



Audits in Horizon 2020

HORIZON 2020

Fit for Health 2.0
Brussels 22/01/2015

European Commission
RTD.J.2 Common Audit Service
Kai-Young Weißschädel

Agenda

- 1. Types of Controls according Article 22 MGA*
- 2. The Audit Cycle in Horizon 2020*
- 3. Practical Advice and Hints*

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Types of controls: Article 22 MGA

- *Checks*
 - *Reviews*
 - *Audits*
 - *Investigations*
 - *(Special cases)*
-
- *Any form of control can include third parties and subcontractors (Article 10-16 MGA)*

Checks

- *Control implementation of the action*
- *Verify compliance with legal obligations*
- *Assess deliverables and reports*

- *By Commission itself or external persons / bodies*
- *Can relate to any aspect of the grant*
- *At any moment and no time restrictions*

Reviews

- *Mainly concern **technical** and **scientific** implementation of the action*
- *Can include financial and budgetary aspects*
- *By Commission itself or external experts*
- *May include on-the-spot visits or review meetings*
- *Review report and 30 days “contradictory review procedure”*
- *Up to 2 years after payment of the balance*

Audits

- *Mainly concern **financial** implementation of the action*
- *Can include technical and other aspects*
- *By Commission itself or external auditors*
- *Usually includes on-the-spot visit and desk review*
- *Audit report and 30 days "contradictory audit procedure"*
- *Up to 2 years after payment of the balance*

Investigations

- *By European Anti-Fraud Office (OLAF)*
- *Discover fraud, corruption or illegal activities*
- *Usually includes on-the-spot checks and inspections*
- *At any moment during and after the action*

Special case: ECA

- *Checks and audits by the European Court of Auditors (ECA)*
- *ECA is external auditing body for all European institutions*
- *Usually includes on-the-spot visit and desk review*

Special case: International Organisations

- *Checks, reviews, audits and investigations also apply to international organisations*
- *By European Commission, European Anti-Fraud Office (OLAF) and European Court of Auditors (ECA)*
- *Special agreements between the European Union and the international organisation may apply*

Consequences of findings (Article xx MGA)

- *Rejection of ineligible costs (42)*
- *Reduction of the grant (43)*
- *Recovery of undue amounts (44)*
- *Administrative and financial penalties (45)*
- *Suspension of payments (48)*
- *Suspension of the action implementation (49)*
- *Termination of the agreement or participation (50)*
- *"Extension of findings to other grants"*
- *OLAF findings may lead to criminal prosecution*

Extension of findings

- *Systemic or recurrent errors detected*
- *Extension of findings to non-audited/reviewed reporting periods of this grant*
- *Extension to any other H2020 grant of this beneficiary*
- *Concerns on-going and closed grants*
- *Up to 2 years after payment of the balance*

