

Points to Consider: Audit

Building Better Opportunities projects may be subject to audit by the European Commission, National Audit Office, DWP and/or bodies appointed by the Big Lottery Fund. Any project funded by ESF can be selected at random for audit, up to ten years following completion.

The specific arrangements for auditing the programme are yet to be confirmed, but lessons from previous programme about setting up your project to avoid difficulties are very likely to apply.

The key risk that you will be seeking to avoid is clawback of funds due to inadequate, missing or incorrect evidence. You will also want to avoid the disruption to project delivery and partnership conflict that can result from gaps and errors being found during the project.

1. What does an ESF audit involve?

An ESF audit normally involves auditors visiting the lead partner's premises to look at a range of project records. This may take one or several days, depending on the volume and complexity of documentation. You are likely to be asked to provide some information in advance of their visit, for example to enable auditors to select a sample of records to ask for, and you will be provided with information about how the visit will be conducted and what specific records will need to be on site. You can expect a written report after the visit, and may be given verbal feedback also.

2. What will auditors need to see?

Auditors are unlikely to look purely at project expenditure. They may ask to see some or all of the following:

- Organisation chart, job descriptions, progress meeting minutes
- Organisational policies and procedures, assessments and updates
- Partnership agreements, processes and procedures
- Project plans, agreed changes, reports and claims
- Invoices, payslips, payroll print-outs, timesheets, expenses claims and receipts
- Apportionment calculations
- Evidence of funds leaving the project account – BACS runs and bank statements
- Participant journey, eligibility evidence and state aid declarations (where relevant)
- Participant records including initial contact, all funded activity and any results of the activity such as a change in employment status.
- Publicity materials including marketing materials, publications, including evidence of compliance with BBO branding guidelines
- Evidence of project monitoring and quality assurance
- Evidence of addressing horizontal principles of sustainable development and equal opportunities including implementation plans
- Complete procurement records including tendering invitations, selection and award
- Service level agreements and subcontracts

3. What will auditors do with these?

The audit is likely to involve a number of steps, including the following:

- Selection of the documents or processes to be validated, and the sample/ reporting period to be looked at
- Review of **availability** and **completeness** of the source /supporting documents
- **Trace** and **verification of accuracy** of stated claims/reports/ data
- **Cross-checks** between data sources (e.g. claims and participant data, travel and attendance records etc.)
- **Spot-checks** to verify actual delivery (where feasible - if participants still active within the project)

4. Lead providers should ensure they are able to conduct ALL of the above as a monitoring check on documents retained for the project. Lead partners carry this responsibility for the whole partnership.

5. What can we do to avoid project disruption/ partner friction or clawback as a result of issues identified at audit up to ten years after project closure?

- Make clear arrangements for document retention detailing premises, security and accessibility.
- Have clear and formalised processes and rules for collection, validation and recording of evidence. Do not rely on undocumented knowledge or practices, which an auditor will not accept, and which pose a risk to reliability when staff change.
- Reduce the burden of responsibility on staff who complete, check, collect, record and file evidence of all kinds. Ensure they are adequately trained and prepared, and establish processes for monitoring and checking.
- Pay close attention to the consistency of recording of participant activity. Wherever possible use standard forms and guidance across your partnership.
- Set out how and when reporting will be made, and who will do it.
- Establish a document management system that enables easy identification and cross-referencing of outputs, results and cost items within each system.
- Set up BBO / ESF cost codes to enable easy identification of project expenditure in your accounts.
- Identify key risks to record-keeping and how they will be managed e.g. double counting, reconciliation issues, ineligible costs or incorrect apportioning.
- Set out procedures for regular checking of partner documents, and how gaps and errors will be resolved.
- Include your Building Better Opportunities project in your annual organisational audit (this is a requirement).

6. Remember that BBO is an actual cost programme. This means that financial evidence must demonstrate that claimed costs are eligible, relevant, actual, incurred AND defrayed (paid out).

7. If successful at Stage 1, organisations will receive much fuller support and advice on setting up their project successfully to meet all audit requirements.

Building Better Opportunities is jointly funded by Big Lottery Fund and the European Social Fund.