



## FINAL AUDIT REPORT <sup>(1)</sup>

**Audit No.** EE-Q2-2024-M/T and Compliance

<b>EPM</b>	Audit of fulfilment of milestones and targets and compliance audit with the Audit Authority
<b>MEMBER STATE:</b>	Estonia
<b>RRP COMPONENTS / MEASURES / MILESTONES / TARGETS</b>	EE-C[A]-I[1-3-.1-3-]-T[7] - eFTI (electronic Freight Transport Information) platforms development (Development of digital waybills services) EE-C[D]-I[4-7-.4-7-]-M[78] - Publication of a call for proposals for a pilot energy storage programme (Pilot Energy Storage Programme) EE-C[C]-R[3-3-.3-3-]-T[49] - Deployment of IT developments contributing to the implementation of the business event services and gateway (Development of event services and digital gateway for entrepreneurs) (Compliance part)
<b>NATIONAL AUTHORITIES:</b>	<ul style="list-style-type: none"><li>• Coordinating Body (Ministry of Finance, State Shared Service Centre)</li><li>• Estonian Audit Authority (Ministry of Finance)</li><li>• Estonian Business and Innovation Agency</li><li>• Ministry of Economic Affairs and Communications</li><li>• Environmental Investment Centre</li><li>• Ministry of Climate</li></ul>
<b>DATE OF MISSION:</b>	10/06/2024 - 14/06/2024
<b>PRINCIPAL AUDITOR:</b>	GALLI Giulia
<b>ASSOCIATED AUDITORS:</b>	NIKLAS Peter SCHRENK Judith

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<sup>(1)</sup> This report should be treated as confidential until the follow-up procedure has been brought to a final conclusion. If the whole or part of the report is transmitted to persons concerned by the audit to enable them to provide comments, please ensure that the information set out in this paragraph accompanies the transmission.

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## LIST OF ACRONYMS

<b>CID</b>	Council Implementing Decision
<b>DG ECFIN</b>	Directorate-General for Economic and Financial Affairs
<b>EC</b>	European Commission
<b>eFTI</b>	electronic Freight Transport Information
<b>EPM</b>	Enquiry Planning Memorandum
<b>EU</b>	European Union
<b>FA (Financing Agreement)</b>	Recovery and Resilience Facility Financing Agreement between the Commission and the Member State
<b>ISA</b>	International Standard on Auditing
<b>IT</b>	Information Technology
<b>KR</b>	Key Requirement
<b>MS</b>	Member State
<b>SSSC</b>	State Shared Services Centre
<b>RRF</b>	Recovery and Resilience Facility
<b>RRF Regulation</b>	Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility
<b>RRP</b>	Recovery and Resilience Plan

## 1. EXECUTIVE SUMMARY

### 1.1. Introduction

In accordance with DG ECFIN's audit plan for 2023/24, and in the context of assessing compliance with Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021, Commission auditors have conducted an audit on the satisfactory fulfilment of the milestones and targets declared in the request(s) for payment n°2 submitted by Estonia to the European Commission, on 18/12/2023.

### 1.2. Audit opinion and findings

#### 1.2.1. Overall audit opinion

#### ❖ Unqualified for the fulfilment of milestones and targets audit part

Based on the work carried out, in accordance with International Standards on Auditing, detailed in section 2 of the audit report, the auditors have obtained reasonable assurance on the satisfactory fulfilment of the milestones and targets included in the scope of audit, as declared in the request(s) for payment n°2 submitted by Estonia to the European Commission, on 18/12/2023

The audit work carried out does not put in doubt the assertions made in the management declaration(s) included in the request(s) for payment.

#### ❖ Unqualified for the compliance audit part

Based on the audit work carried out, nothing has come to our attention that causes us to believe that the subject matter of the audit is not in compliance, in all material aspects with Article 22(1) of the RRF Regulation and Article 11 of the Financing Agreement.

