Audits of humanitarian aid projects financed by the EU

Studiedag – Journée d’études
NGO’s en bedrijfsrevisoren
ONG et réviseurs d’entreprises

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Outline

- The European Union in the world
- DG ECHO & its Partners.
- Internal Control Framework & Single audit Concept
- Audit Strategy
The European Union in the World

The Commission is organised into Directorates General, each headed by a Director General. Each DG is responsible for the formulation and/or implementation of a policy area. There are 6 DG’s that have the primary responsibility for external relations:

- **DG Development (DEV)**
  - Formulates the development policy applicable to ACP countries
  - Programming of the European Development funds.

- **DG for External Relations (RELEX)**
  - Formulation of the External policy and European Neighbourhood Policy.

- **The EuropeAid Cooperation Office (EuropAid)**
  - Responsible for the implementation of the European Commission’s external aid programmes, both programmed by DG DEV and RELEX.

- **DG for Humanitarian aid (ECHO)**
  - Responsible for the planning and implementation of the European Commission’s humanitarian aid

- **DG ENLARGEMENT (ELARG)**
  - Implementation of the Enlargement Policy

- **DG TRADE**
  - Implementing the external trade policy of the European Union

What is ECHO?

- **ECHO**, the Commission’s DG for Humanitarian Aid, is the service responsible for the humanitarian assistance to non-EU countries.

- The European Union (ECHO + MS) is today the largest donor of humanitarian aid in the world, supplying about 50% of global humanitarian aid annually.

- ECHO has operated in more than 100 countries around the world since 1992.

- In 2008 ECHO provided € 937 million of humanitarian assistance to an estimated 120 million of the world’s most needy beneficiaries.
Responsible Commissioner: Louis Michel
DG ECHO Partners

- DG ECHO is a donor
  - 750 Mio EUR Budget
  - 100 Mio EUR Emergency reserve
- Work done by partners through +/- 800 agreements with
  - NGOs (168)
  - Red Cross Family (2)
  - UN Family (11)
- All decisions taken at Brussels HQ but around +/- 100 experts assess and monitor the projects in the field

General Control Environment

Central Financial Service

Court of Auditors

DG ECHO

Commission

Coordination Other DGs

Authorising Officers

Internal Audit Service

Internal Audit capacity

Internal control system
- Budget and Reporting – Internal Control Coordinator
- Financial and other Regulations
- Control Standards – Risk Management
- Partnership Agreements – FAFA
- Evaluations and Assessments
  - Monitoring and Control Activities
  - Ex-ante checks
  - Operational & Financial
  - Verifications – HQ and field

Budget Authority

(Parliament – Council)

1) Approve budget
2) Give discharge

Court of Auditors

Commission

Coordination of

Project Proposals

(Part of – HAC Committee – EP – Scrutiny rights)
Types of Audit

Ex ante:
- Prior to admittance to the FPA
  - ECHO

Ex post:
- Headquarter Audits
  - Framework Contract Auditor / Officials
- Field Audits
  - Framework Contract Auditor / Officials
- (Embedded Audits)
  - Part of project budget

Audit Strategy

- Ex-post audits
- Partners audited on a cyclical basis (every 2 to 3 years)
- Audits undertaken in the field as well at the Partners Headquarters
- Audits follow two track approach
  - Review of internal control procedures on the basis of internal control questionnaire to establish risk profile of the partner and to issue recommendations for improvements
  - Substantive testing of financial reports of finalised projects = verification of expenditure for a sample of projects
- Depth and scope of the audits depends on the assigned control mechanism of the partner: A or P
Headquarter Audits

- Outsourced to a network of external audit companies
- Framework Contract 2006 with a possible extension of 4 x 12 months
- Specific Agreement for each batch of audits
- Central Management Team in Brussels

Field Audits

Carried out by ECHO Staff and contract auditors

- Selection 20 most important partners every 2 years + 20 other partners
- Objective: Audit of financial and operational aspects of the projects
- Visits of operations and local offices
- Visits to local and regional partners
Audits Results 2008

- 62 (NGO) Headquarter Audits Completed
- 28 (NGO) field Audits Completed
- 350 projects audited
- Recovery order issued EUR 4.1 MIO
- Recommendations
- Positive judgement ECA 2006 & 2007 reports

Objectives of the audit

Focussed on donor requirements
- Transparent accounting system (double funding)
- Expenditure used for the purposes intended;
- Expenses supported by original documents;
- Expenditure fit into categories of the budget and total ceilings are not exceeded
- Expenditures incurred during the eligibility period
- Expenditure charge to the agreement was duly authorised
Benefits of the audits

- Accountability

- Partnership, focussed on improving partners' financial ability
  - Risk profile of partner’s control system
  - Recommendations on internal control systems and financial governance
  - Deterrent effect of audits
  - Means of focusing on systemic issues faced by partners

Contacts

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We hear, We listen, We improve.

Somalia Water Project
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