

H2020 Finance Training

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THE FRAMEWORK PROGRAMME FOR RESEARCH AND INNOVATION

HORIZON 2020

**The EU Funding Programme for
Research and Innovation**

Purpose of the Training

The purpose of this training is to

- Raise awareness of financial issues through an auditor's perspective and
- to provide information about tax exemptions on VAT, Stamp duty tax, income tax etc.

Training will be in two parts:

- 1-Auditing Issues
- 2-Tax Exemptions

PART I

AUDITING ISSUES

Eligibility of the Auditor

Q-Who can be an auditor?

Option 1: qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations].

Eligibility of the Auditor

Option 2: *if the Beneficiary or Linked Third Party has an independent **Public Officer**:* is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the Beneficiary].

Option 3: *if the Beneficiary or Linked Third Party is an international organization:* is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation].



Structure of the CFC

The CFS is composed of two separate documents:

- The Terms of Reference (**‘the ToR’**) to be signed by the *[Beneficiary]* and the Auditor;
- The Auditor’s Independent Report of Factual Findings to be issued on the Auditor’s letterhead, dated, stamped and signed by the Auditor (or the competent public officer) which includes the agreed-upon procedures to be performed by the Auditor, and the **standard factual findings** to be confirmed by the Auditor.

Structure of the CFC

The 'result' column has three different options: 'C', 'E' and 'N.A.':

- 'C' stands for 'confirmed' and means that the auditor can confirm the 'standard factual finding' and, therefore, there is no exception to be reported.

- 'E' stands for 'exception' and means that the Auditor carried out the procedures but cannot confirm the 'standard factual finding', or that the

Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable),

- 'N.A.' stands for 'not applicable' and means that the Finding did not have to be examined by the Auditor and the related Procedure(s) did not have to be carried out. The reasons of the non-application of a certain Finding must be obvious

Structure of the CFC

Example: i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable; ii) if the condition set to apply certain Procedure(s) are not met then the related Finding(s) and Procedure(s) are not applicable. For instance, for 'beneficiaries with accounts established in a currency other than the euro' the Procedure related to 'beneficiaries with accounts established in euro' is not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.

Responsibilities of the Parties

The Beneficiary;

- ✓ must draw up the Financial Statement(s) for the action financed by the Agreement in compliance with the obligations under the Agreement. The Financial Statement(s) must be drawn up according to the *[Beneficiary's]* [accounting and book-keeping system and the underlying accounts and records;
- ✓ must send the Financial Statement(s) to the Auditor;
- ✓ is responsible and liable for the accuracy of the Financial Statement(s);
- ✓ is responsible for the completeness and accuracy of the information provided to enable the
- ✓ Auditor to carry out the Procedures. It must provide the Auditor with a written representation letter supporting these statements. The written representation letter must state the period covered by the statements and must be dated;
- ✓ accepts that the Auditor cannot carry out the Procedures unless it is given full access to the *[Beneficiary's]* staff and accounting as well as any other relevant records and documentation.

Responsibilities of the Parties

The Auditor:

- ✓ must be independent from the Beneficiary *[and the Linked Third Party]*, in particular, it must not have been involved in preparing the *[Beneficiary's]* Financial Statement(s);
- ✓ must plan work so that the Procedures may be carried out and the Findings may be assessed;
- ✓ must adhere to the Procedures laid down and the compulsory report format;
- ✓ must carry out the engagement in accordance with this ToR;
- ✓ must document matters which are important to support the Report;
- ✓ must base its Report on the evidence gathered;
- ✓ must submit the Report to the *[Beneficiary]* *[Linked Third Party]*. The Commission sets out the Procedures to be carried out by the Auditor. The Auditor is not
- ✓ responsible for their suitability or pertinence. As this engagement is not an assurance engagement, **the Auditor does not provide an audit opinion or a statement of assurance.**

Audits Carried by Auditors of EU

Under Article 22 of the Agreement, the [Commission] the European Anti-Fraud Office and the Court of Auditors have the right to audit any work that is carried out under the action and for which costs are declared from *the European Union* budget.

The Auditor must provide access to all working papers (e.g. recalculation of hourly rates, verification of the time declared for the action) related to this assignment if the *Commission*, the European Anti-Fraud Office or the European Court of Auditors requests them.



Findings

Not Applicable Findings:

If a Finding was not applicable, it must be marked as 'N.A.' ('Not applicable') in the corresponding row on the right-hand column of the table and means that the Finding did not have to be corroborated by the Auditor and the related Procedure(s) did not have to be carried out.

Example: *If no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.*

Findings

Exceptions:

If the Auditor was not able to successfully complete a procedure requested, it must be marked as 'E' ('Exception') in the corresponding row on the right-hand column of the table. The reason such as the inability to reconcile key information or the unavailability of data that prevents the Auditor from carrying out the Procedure must be indicated below.

