

Ministry of Environmental
Protection and Regional
Development
Republic of Latvia

Overview of 2018 annual audit report for ENI CBC programme «Latvia-Russia» year 2018

ELINA VALEINE
HEAD OF AUDIT DIVISION
AUDIT DEPARTMENT



Outline

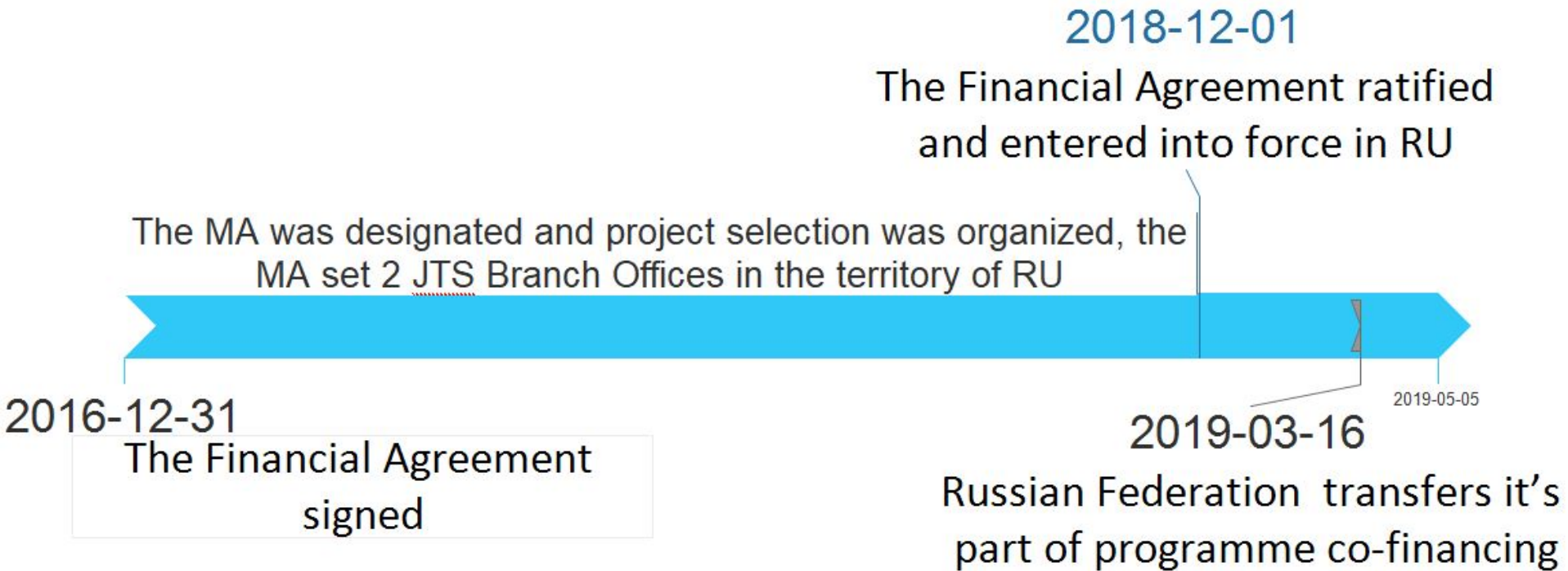
1. Structure of CBC LV-RU programme accounts
2. Approach for the audit of accounts - step by step
3. Results of audit on draft accounts