In compliance with the "Guidance on the assessment of the Internal Control Systems set in place by the Member States under the Recovery and Resilience Facility", the following table shows the results of the key requirement audited and the overall audit opinion of the system audited:

<b>Assurance on KR5</b>	<b>Overall opinion</b>
High	Unqualified

This audit represents the assessment and evaluation of the design of the internal control system at a specific point in time. Hence, this compliance audit does not provide assurance for future periods in view of risks such as the weakening of the internal controls resulting from changes in conditions, or possible deterioration of the degree of compliance with legal requirements or procedures.

### 1.2.2. Findings

The findings related to the audit identified by the ECFIN R4 auditors are summarised below:

#### **Fulfilment of milestones and targets audit:**

- *Findings related to the audit on fulfilment of milestones and targets:*

No findings were identified by the ECFIN R4 auditors for **T[7]** and **M[78]**.

#### **Compliance Audit:**

- *Findings related to the re-performed audit on milestone and targets*

No findings were identified by the ECFIN R4 auditors for target **T[49]**.

- *Findings relative to the Audit Authority's system:*

<b>Fin- ding n°</b>	<b>Issue</b>	<b>Key Require- ments</b>	<b>Relevant articles of the FA/LA</b>	<b>Classifi- cation (see Annex I)</b>	<b>Coordin- -ating body's response</b>	<b>Status of the finding</b>
1	Missing elements in the procedures and checklists used by the Estonian Audit Authority	<b>KR 5</b>	Annex I of the FA: KR 5	Very Important	Agree	Closed
2	Low number of audit staff dedicated to the RRF	<b>KR 5</b>	Annex I of the FA: KR 5	Very Important	Agree	Closed

### 1.2.3. Good practices

The IT systems (SFOS) used by the Estonian Bodies can be considered “best practice” and facilitate the Coordinating Body’s (and all the other national bodies) tasks in monitoring, supervision, and reporting. SFOS is also interconnected with other national databases such as the Business Register and the reporting platform e-grant.

SFOS and other interconnected databases enable the relevant bodies to store and verify information related to:

- State Aid (SA);
- Public procurement (PP);
- Do no significant harm (DNSH);
- Protection of Financial Interest of the Union (PFIU) – (Double Funding, Conflict of Interest);
- Implementation, monitoring and reporting of M/T;
- Audits.

### **1.3. Subsequent events and conclusions**

On 18/09/2024 <sup>(2)</sup> the Estonian authorities submitted their comments on the draft audit report. In particular, the Estonian authorities accepted all audit findings.

In addition, the Estonian authorities described the actions taken to improve the functioning of the Audit Authority's system.

Subsequently, based on the analysis of the Estonian reply to the audit findings all the findings have been closed by the Commission auditors and in Section 3 of the Final audit report it is described why the Commission accepted to close them.

## **2. THE ENGAGEMENT CONTEXT**

### **2.1. Legal Basis**

The legal basis for the audit on milestones and targets is foreseen in Article 12 of the Financing Agreement of the Recovery Resilience Plan between the European Commission and Estonia, in accordance with Article 22(2)(e) of the RRF Regulation <sup>(3)</sup>.

### **2.2. Objectives of the audit**

The audit was performed in the context of the Enquiry Planning Memorandum "Audit on the fulfilment of milestones and targets and compliance audit.

The objective of the audit is to obtain reasonable assurance on:

- the satisfactory fulfilment of the milestone **M[78]** and target **T[7]** as declared in the second request for payment submitted by the Republic of Estonia to the European Commission on 18/12/2023;
- the compliance of audit activities performed by the national Audit Authority with internationally accepted audit standards, related to target **T[49]**.

### **2.3. Scope of the audit**

The scope of the audit is limited to:

- a verification of the achievement of milestone **M[78]** and target **T[7]** declared in the request for payment n°2 submitted on 18/12/2023 to the European Commission; (fulfilment of M/T audit);
- public procurement and state aid procedure checks, do no significant harm (DNSH) checks (where applicable);

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<sup>(2)</sup> European Commission Reference: Ares(2024)6588762

<sup>(3)</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility

- a verification of an adequate and independent audit of systems and cases of support to investments and reforms KR5; (compliance audit);
- a review of the audit body's methodology and procedures in relation to the above-mentioned key requirement; (compliance audit);
- a review of the audit body's working papers from audits carried out on the selected milestones or targets declared to the Commission in the request for payment n°2 submitted on 18.12.2023; (compliance audit);
- the re-performance of the audit of the selected measure **T[49]** (compliance audit).

