

Main projects in Interreg IIIB
Northern Periphery

Guidelines for system audit in Interreg IIIB Northern Periphery

Auditing of NPP projects

The County Administration of Västerbotten, acting as Managing and Paying Authority for the Interreg IIIB Northern Periphery programme have decided on the following principles for auditing of main projects in the programme:

- 1) In accordance with Enclosure 2, it is the Lead Partners responsibility to ensure that the entire project is audited according to what is stated below.
- 2) Projects that send ledgers with each claim are to be audited twice during the project period:
 - a) a system audit should take place approximately one year after the starting date of the project
 - b) after the project is finished, a financial final audit should be made covering all expenditure and revenues of the entire project
- 3) Projects that do not send ledgers with each claim are to be audited as follows:
 - a) an auditor's certificate should be sent annually, covering the expenditure and revenues of that year
 - b) a system audit should take place approximately one year after the starting date of the project
 - c) after the project is finished, a financial final audit should be made covering all expenditure and revenues of the entire project

Purpose

The system audit should evaluate the internal control system of the project.

The purpose of this evaluation is to:

- help the project improve its own internal control system
- provide information so that the Paying Authority can make a risk analysis of the project
- assure a speedier handling of payment claims (if the project is found to have a satisfactory internal control system, this reduces the need for a detailed control of each item of expenditure)

Method

The auditor should evaluate the project's organisation, how the Lead Partner's responsibilities are fulfilled, and the reliability of the Lead Partner's accounting system, routines for salary costs and timesheets and routines concerning accounts payable. It is suggested that sample checks are made.

The Managing and Paying Authorities provide a questionnaire for the system audit. Each question should be answered by:

- a) a short description
- b) an assessment of whether the routines are satisfactory or not, and
- c) suggestions for possible improvements

Based on the answers to the questionnaire, the auditor should finally make a general evaluation of the reliability of the project's internal control system.

Projects with starting date before Jan 1st, 2003

Since these guidelines were not available until May 2004, all projects, which have a starting date before Jan. 1st 2003, are exempted from the system audit. All other main projects should perform a system audit in accordance with the guidelines.

Umeå May 10th, 2004

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Questionnaire for system audit

A The Project Organisation

Since the final submitted application, has there been any changes in the project's organisation as to:

1. who is the project co-ordinator?
2. responsible persons/the signing authority of the organisation
3. meeting activities? (according to the implementation model, listed in the application)
4. responsible persons/the signing authority of the organisation
5. other significant changes?

Additional information about the project's organisation:

6. who is responsible for the financial and progress reporting

B The Lead Partner Role

7. Is all relevant documentation from each partner available to the Lead Partner?
8. How does the Lead Partner ensure that all partners are well informed about EU/NPP rules and regulations
9. How does the Lead Partner ensure that all partners comply with those
10. What routines exist for reporting between partners and Lead Partners with regard to both project activities and project finances?
11. What checks do the Lead Partner perform regarding Partner expenditure before reporting to the Secretariat/Paying Authority?
12. How is received NPP funding distributed between Lead Partner and partners? What routines are in place?
13. What routines exist for claiming and distributing national co-financing (Lead Partner and partners)?
14. How does the Lead Partner ensure that the relevant programme information is being distributed to all participating partners?
15. What are the routines for budget follow-up of the project?

C Accounting system

16. How is the project separated from ordinary organisational core activities?
17. Is there a separate accounting system for the project or is it within the ordinary accounting system used for the organisation?
18. Is there a separate account for this project within the existing organisation's accounting system?

D Salary costs

19. How does the project assure that salary costs related to the project are separated from salary costs for ordinary activities?
20. What routines are in place with regards to timesheets and attestation of salary costs?
21. How are salary costs and timesheets linked to the project accounts?

E Accounts payable

22. Are all project related invoices entered into the project account system?
23. Are any non-project related invoices entered into the project accounts?
24. How does the project ensure that invoices are paid before they are claimed?
25. What verification and attestation scheme is used by the project to ensure that only eligible costs are being inputted into the project accounting system?

F Evaluation of the project's internal control system

26. Evaluate the reliability of the *organisation* with regard to:
 - delineation of responsibilities and authorities
 - competence and skills of staff
27. Evaluate how well the audited body fulfils its responsibilities as Lead Partner
28. Evaluate the reliability and security of
 - the accounting system
 - salaries and timesheets
 - accounts payable
29. *Evaluate the reliability of the project from an internal control perspective. Satisfactory/ non satisfactory? If non satisfactory, suggest what measures need to be taken in order to change that status.*