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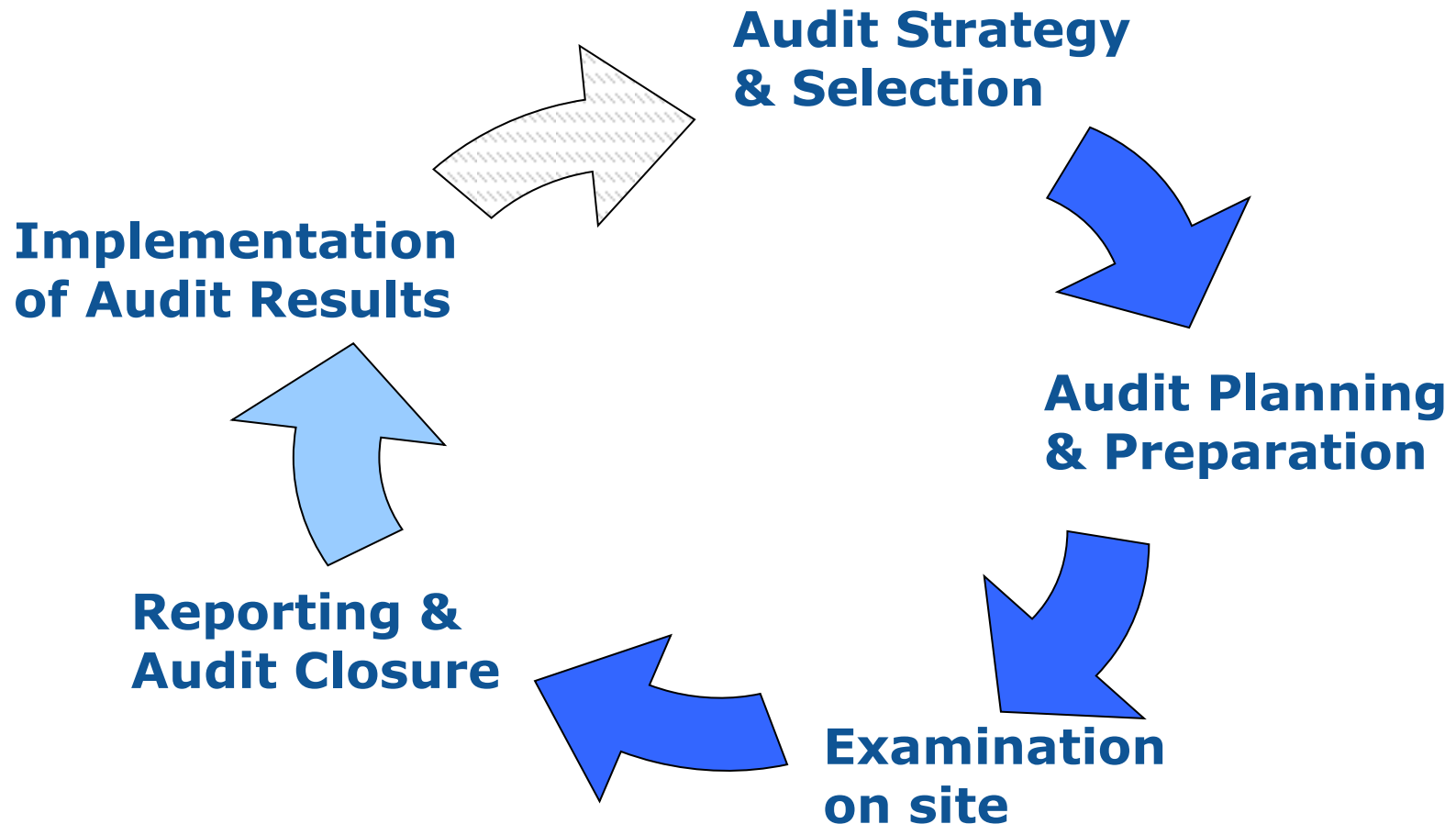
Certificate on the Financial Statements (CFS)

- *First level audit*
- *Threshold of EUR 325.000 EU contribution*
- *One certificate submitted at the end of the action (together with the payment request)*
- *Cost of CFS eligible under the category "Costs for other goods and services"*
- *Auditor to be selected by beneficiary*

Common Audit Service

- *Financial audits (second level audits) for all H2020 actions of:*
 - *All Research related Directorate-Generals of the European Commission*
 - *Executive Agencies*
 - *Joint Undertakings*
- *Ex-ante assessment for Large Research Infrastructure (LRI) costs*
- *Certification on Methodology (unit costs for average personnel costs)*