SEQUENTIAL NUMBER (AS IN CID)	NAME OF MEASURE	MILESTONE / TARGET	INDICATORS (QUANTITATIVE / QUALITATIVE)	BODY(IES) RESPONSIBLE FOR REPORTING AND IMPLEMENTATION / FOR AUDITING
49	Development of event services and digital gateway for entrepreneurs	target	Number of IT development projects contributing to the implementation of the business event services and gateway that have successfully deployed new developments online. These development projects shall be either directly related to the development of the digital gateway for entrepreneurs or to the development of business-event services, which additionally include the development of various related systems for interfacing with the digital gateway. As a result of each development project, at least a minimally functional IT solution shall be completed (i.e., the IT solution shall be operational at least in the basic parts for the end users (entrepreneurs) and shall be able to provide feedback for further development needs during the reform implementation period or afterwards).	Compliance Audit: Audit Authority (Financial Control Department - Ministry of Finance of Estonia)
78	Pilot Energy Storage Programme	milestone	An open call for proposals shall be published by the Environmental Investment Centre to support energy storage projects. The call shall be based on project selection criteria and award conditions that ensure that the selected projects comply with the 'Do no significant harm' Technical Guidance (2021/C58/01) through the use of an exclusion list and the requirement of compliance with the relevant EU and national environmental legislation. The selection/eligibility criteria shall specify that the supported activities and/or enterprises contribute to climate-neutral economy, climate resilience and climate change adaptation, including circular economy objectives.	Fulfilment of M/T Audit: Ministry of Climate Environmental Investment Centre
7	Development of digital waybills services	target	Number of projects developing an eFTI platform which have received a positive grant decision.	Fulfilment of M/T Audit: Ministry of Economic Affairs and Communications Estonian Business and Innovation Agency

The audit work was carried out at the premises of the Coordinating body and bodies implementing reforms and investments and at the premises of the Audit Authority.

#### 2.4. Methodology

The audit work was carried out in accordance with the methodology set out in the above-mentioned Enquiry Planning Memorandum and was based on the standard checklist(s) foreseen in the same memorandum.

The audit was performed in line with ISSAI 4000 (compliance with audit standard from INTOSAI) and in line with the principle 13 of COSO 2013.

After finalising the on-the-spot work, the Commission auditors have requested additional clarifications to the national authorities and received a complete reply.

<b>Bodies</b>	<b>Ares number</b>	<b>Received</b>
Coordinating Body (Ministry of Finance, State Shared Service Centre)	Ares(2024)4497461 and Ares(2024)4405970	13/06/24 17/06/24
Estonian Audit Authority (Ministry of Finance)	Ares(2024)4405847	17/06/24
Estonian Business and Innovation Agency	Ares(2024)4405820	13/06/24
Ministry of Economic Affairs and Communications	Ares(2024)4405947, Ares(2024)4466865 and Ares(2024)4474068	18/06/24 19/06/24 20/06/24
Environmental Investment Centre	Ares(2024)4405926	13/06/24
Ministry of Climate	Ares(2024)4405970 and Ares(2024)4502738	17/06/24 21/06/24

Based on the audit work, the auditors identified two types of audit findings which do not have the same implications for the audited entity:

Type A audit findings correspond to errors found in the audited sample and related to items specified in the CID. These errors are extrapolated to the entire population in the draft audit report and may lead to the conclusion that the corresponding target or milestone has not been satisfactorily achieved.

