



REPUBLIC OF ESTONIA  
MINISTRY OF FINANCE



**Interreg**  
Estonia-Latvia  
European Regional Development Fund



EUROPEAN UNION

# Audit Authority Estonia-Latvia Programme

*Seminar for project partners*

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# Audit Authority as internal audit

- Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.
- Key elements in regard to the Programme:
  - Independence;
  - Assurance.

# Audit Authority in Estonia-Latvia

- Audit Authority is functionally independent from Managing Authority.
- Each participating country appoints a member to the Group of Auditors.
- Audit Authority is responsible for:
  - Audits on systems, projects and accounts;
  - Audit report and audit opinion.

# Audit work not done on projects

- In system audits:
  - we assess the performance of different authorities and other bodies of the Programme.
- In audits of accounts:
  - we assess the accuracy and compliance of all annual reports of sums certified.
- In the annual audit report and opinion:
  - we compile all the data from all those works and give an opinion based on that.

# Audit work on projects

- In project audits:
- we sample the population of projects financed in a given year;
- the projects so selected will then be audited for irregularities;
- the irregularities will then be projected to the population as a whole;
- which will then allow us to declare if the population is in line with materiality – or not.

# Projects audited annually

- Estonia-Latvia Programme uses a non-statistical sample.
- The sample is selected randomly, except when we have materially relevant projects, which have a higher probability.
- The basic rules are:
  - At least 10% of monetary amount included;
  - At least 5% of items included.

# Audit work with project partners

- Notification by letter.
- Recommendation to prepare all documentation in advance.
- On-the-spot visit – checks on documentation and works/purchases.
- We do not check the entire project – only the costs of the specific reporting year.

# Findings and comments

- If we find any discrepancies, we will write findings and recommendations in report.
- Non-significant findings: correct and improve;
- Significant findings: monetary corrections.
- The findings will be discussed with the partner and the management system.
- The partner must have a chance to comment and argue for each finding.



# Possible disagreements

- Disagreements are mostly resolved before final report.
- If the Managing Authority makes a decision based on the audit report that the partner disagrees with, it can be appealed.
- If disagreements persist, court will be the final arbiter.

# General errors discovered

- Most common errors are the following (in order of precedence):
  - General errors in relation to Programme rules;
  - Calculation errors;
  - Supporting documentation is missing;
  - Public procurement errors;
  - State aid errors.

# Impactful errors discovered

- Most impactful errors are the following:
- Public procurement;
- Corrections by percentage:  
100%, 25%, 10%, 5%.
- State aid.
- Corrections in the amount of illegal state aid:
- In some cases 100% will be corrected;
- In other cases, anything exceeding acceptable aid.

# Topics that are under scrutiny

- **Public procurement:**
- Potentially restrictive criteria towards offerers, especially criteria that hinders the cross-border competition.
- **State aid:**
- Economic activity by the recipient of funds that has the possibility to affect competition.
- Both are recent initiatives by European Commission.

# Practical recommendations

- Pay specific attention to the areas that contain the most inherent risk.
- When in doubt, ask first:
- Management of the Programme;
- Ministry of Finance (additional information on procurements and state aid).
- Factor in and plan for the possibility of mistakes.



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# Thank you!

Questions and comments

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