- **1. Structure of CBC LV-RU programme accounts**



1. Structure of programme accounts (1)



The total Programme budget is
aprox. 27 MEUR



1. Structure of programme accounts (3)

Income structure

EUR 5 434 898,40
**EU advance
payments**

EUR 353 635,00
**payments from
Latvia**

**No
payments
from
Russian
Federation**

No revenue from advance payments



1. Structure of programme accounts (6)

Expenditure structure

EUR 438 111,70

TA expenditure
for programme
management

EUR 0

No advance
payments to
project

EUR 0

No project
expenditure
approved by
MA



- **2. Approach for the audit of accounts - step by step**



2. Approach for the audits of accounts - step by step (1)

Accounts



Results of
system
audits

Results of
project
audits

Reasonable assurance

Truth

Completeness

Accuracy

Veracity

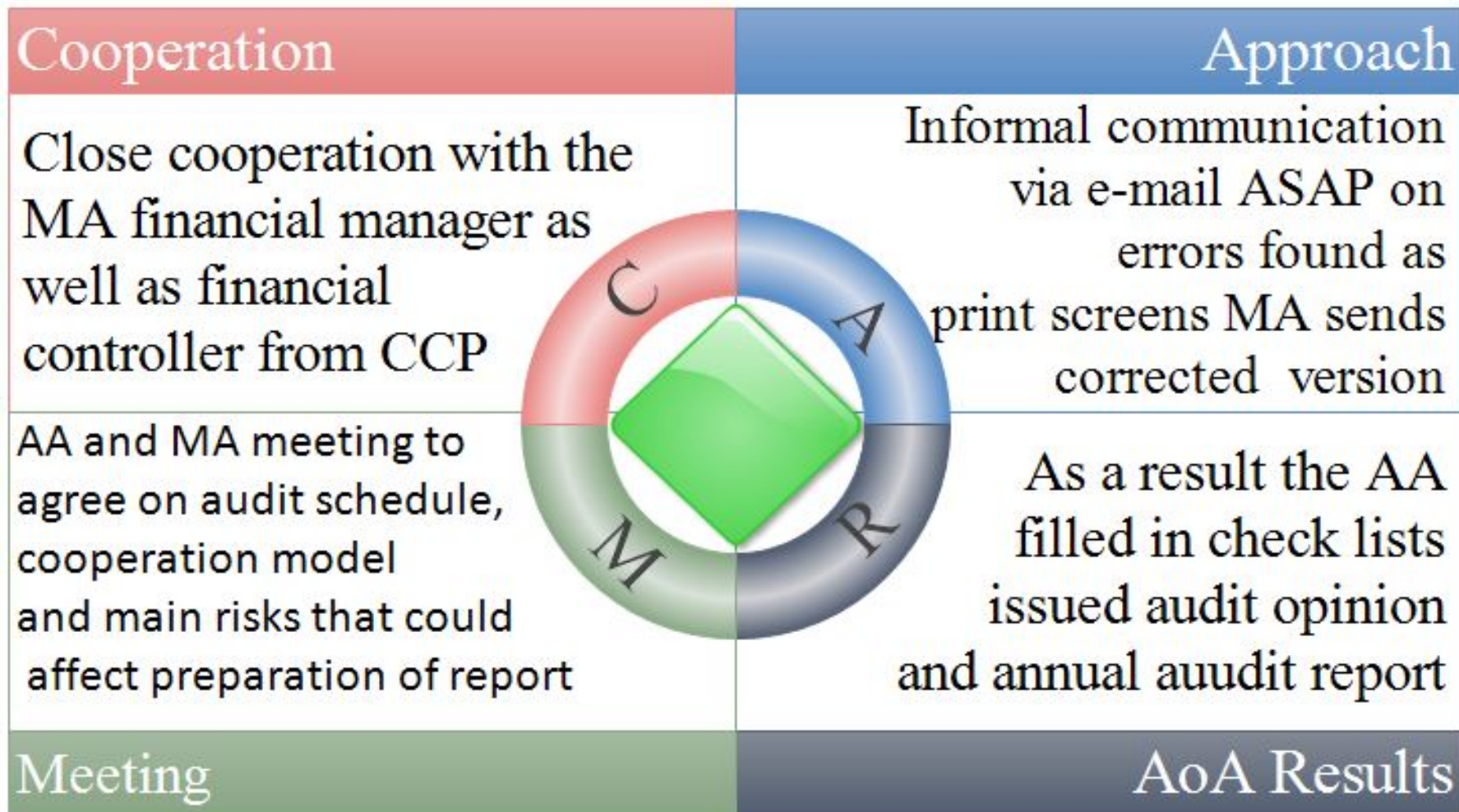


2. Approach for the audits of accounts - step by step (2)

STEP 1 – Agreed timeline with the MA on submission of Annual Report to the AA and the EC set in internal procedure - meeting with the MA organized in October