Type B audit findings correspond to errors found in the audited sample, which are not related to elements specified in the CID. In some cases, these findings are linked to non-compliance with national or EU rules and require follow-up by the national authority, which should:

1. check whether the corresponding funding has been unduly paid or not;
2. decide on the recovery of the corresponding amount;
3. confirm whether recovered amounts will be reused for the same objectives and, if so, the timeline of this use; and
4. report these elements to the Commission as part of the contradictory process of this audit.

On the basis of these elements, the Commission will be able to subsequently update its conclusion as to the satisfactory achievement of the objective and compliance with the agreement of financing. <sup>(4)</sup>

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<sup>(4)</sup> On the fulfilment of milestone and target audit there were no Type A and Type B findings.

Only for the compliance audit part ECFIN R4 had issued some findings and recommendations to the Audit Authority.

### 3. DETAILED FINDINGS AND RECOMMENDATIONS

#### 3.1. Findings relative to the Audit Authority's system:

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<b>Finding n° 1</b>	<b>Issue:</b> Missing elements in the procedures and checklists used by the Estonian Audit Authority
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#### **Legal basis and other sources:**

Annex I of the Financing Agreement - KR 5

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#### **Description of the finding:**

During the compliance audit, ECFIN R4 auditors focused their questions on the following aspects:

- the audit performed by the Estonian Audit Authority on the measure **T[49]**
- the procedures, checklists and working documents used by the Estonian Audit Authority to prepare, conduct and report on their audits.

The audit trail and the documentation provided by the Estonian Audit Authority related to the target **T[49]** is succinct, but the ECFIN R4 auditors' analysis concluded that the European Commission can rely on the audit work carried out by the Estonian Audit Authority.

The Estonian Audit Authority explained to ECFIN R4 auditors that:

- in case of absence of findings during the audit of a measure, only the final audit report is drafted without a draft audit report or contradictory procedure.
- the audit work is also supported by other levels of controls, e.g. by the Internal Audit Departments in the Ministries and Agencies and by the Coordinating Body itself, and by well-functioning and strong IT systems (SFOS).

ECFIN R4 auditors before and during the mission analysed the summary of audit, templates of checklists / working papers used by the Estonian Audit Authority and the audit manual. During the analysis of documents and during the compliance audit, ECFIN R4 auditors identified some missing elements in the procedures and checklists used by the Estonian Audit Authority to prepare, conduct and report on their audits, compared to the standards applied by the European Commission.

Specifically, ECFIN R4 auditors observed that:

In the audit strategy there is no reference to:

- the quality controls carried out;
- the international auditing standards that the Estonian auditors follow;
- the reference to the sampling methodology.

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In the templates of checklists / working papers the following standard questions are missing:

- the respect of the requirements in the description of the M/T and measure as defined in the CID Annex;
- the checks on the publicity requirements as defined in the RRF Regulation;
- the checks on the eligibility compliance period (the implementation of the measure has not started before 01 February 2020).

In the audit manual there are only references to the Structural Funds, and not to RRF.

Additionally, regarding the structure of the audit trail, ECFIN R4 auditors concluded it is missing the following elements, according to the description of the Estonian Audit Authority:

- a formal announcement letter template in which the contradictory procedure is covered;
  - a formal mission planning memorandum explaining the audit methodology, the scope and the sampling methodology applied.
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### **Recommendation(s):**

The audit authority (Ministry of Finance) is recommended to:

1. Ensure improvements to the audit strategy by:
  - adding the reference to the quality controls carried out;
  - adding the reference to the international auditing standards that the auditors follow;
  - adding the reference to the sampling methodology.
2. Ensure improvements to the templates of checklists/ working papers by including standard questions on the below mentioned aspects:
  - adding the respect of the requirements as in the description of the M/T and measure defined in the CID Annex;
  - explicitly checking the publicity requirements defined in Article 34 of RRF Regulation;
  - explicitly checking compliance with the eligibility period in accordance with Article 17(2) of RRF Regulation (the implementation of the measure has not started before 1 February 2020).
3. Improve the audit manual by:
  - adapting the audit manual developed for the Structural Funds, in order to make it suitable for the RRF specificities (like data collection according to Article 22 RRF Regulation, eligibility period, publicity requirements under NGEU, etc.).
4. Improve the structure of the audit trail by:
  - defining a formal announcement letter template in which the contradictory procedure is covered;
  - defining a formal mission planning memorandum explaining:
    - o the audit methodology;
    - o the scope, including fulfilment of M/T, PP/ SA and other thematic issues like PFIU aspects (fraud, corruption, conflict of interest, double funding);
    - o the sampling methodology applied.