Example: *The Beneficiary was unable to substantiate the Finding number 1 on ... because*

Finding number 20 was not fulfilled because the methodology used by the Beneficiary to

calculate unit costs was different from the one approved by the Commission. The differences were as follows: ...

After carrying out the agreed procedures to confirm the Finding number 31, the Auditor found a difference of _____ EUR. The difference can be explained by ...



Accounting Principles of EU Funds

For General Budgeted Entities and Special Budgeted Entities, the accounting rules of EU funds were clarified with a Resolution.

<http://www.resmigazete.gov.tr/eskiler/2007/11/20071127-2.htm>

This resolution has been amended in 2009.
<http://www.resmigazete.gov.tr/default.aspx#>



Accounting Principles of EU Funds

Procurement Rules (Article 6)

General Rule: To apply the prescribed procurement rules mentioned in the grant contract. If there is no special rules than;

For purchases **up to 150.000-TL**, under the responsibility of the project coordinator

For **exceeding** amounts reference to Public Procurement Law (Simplified Method)

Yükseköğretim Kurumları Tarafından, 4734 Sayılı Kamu İhale Kanununun 3 üncü Maddesinin (f) Bendi Kapsamında Yapılacak İhalelere İlişkin Karar (**Karar Sayısı: 2003/6554**)

<http://bap.cu.edu.tr/dosyalar/mevzuat2.pdf>

Personnel Costs

The employees should be

- i) directly hired by the Beneficiary in accordance with its national legislation,
- ii) under the Beneficiary's sole technical supervision and responsibility and
- iii) remunerated in accordance with the Beneficiary's usual practices.

Personnel Cost

The Auditor will check that

- ✓ the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay);
- ✓ applicable national law on taxes, labour and social security and
- ✓ any other document that supports the personnel costs declared.

Be careful: Only paid costs can be claimed. So incentives on wages granted by laws such as **4691**, **5647** can not be claimed. 5 point discount for on-time payment under **5510** can not also be claimed as cost. **Same with Teydeb Projects.** But **AGİ** is a cost.

Direct Contracts

For natural persons under a direct contract other than an employment contract, such as consultants: The Auditor will check

- ✓ the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Beneficiary;
- ✓ the employment conditions of **staff in the same category to compare costs** and;
- ✓ o any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.).

Time Records

- ✓ description of the time recording system provided by the Beneficiary (registration, authorisation, processing in the HR-system);
- ✓ its actual implementation; time records were signed at least monthly by the employees (on paper or electronically)
- ✓ and authorised by the project manager or another manager;
- ✓ the hours declared were worked within the project period;
- ✓ there were no hours declared as worked for the action if HR-records showed absence due to holidays or sickness
- ✓ the hours charged to the action matched those in the time recording system.

Costs for Subcontracting

- ✓ the use of subcontractors was foreseen in Annex 1;
- ✓ subcontracting costs were declared in the subcontracting category of the Financial Statement;
- ✓ supporting documents on the **selection and award procedure** were followed; **(KİK for public entities)**
- ✓ the Beneficiary ensured best value for money
- ✓ There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules.

Be careful: If there is no documents from different bidders, this issue can be reported as **“exception”**

COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES

- ✓ travel and subsistence costs were consistent with the **Beneficiary's usual policy for travel**. In this context, the Beneficiary provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the Beneficiary on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy;

Example: For public entities, per diem rates for public officers will be applied (**Harcirah Kanunu**). For other entities, per diem rates of EU can be referred. The best way is to pay on actual basis not exceeding the ceilings.

COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES

- ✓ travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference;

For proof document, boarding passes are very important

DEPRECIATION COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS

The Auditor will check that

- ✓ the assets were acquired in conformity with the Beneficiary's internal guidelines and procedures;
- ✓ they were correctly allocated to the action (with supporting documents such as delivery note invoice or any other proof demonstrating the link to the action)
- ✓ they were entered in the accounting system; the extent to which the assets were used for the action (as a percentage) was supported by reliable documentation
- ✓ the depreciation method used to charge the asset to the action was in line with the applicable rules of the Beneficiary's country and the Beneficiary's usual accounting policy.

Depreciation Procedures for Public Entities

There were three different methods for last years

-2006 mali yılı sonunda; bir tebliğle tüm kamu idarelerine gerek taşınurları gerekse taşınmazları için ister % 100 isterse tebliğ ekindeki oranları kullanmak suretiyle amortisman uygulanması imkanı getirilmiştir. Birçok kamu idaresi bu yıl % 100 amortisman uygulamasını benimsemiştir.