2. Approach for the audits of accounts - step by step (3)





2. Approach for the audits of accounts - step by step (4)

STEP 2

- Analysis of the results from system audits carried out on the functions of MA, particularly on the controls related to the accounts:
 - During the year 2018, system audit on programme electronical monitoring system was carried out. Services of external IT auditor were used.
 - As a result of system audit the MA was evaluated in category 2



2. Approach for the audits of accounts - step by step (5)

- **STEP 3 Verification of accuracy and completeness of Financial Part of the Annual report**



2. Approach for the audits of accounts - step by step (6)

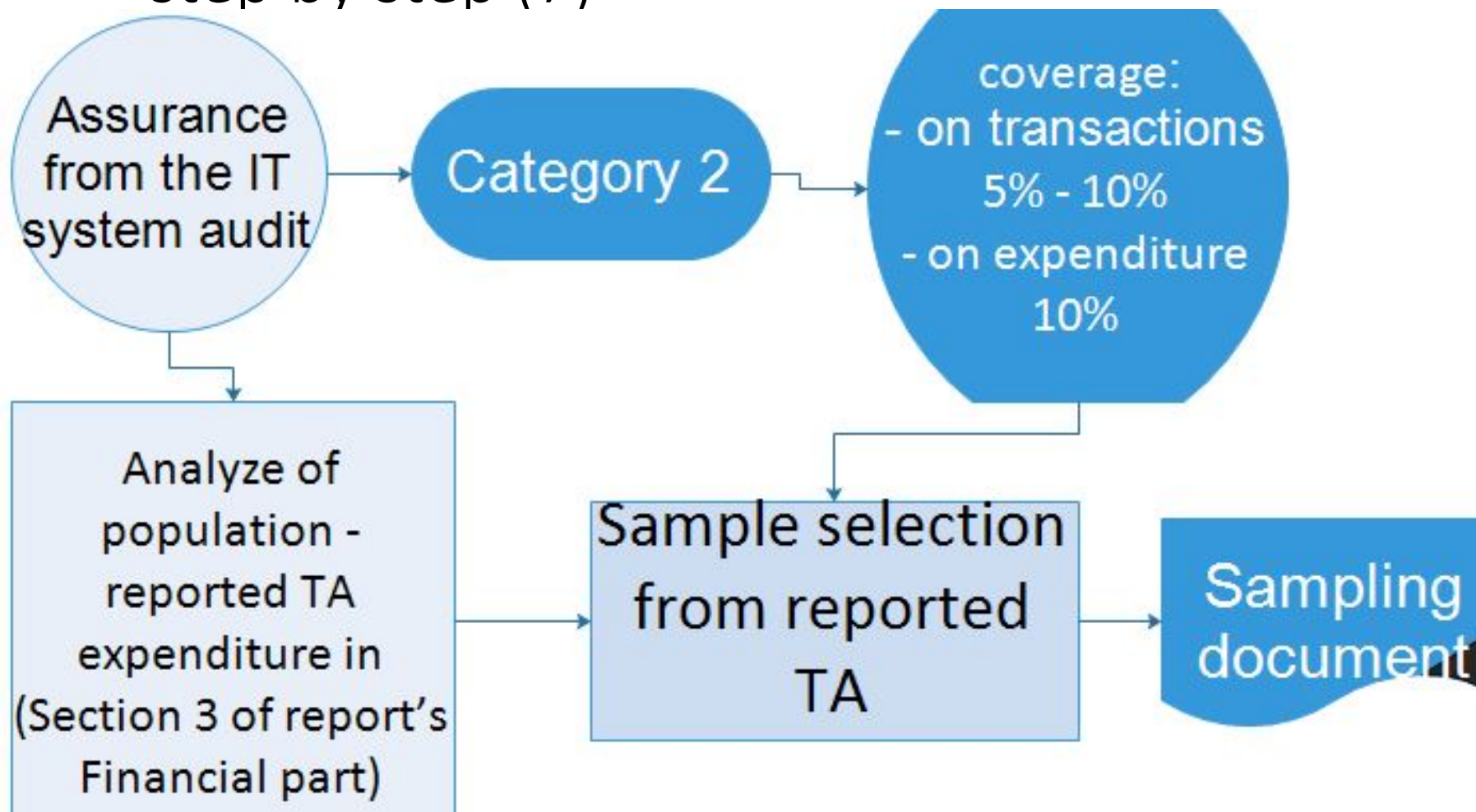
Following checks were not done due to the no expenditure declared for projects