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<b>Deadline for implementation:</b>	<b>Importance</b> (See Annex 1A):
3 Months	Very Important

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**Body responsible:**

Audit Authority (Ministry of Finance)

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**Coordinating body's response to recommendation (agree / partially agree / reject):**

Agree

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**Coordinating body's comments:**

See Annex III

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**Auditors' further comments (if applicable):****Finding Closed**

Auditors took into account the reply from the MS and the documents provided as evidence and consider them sufficient.

- 1) Regarding the first recommendation the evidence was received on 25/09/24: "2 2024 Audit Strategy RRF".
  - 2) Regarding the second recommendation the evidences were received on 25/09/24: "2 2024 Audit Strategy RRF", "4 2024 A2 General KL-TP RRF\_EN".
  - 3) Regarding the third recommendation the evidence was received on 14/10/24: "PA\_Handbook\_ver10\_2024\_new".
  - 4) Regarding the second recommendation the evidences were received on 25/09/24: "2 2024 Audit Strategy RRF", "4 2024 A2 General KL-TP RRF\_EN", "7 2024 A5 Audit plan and declaration\_EN", "9 2024 A7 Letter informing about the audit\_EN".
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**Finding n° 2**

**Issue:** Low number of audit staff dedicated to the RRF

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**Legal basis and other sources:**

Annex I of the Financing Agreement - KR 5

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**Description of the finding:**

During the compliance audit, ECFIN R4 auditors learned that while the Estonian Audit Authority deals with all European funds, the Audit Authority has only one specialised auditor for the Recovery and Resilience Facility (RRF).

The staff of all teams is supporting each other's audit work. The specialised auditor for the RRF benefits from the experience of fellow auditors working on other European funds.

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Additionally, the Estonian Audit Authority relies on audit activities performed by the Internal Audit Departments in the Ministries and Agencies. Overall and in particular for the RRF the number of auditors is limited.

The low number of auditors puts a strain on the effort of the Estonian Audit Authority to be effective and is a risk for business continuity.

Hiring an additional auditor dedicated to the RRF would contribute to guarantee business continuity at the Estonian Audit Authority and would be a contribution to ensure that sufficient resources for the purpose of the RRF are allocated.

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**Recommendation(s):**

The audit authority (Ministry of Finance) is recommended to:

- 1) Analyse the administrative capacity and report to the Commission auditors on how sufficient RRF audit coverage is ensured; consider adding an additional auditor dedicated to RRF.

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<b>Deadline for implementation:</b>	<b>Importance</b> (See Annex 1A):
3 Months	Very Important

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**Body responsible:**

Audit Authority (Ministry of Finance)

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**Coordinating body's response to recommendation (agree / partially agree / reject):**

Agree

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**Coordinating body's comments:**

See Annex III

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**Auditors' further comments (if applicable):**

**Finding Closed**

Auditors took into account the reply from the MS and the document provided as evidence and consider them sufficient.

The evidence was received on 14/10/24: "MEMO RRF work account 2024".

In the future ECFIN R4 will review if indeed the administrative capacity was increased, and the audit coverage is adequate (e.g. in the payment request assessment checklist based on the Summary of Audit and follow-up questions).

**ANNEX IA: IMPORTANCE OF THE FINDINGS RELATIVE TO AUDITS ON M/T AND SYSTEM AUDITS ON M/T**

**Critical:** Fundamental issue that is likely to affect the quality, integrity and ability of the underlying data management systems and/or pose severe risks to the reliability of reported data on achieved milestones and targets of the RRP.

