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# INTERNAL AUDIT AND INVESTIGATIONS DEPARTMENT

Audit Authority – Solidarity and  
Management of Migration Flows

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# Good morning

- I'm Francis Darmanin. This is MY point of view after auditing SOLID funds for 3 years in Malta.
  - Any similarity in the examples appearing in this presentation to any real person or entity is purely coincidental.
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# Basically 2 types of audits

- Systems
  - Substantive testing (Projects)
  
  - Usually, the better the system the less need for substantive;
  - With EU funds, the amount of substantive is usually specified,
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# Who wants an auditor?

- The guy comes into the office, upsets our plans, thinks he has the right to delve into our affairs - who sent the bluffer here anyway?
  - Who do you think and why?
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# Who wants an auditor?

- In Brief>>>>>>>>>>>>
  - The person/persons or entity that HAS OWNERSHIP of the assets that are represented in the accounts that are being audited;
  - BECAUSE they want to know what happened to their money!
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# What is an auditor (legally)?

- An auditor studies for 5 years and requires 3 years further experience to acquire a warrant.
- Warrant ONLY applies for audits as per the Company Act or other legislation requiring a warranted auditor.



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## In other words

- Strictly speaking you cannot call yourself an auditor if you haven't got a warrant (nowadays called a Practising Certificate). The regulations require that the Audit Authority “takes account of internationally accepted audit standards.”
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# What does it take to be an auditor? -

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- ❑ **STUDIES:** various topics including accounts, statistics, law, quantitative analysis, business management, taxation & financial management.





# What does it take to be an auditor?

- 2

- Understanding the language of the REGULATIONS and being able to apply them.



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# What does it take to be an auditor? - 3

- EXPERIENCE (NOT ONLY auditing experience)



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# What does it take to be an auditor? -

## 4

- Applying a dose of LOGIC.
- LOGIC is the study of the methods and principles used in distinguishing correct from incorrect reasoning.



# What does the auditor do? 1

- The text-books will give you long lists of auditing procedures...all have their uses.
- Experience has taught me best method of all is to first TALK with the auditee, HEAR (*audire*) what she/he has to say & get the feeling of what is going on,



# What does the auditor do? 2

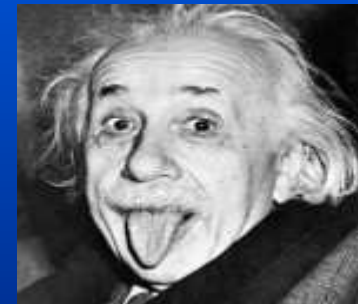
- AND THEN verify by delving into the archived paperwork



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# Does the auditor know it all?

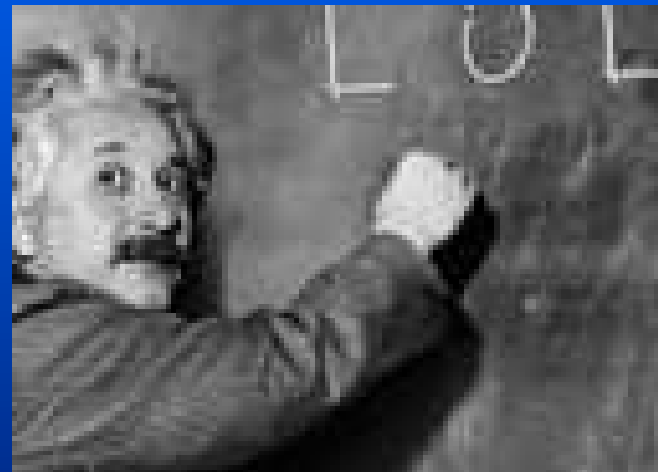
- Did this guy know the answer to everything?????????



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# ABSOLUTELY NOT

- BUT he sure asked asked a lot of questions!!!!



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What's it like to audit SOLID funds?

What do you think?

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Auditing of SOLID funds is NOT  
SOLELY about checking of:

dates,

figures,

quotations,

contracts,

existence of assets,

time-sheets,

invoices & VAT.

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Eligibility Rules – Basic Principles – all-encompassing provisions that cover ALL FUNDS.

Expenditure must be:-

Within the eligible actions...

Needed to carry out the activities covered by the project

Within the scope of the funds and its objectives

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- **Reasonable** & comply with the principles of **sound financial management..**
  - ALSO
  - EBF Implementation rules Article 17 para. 3 (g) ....and **good value for money** has been achieved in particular where the RA acts as the executing body.
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What is **reasonable**?

What is **good value for money**?

**WHO** is to judge?

What do you consider to be **sound financial management**?

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# REASONABLENESS – what does it mean?

The hospice houses 20 residents. There are 4 members of staff.

Plans are in hand to build further rooms to add 10 more beds.

Staff will increase proportionately.

What type of CANTEEN will you require?

One that caters for at least 40, at least 50, at least 75, at least 100, or more than 100?

What sort of questions do you need to ask?



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Looks great, but does it take  
photocopies on A4?