Analysis of the results of examination of the audit trail and accuracy of the corresponding expenditure entered in the accounts

- to verify the reliability of the accounting systems appropriate checks shall be carried out during project audits – results shall be analyzed
- comparison between bank statements, bookkeeping ledger, programme database, signed grant contracts, MSC decisions on granting
- analyze of irregularities



2. Approach for the audits of accounts - step by step (7)





2. Approach for the audits of accounts - step by step (8)

Accounting System verification

- the reliability of financial information by examining the accounts of all revenue and for the sampled transactions expenditure were assessed by filling in TA verification checklist



2. Approach for the audits of accounts - step by step (9)

principle of occurrence

- transactions and events that have been recorded have occurred and pertain to the entity
- Q 2.3.2

principle of accuracy

- amounts and other data relating to recorded transactions and events have been recorded appropriately.)
- TA ChI: Q 2.3.3; Q 2.3.5; Q 2.3.6

principle of completeness

- all transactions and events that should have been recorded have been recorded. All disclosures that should have been included in the report have been included.
- Q 2.3.4



2. Approach for the audits of accounts - step by step (10)

Principle of Cut-off

- transactions and events have been recorded in the correct accounting period
- TA ChI Q 2.3.7.

Principle of accuracy and valuation

- financial and other information is disclosed fairly and at appropriate amounts
- TA ChI Q 2.3.5.; Q 2.3.5.

Principle of proper accounting

- Principle of transactions have to be recorded in the proper accounts
- TA ChI Q 2.3.8.



2. Approach for the audits of accounts - step by step (11)

Principle of existence

- assets, liabilities, and equity interests exist
- TA ChI Q 2.3.9.

Principle of rights and obligations

- the MA/BO holds or controls the rights to assets, and liabilities constitute obligations for the entity
- TA ChI Q 2.3.10.

Principle of valuation and allocation

- assets, liabilities are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded
- TA ChI Q 2.3.11.



2. Approach for the audits of accounts - step by step (12)

compliance verification

- whether all revenue has been received and for the sampled transactions examination whether expenditure incurred in a lawful and regular manner were done.



2. Approach for the audits of accounts - step by step (13)

Publicity

- information and publicity requirements of the EU and the programme been respected? TA ChI Q 2.4.1.1

Public procurement

- applicable procedure according to public procurement rules
- procedure documentation
- Principles of transparency, non-discrimination equal treatment and effective competition



2. Approach for the audits of accounts - step by step (14)

Specific eligibility rules

- Specific eligibility rules per each separate budget line



2. Approach for the audits of accounts - step by step (15)

Testing the effectiveness of internal control

- by verifying an annual summary of the controls carried out by the Managing Authority, including an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective action taken or planned.