**Very Important:** Significant issue that is likely hamper the quality, integrity and ability of the underlying data management systems and/or pose significant risks to the reliability of reported data on achieved milestones and targets of the RRP.

**Important:** Moderate issue that may hamper the quality, integrity and ability of the underlying data management systems and/or pose risks to the reliability of reported data on achieved milestones and targets of the RRP.

**Desirable:** Minor issue, the correction of which would support the quality, integrity and ability of the underlying data management systems and/or enhance the reliability of reported data on achieved milestones and targets of the RRP.

## **ANNEX IB: IMPORTANCE OF THE FINDINGS RELATIVE TO PFIU FOR THE SELECTED MILESTONES AND TARGETS**

**Critical:** Corrective action is needed to address a fundamental weakness in key controls, which puts in question the reliability of the whole or part of the internal control system of the auditee to protect the financial interests of the Union and has led or may lead to widespread irregularities. There is a substantial risk that the financial interests of the Union are not protected with respect to the RRF measures implemented by the corresponding auditee(s). If not addressed and depending on the impact on the overall implementation of the funds, such weaknesses may constitute a serious breach of the financing agreement leading to financial corrections in accordance with articles 3 and 19 of the financing agreement.

**Very Important:** Corrective action is needed to address a significant weakness in key controls, affecting the reliability of a significant part of the internal control system of the auditee to protect the financial interests of the Union, which has led or may lead to irregularities. There is a high risk that the financial interests of the Union are not protected with respect to the RRF measures implemented by the corresponding auditee(s). If not addressed and depending on the impact on the overall implementation of the funds, such weaknesses may constitute a serious breach of the financing agreement leading to financial corrections in accordance with articles 3 and 19 of the financing agreement.

**Important:** Corrective action is needed to address a weakness or deficiency in the internal control systems, which may lead to irregularities. Improved controls would benefit the implementation of the RRP and/or allow for greater effectiveness and/or efficiency of the measures to protect the financial interests of the Union with respect to the measures implemented by the corresponding auditee(s).

**Desirable:** Minor issue, the correction of which would support the effectiveness, efficiency and reliability of the measures to protect the financial interests of the Union.

**ANNEX II: SAMPLE OF FINAL RECIPIENTS / OPERATIONS / PROJECTS AUDITED**

List of the selected Final recipients / Operations / Projects audited for fulfilment of T[7]

EE-C[A]-I[1-3-.1-3-]-T[7]

COMPANY NAME	VAT NUMBER	ADDRESS
ATV Transport Aktsia Company	EE100171787	Harju maakond, Tallinn, Kesklinna linnaosa, Uus-Sadama tn 21
Waybiller OÜ	EE101946348	Harju maakond, Tallinn, Mustamäe linnaosa, Mäealuse tn 2/1
Live Technologies OÜ	EE101635620	Harju maakond, Tallinn, Lasnamäe linnaosa, Valukoja tn 32/3
Planlogi OÜ	EE102042047	Viljandi maakond, Viljandi linn, C. R. Jakobsoni tn 11
Eveod OÜ	EE102346031	Lääne maakond, Haapsalu linn, Haapsalu linn, Metsa tn 23
GoSwift OÜ	EE100619906	Harju maakond, Tallinn, Mustamäe linnaosa, Mäealuse tn 2/1

### ANNEX III: MEMBER STATE RESPONSE TO RECOMMENDATIONS

#### 1. Findings relative to the Audit Body's system:

<b>Finding n° 1</b>	<b>Issue:</b> Missing elements in the procedures and checklists used by the Estonian Audit Authority
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**Coordinating body's response to recommendation (agree / partially agree / reject):**

Agree

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**Coordinating body's comments:**

Recommendation 1)

- Missing elements in the audit documents and procedures: quality control.

Your recommendation was to add information to the Audit Strategy to reference the quality

controls carried out. The Audit Authority has added to the Audit Strategy under the section "Methodology" a clarification, that in accordance with the general methodology of the Department, a working paper for quality control will be filled out for each audit by the Audit Supervisor of that audit.