# What would you do?

- You inherit a plot of land. You acquire a loan from the bank to build a house. You are a busy person.
- What do you think about the schedule of budgeted costs?
- What would you do if you had savings?
- MEPA & architect's fees 20 K
- Building costs 50 K
- Finishing costs 50 K
- Administrator 50 K
- Invitations & house-warming 22 K
- Total: 192 K

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## Points to ponder: 1

- Procurement – a vast topic. What does it mean to you?



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- ❑ Regulations – EU, local, internal?
  - ❑ Value for money?
  - ❑ Transparency – a fair chance for all?
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# How do you achieve **good value for money?**

- Last winter lying in my private hospital bed waiting for my drip to be changed, I noticed a commotion at the nurses' station. Thinking something very important had occurred I pricked my ears. The head nurse was recounting to staff about this fantastic restaurant in Sliema where the burgers were so big you couldn't manage one all on your own.
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# Did I achieve good value for money?

- Some months later I suggested to my colleagues at work that we order the burgers for our annual BBQ from this place. I went there to check them out and found that they cost \$ 30 each. Thinking this expensive I did some internet research and found that 3 leading caterers, the BB, the CB, and the OZ did everything under the sun excepting giant burgers. So we got the Sliema burgers and they were delicious. Not long afterwards I met a friend who worked at the OZ. Guess what he told me?
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We've done them before - you  
should have asked!!



# What is urgent?

- The grant agreement is dated 2<sup>nd</sup> January 2013. The project runs for 2 years. By July 2013 you need to have in place a machine that removes gravel from horse-shoes.
- When does this become urgent?



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- If you start running around to do the tendering/seek quotations in May of 2013, can you still call this Urgency?
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NO.

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That's called

**NEGLIGENCE**

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# LEASE versus BUY OPTION

- ❑ A beneficiary once said “If it cost us so much to lease it, can you imagine how much it would have cost to purchase it?”
  - ❑ **How much? Did you ask?**
  - ❑ Evaluate options. Simple methods exist.
  - ❑ Consider training & maintenance costs.
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Did you distribute the brochures, pen-drives, ash-trays etc? To whom? Or are they still locked away in the store?

- Before ordering dozens/hundreds/thousands of items, make sure you know to whom/where you are going to use or distribute them.



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Have you already got the item you need?  
(Amazing what you can do with an old  
computer.)



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# What did we do before IT?

- Those of you who were born around my time (not many of you here I guess) did everything WITHOUT IT.
  - IT is a wonderful thing, and I'm very grateful for its existence.
  - What are the advantages/disadvantages of IT systems in a project of relatively short duration?
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# Partial use or full use?

□ So this vessel is going to be used solely for patrolling purposes?



□ OF COURSE!!!

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# Are ALL permits in order?



- ❑ Who doesn't hate bureaucracy?
  - ❑ But if you need a permit from the Health Department, **GET ONE!**
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# Points to ponder: 2

- Who should attend the audit?
- How long does it take to audit a project?
- Consider the audit trail.



# Where did we put those files?

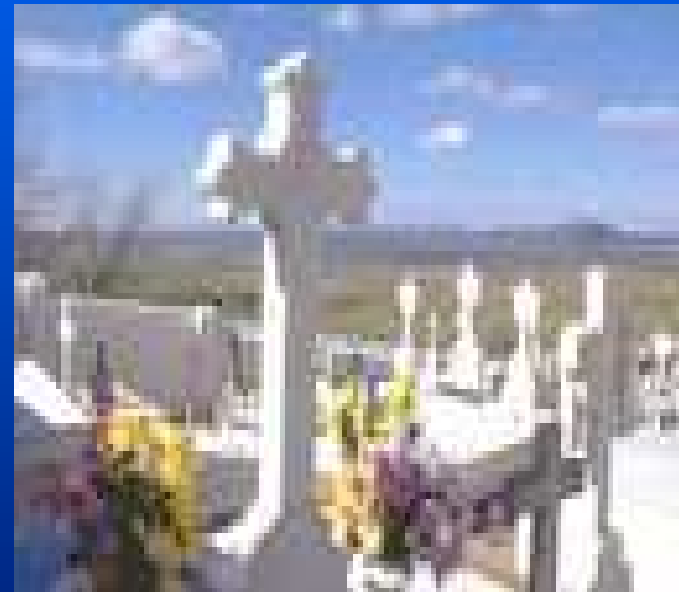
- Staff memo - Project ERF /15 zdd 22
- Grant agreement - HQ Qormi
- FO2s – Financial Controller's summer residence - Xemxija
- The rest - Maghtab



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# Ensure continuity

- **People move on**





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# Be aware of responsibilities

- **Don't blame others!!!**



# Points to ponder: 3

Why publicity?

Need publicity be costly?



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# THE END

□ THANK YOU ALL & GOOD LUCK



**General Programme Solidarity and Management of Migration Flows**  
European Fund for the Integration of Third Country Nationals (EIF), European Refugee Fund (ERF), European Return Fund (RF), External Borders Fund (EBF)  
Seminar for Beneficiaries financed by the European Union  
Co-financing rate: 100% Technical Assistance of the Four Funds  
*Sustainable Management of Migration Flows*