3. Results of audit on draft accounts (1)

As a result of audit on draft accounts 5 errors were identified by auditor



3. Results of audit on draft accounts Error examples (2)

FINANCIAL PART OF THE ANNUAL REPORT FOR THE ACCOUNTING YEAR 2018										
Latvia – Russia Cross Border Cooperation Programme 2014-2020										
3. TECHNICAL ASSISTANCE**										
Programme body	Amount contracted (EUR)	Amount paid in current reporting periods (EUR)	Incurred costs Certified by Auditor* (EUR) - current reporting period	EU share of certified incurred costs (EUR) - current reporting period	EU share of certified costs as approved by JMA - current reporting period	Total EU share of certified costs as approved by JMA to date (EUR)	Verified by auditor columnD	Verified by auditor columnB		
1. Staff costs	376 349.23	314 780.26	314 780.26	171 114.54	171 114.54	221 914.86				
MA/ITS/AA	329 588.09	276 384.25	276 384.25	150 242.47	150 242.47	194 003.89				
BO	46 761.14	38 396.01	38 396.01	20 872.07	20 872.07	27 910.97				
2. Travel costs	51 189.93	31 006.48	31 006.48	16 855.10	16 855.10	24 806.38				
MA/ITS/AA	40 998.03	24 985.94	24 985.94	13 582.35	13 582.35	20 422.58				
BO	10 191.90	6 020.54	6 020.54	3 272.75	3 272.75	4 383.80	6041.01	-20.47	6 041.01	20.47
3. Equipment & supplies	2 732.76	661.48	661.48	359.58	359.58	377.94				
MA/ITS/AA	2 057.86	245.25	245.25	133.32	133.32	133.32				
BO	674.90	416.23	416.23	226.26	226.26	244.62				
4. Administrative costs	60 614.59	28 012.44	28 012.44	15 227.51	15 227.51	20 532.67				
MA/ITS/AA	30 405.25	8 682.15	8 682.15	4 719.55	4 719.55	6 208.83				
BO	30 209.34	19 330.29	19 330.29	10 507.96	10 507.96	14 323.84				
5. Information activities	34 745.45	16 366.90	16 366.90	8 897.05	8 897.05	17 402.86				
MA/ITS/AA	34 745.45	13 181.58	13 181.58	7 165.50	7 165.50	11 557.42				
BO		3 185.32	3 185.32	1 731.55	1 731.55	5 845.44				
6. Committees, Task Forces	23 342.09	19 609.36	19 609.36	10 659.64	10 659.64	10 659.64				
MA/ITS/AA	23 342.09	9 822.41	9 822.41	5 339.46	5 339.46	5 339.46				
BO		9 786.95	9 786.95	5 320.18	5 320.18	5 320.18				



3. Results of audit on draft accounts Error examples (3)

1.2. PROVISIONAL BUDGET FOR THE FOLLOWING 2 ACCOUNTING YEARS (COMMITMENTS AND EXPENDITURE)*

From the second financial year, requests for prefinancing shall be accompanied by the provisional budget detailing the Managing Authority's commitments and payments for the two accounting years as referred to in article 60 of ENI CBC IR.

	CO			Elina Valeine: No kurienes šis skaits?	
		1st following accounting year	2nd following accounting year		
	Amount COMMITTED by 30/06/2018 ^[1]	Amount to be COMMITTED 01/07/2018 to 30/06/2019 ^[2]	Amount to be COMMITTED 01/07/2019 to 30/06/2020 ^[3]	Total amount to be COMMITTED 4 ¹	
PROJECTS	0.00	20 431 747.80	0.00	20 431 747.80	
Technical Assistance	902 796.95	790 238.83	889 467.34	2 582 503.12	
Staff costs	526 132.07	408 762.95	443 198.84	1 378 093.86	
Administrative costs	82 749.59	78 490.41	96 352.48	257 592.48	
Office furniture, equipment	4 002.76	16 299.06	15 698.74	36 000.56	
Travel and accomodations / trainings	74 214.82	56 517.63	67 432.55	198 165.00	
Information activities	55 745.45	43 156.75	52 907.96	151 810.16	
Comittees, Task Forces	31 492.09	36 621.72	35 047.47	103 161.28	
External expertise	47 060.78	50 440.68	47 406.78	144 908.24	
Database and website	37 307.43	29 957.68	29 830.56	97 095.67	
Programme evaluation	11 500.00	11 500.00	11 500.00	34 500.00	
CBC Monitoring	5 000.00	10 000.00	15 000.00	30 000.00	
Audit	14 791.96	37 291.95	62 291.96	114 375.87	
OTHER COSTS	12 800.00	11 200.00	12 800.00	36 800.00	
TOTAL	902 796.95	21 221 986.63	889 467.34	23 014 250.92	

Elina Valeine:
No kurienes šis skaits?

