

## Agricultural certification audit services



Designated by each EU member state, the Certifying Body (CB) is a public or private legal entity that certifies the accounts of the accredited Paying Agency (PA) in respect of truthfulness, completeness and accuracy while assuring the satisfactory operation of the PA's internal control procedures. Since 2007, the Hungarian Certifying Body functions are fulfilled by KPMG in Hungary, both in regards of EAGF and EAFRD payments, in close synergy with the Ministry of Rural Development as the Competent Authority.

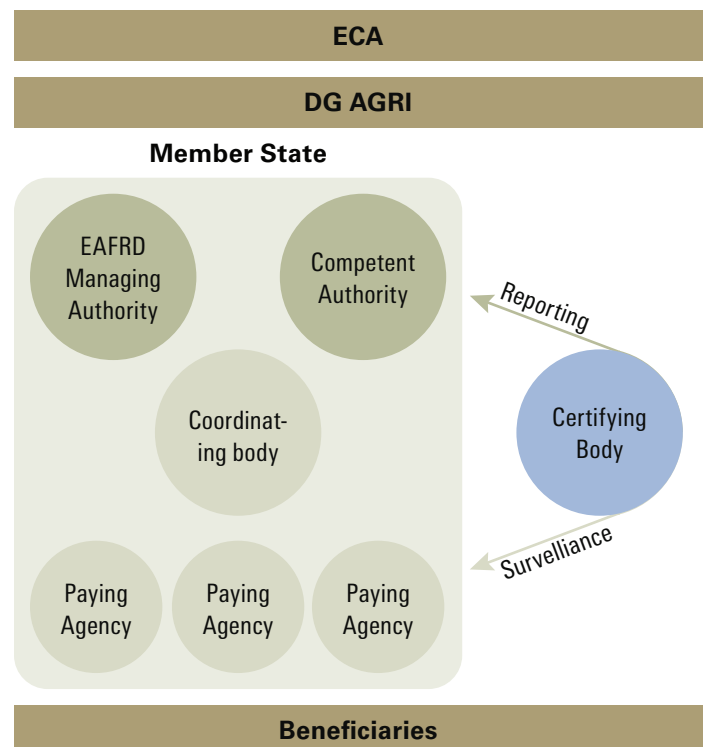
### Responsibility of the Certifying Body (CB)

- The **CB verifies the compliance** of the Paying Agency (PA) with the accreditation criteria, and examines whether the procedures give reasonable assurance that the expenditures charged to the EAGF and the EAFRD are true, complete and accurate and in compliance with Community rules.
- The CB delivers a certificate document to the EC about the statements of expenditure and intervention operations, stating whether they are a **materially true, complete and accurate record of the operations charged** to the EAGF and the EAFRD.
- The **CB shall produce a report annually** with the results of the checks carried out including findings, assessments and recommendations for improvement.

The audit work shall include audit of the PA's internal structure, HR capacity, delegation of duties, regulation of the operational and financial processes, and authorisation, payment, accounting of the assistance.

### Associated Institutional system

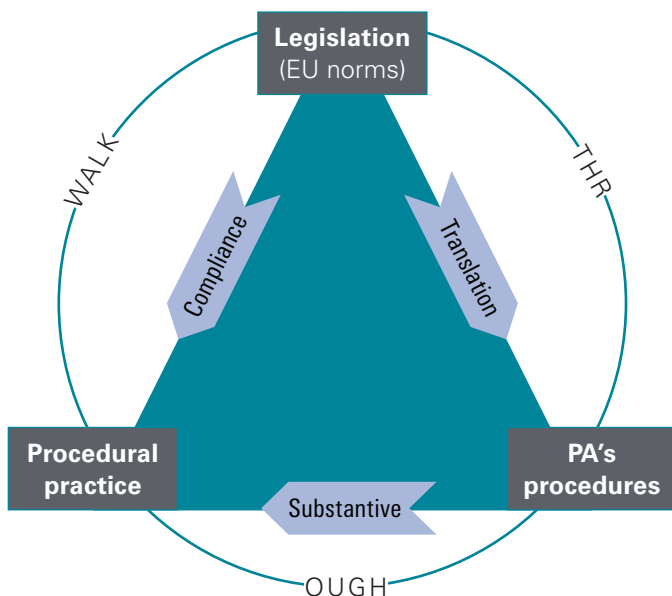
- The **Competent Authority** is a ministry level authority obligatorily appointed by the member state, responsible for granting and revoking accreditation regarding the PA, keeping it under constant supervision, on the basis of the CB's work.
- The **EAFRD Managing Authority** is responsible for the effective, successful and compliant coordination of the rural development programme.
- In case more than one PA operates in a member state, the **Coordinating Body** acts as the sole interlocutor between the Commission and the respective member state regarding EAGF and EAFRD.
- The **Paying Agency** (PA) executes tasks related to payments made of agricultural funds, and as regards communicating and keeping information, provides sufficient guarantees of the following:
  - the eligibility of requests and their compliance with Community rules, checked before payment authorisation;
  - accurate and exhaustive accounts of payments made;
  - checks laid down by Community legislation;
  - requisite documents being submitted within the deadline and in the form stipulated by Community rules;
  - documents are accessible and kept in a manner which ensures their completeness, validity and legibility over time.



*Institutional system*

## Audit methodology of the CB

- A **Walkthrough test** (WT) presents an overall picture of the authorisation, payment, accounting, reporting and debt management functions.
- The purpose of **Translation testing** (TR) is to examine whether written procedures, working documents and IT systems comply with Community rules. TR also provides information about the required monitoring of legislation amendments.
- Following the Commission's guidelines, **Compliance tests** (CT) aim at practical evaluation of the control environment via the testing of randomly selected claims and related documentation in each population.
- **Substantive testing** (ST) is either based on Monetary Unit Sampling (operational transactions) or random sampling (non-operational transactions) and means a thorough itemised examination. The purpose of this testing is to ensure the conformity of each step during the granting, authorisation, payment, accounting and recording procedures compared to external and internal regulations.



## On The Spot Checks (OTSC)

CB examines the appropriateness of the **On The Spot Checks** of the PA on a sample basis. This means re-performance or re-verification of the original OTSC including a field visit and review of the field inspection report by the CB's auditors. Additional aspects of the CB's review on the OTSCs aim at the evaluation of the annual control plan, instructions and manuals, human resources, training and competencies of the PA's inspectors, equipment and methodology, as well as monitoring and supervisory systems.

### Why KPMG?

In the last 10 years, KPMG has cultivated exceptionally deep knowledge of specific EU regulatory systems. Our work has enabled us to gain an EU-wide international experience in the fields of certification, accreditation and compliance audits of EU funds. KPMG in Hungary has provided certification and audit services of numerous EU-funded programmes, evaluating both compliance with the relevant regulatory environment and the legality of payments. Since 2007, the firm has been operating as the Certifying Body in Hungary, taking advantage of the productive synergies between our Audit, IT and Compliance groups.

### Main credentials in the EU

- EAGF-EAFRD CB and European Fisheries Fund Control Agency tasks since 2007
- Certification checks of the SAPARD programme during the 5-year follow-up period (2007-2012)
- Pre-accreditation of the Hungarian Paying Agency regarding EAFRD
- Professional support services to the Estonian and Latvian KPMG firms regarding EAGF-EAFRD and SAPARD certification operations (2010-2014)
- Organisation and hosting of the EU27 CB conference in Budapest in 2010
- Compliance review and audit of projects funded by the EU 7<sup>th</sup> Research Framework Programme in Hungary (2011-2013)

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