Treatment of errors

Experiences in the Netherlands

Ton Kok
Audit manager Netherlands Court of Audit
t.kok@rekenkamer.nl
Contents of this presentation

1. Treatment of errors regarding Dutch Member State Declaration (context and single audit)
2. Some discussions in the Netherlands in the context of legality and regularity
CAP in the Dutch MSD

- Political responsibility is made explicit by introducing a Member State Declaration

- Minister of Agriculture is obliged to state an ‘in control statement’ and financial account + arrangement for assurance (sub-declaration)

- NCA is asked to provide an opinion about the reliability of the ‘national declaration’ which is stated by the minister of Finance and based on the sub-declaration of the responsible ministers

- Goal NCA is to provide an audit opinion with reasonable assurance
Context CAP

• Complex regulation
• Focus on legality and regularity
• Many actors on EU-level and national level involved
• EC acknowledged the complexity and need for adequate management and control procedures by establishing regulation
Legal and regular down to the level of the final beneficiary

Personal opinion: ‘To give an opinion as SAI on the L&R down to the level of the final beneficiary in the field of CAP it is necessary to make use of the work of other auditors and inspectors.’

- Reason: limit audit burden, added value through focussing, respect professionals in the field
NCA’s audit approach

System based approach and Single audit

• Start with risk assessment and audit plan

Most important elements:

– Using the results of the Certifying Body (internal auditor)
– Using the results of on the spot checks of the inspectorate
Audit activities (single audit)

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<th>I</th>
<th>Reliance on the work of others</th>
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<td>A.</td>
<td>Review of the audit departments' audit work</td>
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<td>1. review of audit files</td>
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<td>2. interviews/consultation</td>
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<td>3. reperformance</td>
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<th>Additional audit work by the Court of Audit</th>
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Auditing inspectorates

- Framework for auditing inspectorates has been developed
- Basic principle is using the results of the different inspections and extrapolating the irregularities to relate them with the total amount of the financial transactions
Auditing inspectorate (audit activities)

- Analysing processes and administrative procedures regarding the inspections
- Examine quality procedures to achieve well functioning inspectorates
- Test the different procedures which are needed to comply with EU regulations
- Determine if all the inspections are carried out and if they meet the requirements
## Pro and contra Single audit

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<th>CONTRA</th>
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<td>• Systematic control and audit</td>
<td>• Only paper</td>
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<td>• Asks for adequate system and management</td>
<td>• Chain is as strong as weakest connection</td>
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<td>• Less audit burden</td>
<td>• No statistical underpinned statement</td>
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<td>• Less resources</td>
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Discussions on legality and regularity

Definition?

- Law and regulations, but also internal arrangements and provisions in contracts or for instance decisions
- Subjective element in evaluation of errors
- Financial legality and regularity
- Good governance
Different people different opinions

• How to deal with contradictory conclusions?
• Database with specific cases
• Define and describe procedures how to deal with specific cases
  (1) Weighing interest,
  (2) sound reasons,
  (3) proof in files, and
  (4) decision process in advance (not after payment)
Thank you for your attention