Audit cycle



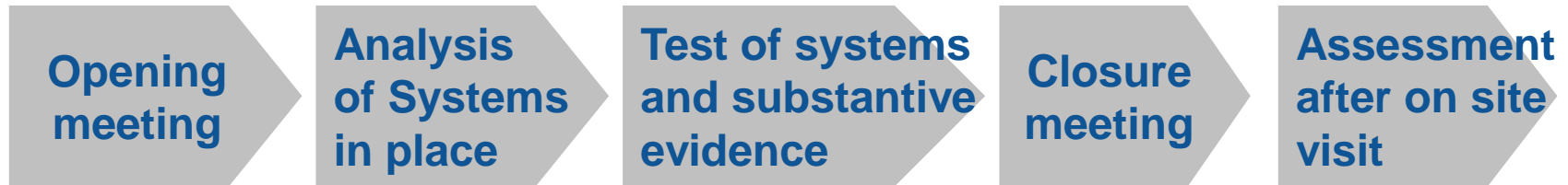
Audit Strategy & Selection

- *Statistical method: Monetary Unit Sampling (MUS)*
- *Risk based analysis: high amounts, large proportion of subcontracting, new beneficiaries, etc.*
- *Fraud-risk audits*
- *Audits of biggest beneficiaries*
- *Audits on request*
- *Technical / Scientific audits*

Audit Planning & Preparation

- *Concrete selection of actions to be audited*
- *Initial contact with responsible auditors to agree on dates and logistics for audit visit*
- *Formal “Letter of announcement” of audit including detailed annex with information and documents to be provided **prior** and **during** the on site examination*

Examination on site



Usually within 4-5 working days (one week)			(...)
<p><u>General information on:</u></p> <ul style="list-style-type: none"> • organisation • projects • financial administration • internal control systems <p><u>Audit agenda for the week</u></p>	<p>Collection of information and audit evidence, analysis of documents, interviews with researchers, project presentations, physical inspections, etc.</p>	<p>Discussion on preliminary audit findings and observations</p> <p>Indication of further audit procedure</p>	

Reporting & Audit Closure

- *Draft audit report*
- *Internal quality check*
- *Contradictory audit procedure: 30 days for beneficiary to send comments and "Letter of representation"*
- *Final audit report*
- *Internal committees and final quality check*
- *Audit closure with formal "Letter of Closure" of audit and indication of further procedures for the implementation of audit results*

Implementation of Audit Results

- *Managed by the operational services in charge of project management*
- *Normally adjustment of ineligible costs*
- *Possibility of extension of audit findings to other grants in case of systemic and recurrent errors*
- *Administrative and financial penalties*
- *Further financial and legal consequences: reduction of grant, suspension of payments, termination of grant, OLAF investigations, etc.*

Obligations of beneficiaries

- *Obligation to keep records and other supporting documentation for 5 years (3 years for low value grants \leq EUR 60.000) – Article 18 MGA*
- *Obligation to make available all records and documents during checks, reviews, audits or investigations and to keep them until the end of these procedures*
- *Original documents or authorised digital copies*
- *All evidence must be verifiable, auditable and available (no objection of data protection or confidentiality)*

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Practical advice: please avoid errors

- *It makes life easier for you.*
- *It makes life easier for us.*
- *It avoids unnecessary conflicts so that emphasis can be put on excellent science.*
- *Read guidance documents carefully (MGA / AMGA)*
- *Attend seminars, take advice from specialists*
- *Pass on information to other participants and actively support them in their cost claims*
- *Have a staff member dedicated to financial issues*

Some advice from practical experience

- *Staff working on the action MUST keep time records*
- *Check that all third parties and subcontractors have been clearly declared and follow specific rules*
- *No subcontracting or invoicing between consortium partners or payment for other partner's costs*
- *Costs declared MUST be actual and real. No planned, budgeted, apportioned, approximated costs allowed (even not if according to budget foreseen in the grant or according to proposal)*
- *Inform or ask the Commission / project officer in case of questions, changes or problems*

Additional information

Participant Portal

At: <http://ec.europa.eu/research/participants/portal/desktop/en/home.html>



Horizon 2020 Documents

http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html



Horizon 2020 On-line Manual

<http://ec.europa.eu/research/participants/portal/desktop/en/funding/guide.html>



Questions? *Research Enquiry Service*

<http://ec.europa.eu/research/enquiries>