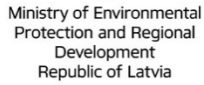
Elina Valeine:
Annex 3 Table 2 kolonna
cofinancing+EC funding

Vai nevajadzētu no programmas dokumenta informēt?

TOTAL 2016	2 940 976.00	139 249.49	165 870.51	165 870.51
2017				
Projects		188750,5289	8 493 773,80	1 698 754,76
TA		261 156,68	311 083,32	311 083,32
TOTAL 2017	5 140 740.00	449 907.21	8 804 857.12	2 009 838.08
2018				
Projects		582 987,43	5 000 000,00	5 246 886,90
TA		277 919,74	331 051,06	331 051,06
TOTAL 2018	1 652 883.00	860 907.17	5 331 051.06	5 577 937.96

	EXPENDITURE [EUR]			
		1st following accounting year	2nd following accounting year	
	Amount PAID by 30/06/2018 ^[1]	Amount to be PAID 01/07/2018 to 30/06/2019 ^[2]	Amount to be PAID 01/07/2019 to 30/06/2020 ^[3]	Cumulative amount to be PAID ^[4]
PROJECTS	0.00	6 434 091.00	10 554 716.34	16 988 807.34
Technical Assistance	571 765.71	790 238.83	889 467.34	2 251 471.87
Staff costs	408 231.92	408 762.95	443 198.84	1 260 193.71
Administrative costs	37 771.76	78 490.41	96 352.48	212 614.65
Office furniture, equipment	695.26	16 299.06	15 698.74	32 693.06
Travel and accommodations / trainings	45 654.02	56 517.63	67 432.55	169 604.20

13405983.33 6702991.665 268 900.67



3. Results of audit on draft accounts Error examples (4)

Latvia – Russia Cross Border Cooperation Programme 2014-2020
C(2015)9181
Annual Report 2017
___01.2019.



3. Results of audit on draft accounts Error examples (5)

9	RECEIPTS	
10	Payments received from the European Commission	5 434 898,40
12	Revenue from projects (penalties, interest on delayed recoveries, etc.)	0,00
14	Amount recovered from projects (paid by bank transfer, excluding recoveries deducted from payment)	0,00
15	Revenue from Technical Assistance (penalties, interest on delayed recoveries, etc.)	0,00
16	Amount recovered from Technical Assistance (paid by bank transfer, excluding recoveries deducted from payment)	0,00
17	TOTAL REVENUE	5 434 898,40
18	B	
19	PAYMENTS	
20	Amounts paid to projects	0
22	Amount paid for Technical Assistance	312 316,40
23	TOTAL EXPENDITURE	312 316,40
24	C	
25	BALANCE ON 30 / 06 / 2017	0,00
26		
27	ANNUAL BALANCE (A-B+C)	5 122 582,00
28	<i>(Total revenue – Total expenditure + balance on 30 June of previous year). Total balance on 30/ 06 / 2018</i>	



3. Results of audit on draft accounts Error examples (6)

I, the undersigned, <i>Sandis Cakuls</i> , acting as the Head of the Managing Authority for the ENI CBC Programme <i>Latvia - Russia</i> , hereby <u>request a payment of 2 436 475,21 EUR</u> , corresponding to 65,33% from the annual commitment of the programme for the following year, calculated as follows.	
Balance on 30/06/2018	5 051 432.33
Payments from the EC from 1 July 2018 to 31 January 2019	3 689 481.00
Expenditure to be incurred by the end of two accounting years following the reported one (from 1st July 2018 to 30th June 2020) ^[1]	11 444 183.68
PAYMENT NEEDS for the following financial year	-2 703 270.35



After errors in Financial Report were corrected by the MA, final version of Financial part was prepared and signed by the MA and submitted to the EC

The AA prepared unqualified opinion and together with the Annual Audit Report sent to the members of GoA for review and comments (5 working days)

No comments were received and opinion was submitted to the EC



Do you have any
questions? Thank you
for your attention

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