



The mind of an auditor

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The audit context

- *International auditing standards - this can mean:*
 - **International Standards of Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI) – used by the European Court of Auditors**
 - **International standards on auditing (ISAs) issued by the International Federation of Accountants (IFAC) via International Auditing and Assurance Standards Board (IAASB)**
 - **Cover all aspects of an audit**
 - **ISA 200 provides an ‘overall’ view of audit**

The legal context

- *EU rules:*
 - **Regulation (EU) 1303/2013 (Articles 32-36) - the Common Provisions Regulation (CPR)**
 - **Regulation (EU) 508/2014 (Articles 60-64) – the EMFF Regulation**
 - **Any associated legislative acts from these Regulations (largely dealing with the practicalities of implementation)**

Comparison

• The auditor is:

- Independent, technically competent
- Professionally sceptical
- Looking for evidence of compliance with **rules** (oral < written < auditor-generated)
- Evaluating risk of incorrectly-incurred expenditure
- Assessing whether accounts are true, complete and accurate
- Directed by professional judgement
- Expected to carry out enough work to conclude

• The auditor is not:

- The police, an inspector or a controller (because of judgemental considerations)
- A policy advisor (potential conflict of interest if advice given on system set up and then audited)
- Flexible – in interpretation of a control failure
- Responsible for detecting fraud (not the main purpose of an audit)
- Management of the audited entity

Handy hints to reduce audit pain

- **No gold plating!** Stick to EU rules as much as possible
- Maintain fruitful co-operation between FLAGs and MAs
- Keep control system and procedures clear and simple
- What info do you need from the applicant?
- Minimise the checks on applicants – no duplications
- If procedures don't/no longer work, change them (auditor will measure you against these)
- Keep a proper audit trail

Final considerations...

- Funding is EU taxpayers' money – small budgets do not mean there is no need for controls
- The better the system structure, the easier it is to administer
- A well-functioning system carries lower audit risk (and thus receives less audit attention)