



Audit report manual

1. Audit of supporting account

The audit consists of the issuance, by the auditor, of a report on whether the supporting account has been made in accordance with the applicable regulations and, very particularly, on the eligibility of the expenses attributed to the grant and on the correct application of public funds.

2. Auditing company

The audit must be carried out by an auditing company, which must be registered in the ROAC (Official Register of Auditors), dependent on the Institute of Accounting and Auditing of Accounts, attached to the Ministry of Economy and Treasury of the Government of the Spanish State.

However, when the purpose of the grant is to finance an intervention abroad, the audit may be carried out by auditing companies that carry out their activity in the country where the review is to be carried out, as long as in that country there are a qualification regime for the exercise of the auditing profession. If there is no such authorization system in the country where the intervention is carried out, the review can be carried out by an auditing company established in the country, as long as it is designated by the body that grants the aid, or ratified at the proposal of the beneficiary entity, in accordance with technical criteria that guarantee adequate quality.

In the event that the beneficiary entity of the subsidy is obliged to audit its annual accounts, the review of the supporting account must be carried out by the auditing company itself.

3. Contract between the beneficiary entity and the auditing company

The beneficiary entity of the subsidy and the auditing company must sign a contract with the following minimum content:

- a) Obligation of the beneficiary entity to provide the auditing company with the supporting account, and to make available to it all the documents, books and records that it requests to carry out the review.
- b) Obligation of the auditing company to review the supporting account and to issue a report according to the provisions of Order EHA/1434/2007, of May 17, which approves the standard of action of the auditors in carrying out the work of reviewing accounts supporting subsidies, in the field of the state public sector, and this Instruction. The work of the auditing company is to verify that the final financial report presented by the beneficiary entity is correct.
- c) Submission to current regulations on auditing accounts in relation to the independence and incompatibilities of the auditing company.
- d) Duty of confidentiality of the auditing company, in accordance with the provisions of Order EHA/1434/2007.
- e) Commitment of the beneficiary entity to authorize the communication between auditors provided for in section 1.c of article 3 of Order EHA/1434/2007.
- f) Temporal planning of the review and deadlines for delivery of the report.

g) Fees to be received by the auditing company, with an indication of the estimated hours for the completion of the work.

4. Audit report

The auditing company must issue a report, which must be submitted in duplicate, on paper and in electronic format, detailing the checks carried out and commenting on all the facts that could lead to non-compliance by the entity beneficiary, of the applicable regulations or of the conditions established for obtaining the grant. In addition, the audit report must contain the following information:

- a) Identification of the beneficiary entity of the subsidy and the granting body.
- b) Identification of the file number, the title of the project, the amount of the subsidy and the amount of the approved budget.
- c) Details of the review procedures carried out by the auditing company, which must be carried out in accordance with the provisions of section 4a of chapter IV of Decree 15/2018, of June 8, of the special regime of foreign aid in matters of cooperation for development and international solidarity and the Register of non-governmental development organizations of the Balearic Islands. If the planned procedures cannot be fully applied, the omitted procedures must be indicated and the cause indicated.
- d) Supporting account subject to review, which must be included in the report as an annex.
- e) Reference to the fulfillment of the obligation of the beneficiary entity to have provided the auditing company with all the information requested for the review of the supporting account. If you have not provided it all, you must point out this circumstance and indicate the omitted information.
- f) Reference to the application of Order EHA/1434/2007 and the rest of the regulations that regulate the subsidy.
- g) Result of the checks carried out, with mention of the facts observed that may imply a breach, by the beneficiary entity, of the applicable regulations or of the conditions imposed for the perception of the subsidy, providing the information with sufficient detail and precision so that the managing body can draw a conclusion.
- h) Deviations, observations and comments in relation to the final result of the audit, as well as improvement proposals for the purposes of future calls.
- i) Signature of the person who drew up the report, indicating the date of issue and the registration number in the ROAC.

5. Procedures to be applied by the auditing company

In order to issue the report, the auditing company must check the adequacy of the supporting account of the project presented by the beneficiary entity through general procedures and specific procedures.

1. The general procedures are as follows:

- a) Analysis of the regulations governing the grant and all the documentation that establishes the obligations of the beneficiary entity and the auditing company with respect to the review that must be carried out.

b) Request for the supporting account, which must contain all the elements required in the regulations governing the subsidy, and verification that the account has been signed by a person with sufficient powers.

c) If the entity has been audited by an auditing company other than the one appointed to review the supporting account, obtaining the audit report in order to know if there is any exception that may have an impact on the review work of the supporting account. The beneficiary entity must authorize the transmission of this information.

2. The specific procedures are as follows:

a) Final technical report. The auditing company must verify the agreement and consistency between the information contained in the final technical report and that of the supporting account.

b) Supporting account. The auditing company must review all expenses incurred throughout the subsidized intervention. Specifically, it must ensure:

- That the economic information contained in the supporting account is supported by a classified list of all expenses and investments made with the subsidy from the Government of the Balearic Islands and, where appropriate, other contributions.

- That the expenses have been incurred and paid within the period of execution of the subsidized intervention, with the exception of those of the evaluation and audit reports, which can be incurred within the deadline for presentation of the final justification of the project .

- That the expenses that make up the relationship are subsidized, as indicated by the regulations governing the subsidy.

- That the expenses that make up the relationship are proven by means of invoices, receipts or other documents that are recognized as having the probative value required by the regulations governing the subsidy.

- That the summary table by items comparing the approved budget and the executed budget, with indication of absolute deviations and in percentages, matches the information expressed in the supporting account.

- That the supporting account has been presented in euros and that a correct conversion has been made of all expenses and investments made in foreign currency, as well as that the proofs of the exchange rate applied and of the method used by to the conversion.

- That the original documentation justifying the expenditure is duly stamped and that it accredits the origin of the financing.

- That the entity has the original documents certifying the expenses justified in accordance with article 39.4 of the Revised Text of the Subsidies Law, or the corresponding payment, and that these documents have been reflected in the accounting records.

- That the beneficiary entity has three offers from different supplier companies when the amount of the expenditure exceeds the amount of €50,000.00, in the case of work execution, or €18,000.00, in the other cases

- That all interest or financial income generated by the grant has been reinvested in the approved project.

- That the beneficiary entity has fulfilled the obligations established by Decree 15/2018 regarding the acquisition of real estate, if applicable.

c) Request to the beneficiary entity for a statement relating to the financing of the subsidized activity. The audit company must request from the beneficiary entity a statement that includes a detailed list of other resources or subsidies that have financed the subsidized activity, with an indication of the amount and origin. The auditing company must analyze the concurrence of subsidies, aid, income or resources for the same purpose from any administrations or public or private, national, European Union or international organizations, for the purpose of determine possible incompatibility and, if applicable, excess funding.

At the end of the review task, the auditing company must request from the beneficiary entity a letter of representations, which must be signed by the person who signed the supporting account, in which it must indicate that it has been informed the company audits all circumstances that may affect the correct perception, application and justification of the grant.

6. Expenses derived from the preparation of the audit report

The expenses of the audit item, whether subsidized or not, must always be justified by means of the following documentation:

- Original invoice or certified copy of the auditing company and proof of payment.
- Copy of the contract signed between the auditing company and the beneficiary entity of the grant.