining, risk scoring or/and AI tools do you use and would need to be considered: ARACHNE, KOHESIO, internet research, other national tools of the programme authorities, of other public bodies, AI tools, other?
- At what stage of the audit work would you use these tools and how is this impacting your further audit work (in terms of scope, focus, effectiveness, and efficiency)?
- Beneficial owners' data: used for verification of possible conflict of interest, fund concentration (mapping of audit population), favouritism, companies linked to foreign interest, other focus of controls? How do you manage data protection requirements?

Suggested readings

- Article 78 and annex XXII of the CPR 2021/1060
- Guidance for Member States on Audit Strategy (programming period 2014-2020) - EGESIF_14-0011-02 final, [Inforegio - Guidance for Member States on Audit Strategy \(europa.eu\)](#)
- ECA special report 06/2023, [SR 06/2023 Conflict of interest in EU cohesion and agricultural spending \(europa.eu\)](#)
- Guidelines on the use of SCOs, [Commission notice guidelines on the use of simplified cost options within the European Structural and Investment Funds \(ESI\) – revised version \(europa.eu\)](#)
- EXPLANATORY NOTE on the application of 95 (3) CPR - how assurance is provided when implementing a Financing not linked to Costs (FNLC) scheme (see attached)