- Missing elements in the audit documents and procedures: international auditing standards.

Your recommendation was to add information to the Audit Strategy to reference the international auditing standards that the auditors follow. The Audit Authority has added to the Audit Strategy under the section "Introduction" a clarification that the Financial Control Department carries out audit work in accordance with the global internal audit standards of the Institute of Internal Auditors and has been externally evaluated as such.

Missing elements in the audit documents and procedures: sampling methodology.

Your recommendation was to add information to the Audit Strategy to reference the sampling methodology. The Audit Authority has added to the Audit Strategy under the section "Risk assessment" a clarification that the Audit Authority will consult the "Guidance on sampling methods for audit authorities" issued by the European Commission to ascertain which method is the most appropriate to the task.

Recommendation 2)

- Ensure improvements to the templates of checklists/ working papers: adding the respect of the requirements.

Your recommendation was to improve the templates of checklists/ working papers by adding the respect of the requirements as in the description of the M/T and measure defined

in the CID Annex. The Audit Authority has added to the "General checklist / working paper

for checking the fulfilment of milestones and targets" (Annex 2 of the Audit Strategy) the respective control question.

- Ensure improvements to the templates of checklists/ working papers: adding the explicit check for publicity requirements.

Your recommendation was to improve the templates of checklists/ working papers by explicitly checking the publicity requirements defined in Article 34 of RRF Regulation.

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The Audit Authority has added to the “General checklist / working paper for checking the fulfilment of milestones and targets” (Annex 2 of the Audit Strategy) the respective control question.

- Ensure improvements to the templates of checklists/ working papers: adding the explicit check for the eligibility period.

Your recommendation was to improve the templates of checklists/ working papers by explicitly checking compliance with the eligibility period in accordance with Article 17(2) of RRF Regulation. The Audit Authority has added to the “General checklist / working paper for checking the fulfilment of milestones and targets” (Annex 2 of the Audit Strategy) the respective control question.

Recommendation 3)

- Improve the audit manual: suitability for the RRF specificities.

Your recommendation was to improve the audit manual developed for the Structural Funds, to make it suitable for the RRF specificities. The Audit Authority has added to the Audit Strategy under the section “Introduction” a clarification, that the Financial Control Department uses in its work the general audit methodology developed by itself in accordance with the same standards. Whenever this methodology is used for Recovery and Resilience Facility, amendments will be made to the respective working documents to clarify their accordance with its specifics (such as data collection, eligibility period, publicity requirements, etc.).

Recommendation 4)

- Improve the structure of the audit trail: formal announcement letter.

Your recommendation was to improve the structure of the audit trail by defining a formal announcement letter template in which the contradictory procedure is covered. The Audit Authority has added to the Audit Strategy an Annex 7 “Audit Announcement Letter”, which includes points such as the scope of the audit, the sampling methodology and details about the contradictory procedures.

- Improve the structure of the audit trail: formal mission planning memorandum.

Your recommendation was to improve the structure of the audit trail by defining a formal mission planning memorandum explaining the audit methodology, the audit scope, and the sampling methodology applied. The Audit Authority has added to the “Audit Plan and Declaration of Objectivity” an Annex 8 “Audit Announcement Letter” (Annex 5 of the Audit Strategy”, the respective points.

If necessary, updated documents will be sent to you directly by the Auditing Authority.

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**Finding n° 2****Issue:** Low number of audit staff dedicated to the RRF

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**Coordinating body's response to recommendation (agree / partially agree / reject):**Agree

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**Coordinating body's comments:**

Recommendation 1)

Your recommendation was to analyse the administrative capacity and report to the Commission auditors on how sufficient RRF audit coverage is ensured; consider adding an additional auditor dedicated to RRF.

The Audit Authority has analysed the administrative capacity required for delivering the necessary results for RRF and proposes diverting a larger number of auditors within the Department to the task of carrying out RRF audits when that task arrives again. Audit Authority would also like to add an additional auditor full-time equivalent to the Department when the resources allow for it, so as not to leave other tasks of the Department undermanned as a result.

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