

Ex-post controls under the 7th Framework Programme

Federica Borella, INFSO.02 External Audit
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EU Research: Accountability context – Annual discharge

- EU Research policy accounts are subject to an Annual Budget discharge procedure (EP + Council).
- European Court of Auditors, external auditor of the EU, has found a material level (above 2%) of **errors** in costs declared by beneficiaries.
- Despite Commission's supervisory and control systems, many/most errors can only be detected (and thereby corrected) by performing **on-the-spot audits** at the level of the beneficiary.




EU Research: Inherent risk

- Risk of overstatement of costs, due to:
 - ineligible items
 - incorrect calculations
 - not actual
 - no adequate supporting evidence
 - intentional irregularities



Main sources of errors

- 80% of errors are found in:
 - Direct personnel costs
 - Indirect costs

➤  Multiannual Audit strategy



Best practice in claiming costs: time recording

- **Person-based full time-recording system**
- = Per researcher/employee working on research projects, allocating time to the different activities (research, education, management, administration, training, sickness, holidays) no estimation, properly authorized.
- **Why full time-recording system?**
- To be able to accurately calculate annual productive hours which are the basis for the correct calculation of the hourly personnel rate
- To avoid double charging time of the same personnel to several activities/projects



Best practice in claiming costs: direct personnel

- Directly hired or in-house consultants if:
 - contract to engage physical person
 - work under instructions
 - in the premises or teleworking agreement
 - output belongs to beneficiary
 - cost in line with normal employment
 - remuneration on basis of hours



Best practice in claiming costs: direct personnel

- Claim actual costs if no certification of methodology for averages has been approved by EC



Best practice in claiming costs: direct personnel

- If you apply for the use of averages:
 - actual and not budgeted or estimated costs
 - sufficient N° of categories
 - methodology applied in a fair manner



Best practice in claiming costs: indirect costs

- Use identifiable cost driver used for allocating indirect costs
- Do not charge identifiable indirect costs not related to research.
- For flat-rate beneficiaries: do not apply indirect costs on subcontracting
- Use all productive hours for the allocation of the indirect costs to the projects in the calculation of overhead rate



Audit certification

- Need for tighter control
- Reduce risk of errors
- Increase assurance
- More information ex-ante



Types of Certification in FP7

- **Certification on the Financial Statements (CFS)**
 - Verification of costs and receipts (Annex VII - Form D)
- **Certification on the Methodology**
 - Verification of systems (Annex VII - Form E)
 - for both Personnel & Overheads (CoM)
 - for Average Personnel Costs (if average personnel costs charged) (CoMAv)



Procedures to be followed in the Certificates

- Procedures to be followed by auditors are **compulsory**
- **Exceptions** should be noted every time the findings are not consistent with the standard ones
- Exceptions will be evaluated by EC and not necessarily mean rejection of costs



Who delivers the certificates ?

- Beneficiaries have free choice of external auditor
- External auditors must be ***Independent and Qualified***
(Directive 2006/43/CE replacing 8th Council Directive)
- Competent public officer (*research organisation, public bodies, higher education establishments*)



Certificate on the Financial Statements (CFS): periodicity of submission

- Requested EC contribution (cumulative) < 375.000€:
 - > **No CFS** to be submitted (not even at the end of the project)
- Requested EC contribution (cumulative) \geq 375.000€:
 - > **CFS every time \geq 375.000 €** (except for a project with a duration of 2 years or less – in this case only one CFS at final payment stage)
 - NB: If Certificate on the Methodology (CoM) accepted by the Commission : no interim CFS but only at the end of the project



Certificates on the Methodology for Personnel & Indirect Costs (CoM: annex VII/E)

Optional for beneficiaries with at least 8 FP6 or 4 FP7 participations signed before 1/1/2010 (EC contr. \geq 375000)

ADVANTAGES

- Waives the obligation to submit Certificates on Financial Statements for *interim* payments
- Valid for the duration of FP7
- Lightened ex post audit procedures (*compliance to methodology vs. audit tests*)
- Early detection and correction of possible methodological errors ("fix the future")



Certificates on the Methodology for Average Personnel Costs (CoMav: annex VII/E)

Compulsory for beneficiaries using Average
Personnel Costs

*EC decision on the acceptability criteria of
23/06/2009*

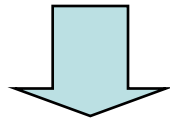
ADVANTAGES

Personnel costs charged according to
approved methodology are deemed not
to significantly differ from actuals



Conclusions

- **Certificates are not a burden but an opportunity**



- to detect possible errors at an early stage
- to promote the use of correct methodologies according to FP7 rules



how to get **INFORMATION** and **HELP**

- Audit certification policy website
http://cordis.europa.eu/audit-certification/home_en.html
- **Ec decision on averages criteria**
ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-average-personnel-costs_en.pdf
- Guidance notes on FP7 audit certification
http://cordis.europa.eu/fp7/find-doc_en.html#guidance
- RESEARCH HELPDESK
<http://ec.europa.eu/research/enquiries>