-2007 yılında Taşınır Mal Yönetmeliği yürürlüğe girmiş kamu idarelerinin taşınurlarını kayıtlardan çıkarmaları sonrada yapacakları envanterle taşınurlarını kayıtlara almaları istenmiş ancak bu taşınurların amortismanları ihmal edilmiş adeta yok sayılmıştır. Yıl sonunda yayınlanan genel yazılarla kayıtlardan çıkarılan taşınurların envanterlerinin kayıtlardan çıkarılması, kayıtlara alınan yeni taşınurlara % 100 amortisman uygulanması yöntemi benimsenmiştir. 2007 yılında kayıtlara giren taşınmazlara ise 2006 yıl sonundaki tebliğ eki oranların uygulanması istenmiştir.

-2008 yılında yayımlanan tebliğde ise, 2008 ve önceki yıllarda edinilen taşınurlardan değeri 14.000 taşınmazlardan değeri 34.000 lirayı aşmayanlar % 100 amortismana tabi tutulacaktır. Bu değeri aşanlardan tebliğ göre % 100 amortismana tabi olamayanlar ise tebliğ eki oranlar uygulanarak amorti edilecektir.

Depreciation Procedures for Public Entities

According to the Communiqué No:47 announced by Ministry of Finance dated on November 2015

<https://www.muhasibat.gov.tr/content/muhasebe-mevzuati-ve-uygulamalari;jsessionid=WRzobHUewo9+XkkhsDE0BsER?tabId=9>

Exceptions to depreciable assets:

Arazi ve arsalar, yapım aşamasındaki yatırımlar, varlıkların yapılması için verilen avans ve krediler, tarihi ve sanat değeri olan yapıtlar amortismanına tabi değildir.

Depreciation method: Straight line method (normal amortisman yöntemi)

Depreciation Procedures for Public Entities

Maliyet bedeli Taşınır Mal Yönetmeliği'nin eki listede yer alan dayanıklı taşınırların her biri için 14.000 TL'yi, Kamu İdarelerine Ait Taşınmazların Kaydına İlişkin Yönetmelikte yer alan taşınmazlar için 34.000-TL'yi aşmayan duran varlıklar ile tutarına bakılmaksızın maddi olmayan duran varlıklar ile Özel Tükenmeye Tabi Varlıklar için amortisman oranı %100 dür.

Depreciation Procedures for Public Entities

According to the amendment made to the Resolution for Accounting Principles of EU funds for Public Entities,

Article (9)

The method to be applied will be straight line method. The depreciation will be calculated within the project duration. **So the useful life will be the project duration.**

Depreciation Procedures for Profit Entities

V.U.K. madde 313: işletmede bir yıldan fazla kullanılabilen ve yıpranmaya, aşınmaya, veya kıymetten düşmeye maruz kalan gayrimenkullerle, gayrimenkul gibi değerlendirilen iktisadi kıymetlerin; alet, edevat, mefruşat, demirbaşve sinema filmlerinin değerlemeye ilişkin kanuni esaslara göre tesbit edilen değerlerinin, amortismanına tabi tutulması gerekmektedir.

V.U.K. madde 314: Aşınmaya ve yıpranmaya maruz kalmadıkları için boşarsa ve araziler, amortismanına tabi tutulmamaktadır.

Depreciation Procedures for Profit Entities

With the Communiqué no:333, the useful life of the assets were announced by the Ministry of Finance.

With the Communiqué no:458, the useful lives were updated.

When determining the useful live of an asset, the sector should be taken into account.

Example: Mobiles for three years, computers 4 years, softwares 3 years

Q-Is it possible to apply different depreciation methods for the same category assets?

Depreciation Procedures for Profit Entities

VUK'ta yer alan yöntemler

1. Normal (doğrusal) amortisman (V.U.K. madde. 315),
2. Azalan bakiyeler üzerinden amortisman (V.U.K. mükerrer madde 315),
3. Madenlerde amortisman (V.U.K. madde. 316),
4. Olağanüstü (fevkalade) amortisman (V .U.K. madde. 317).

Depreciation Procedures for Profit Entities

Azalan Bakiyeler Üzerinden Amortisman Yöntemi

Bu yöntemde, sabit varlığın maliyeti, ilk yıllarda daha yüksek paylarla, hizmet süresi sonlarına doğru ise daha düşük paylarla dağıtılır. Ülkemizde kalanlar üzerinden amortisman uygulama esasları V.U.K. mükerrer madde 315'de açıklanmıştır.



COSTS OF OTHER GOODS AND SERVICES

The Auditor will check that

- ✓ the contracts did not cover tasks described in Annex 1;
- ✓ they were correctly identified, allocated to the proper action, entered in the accounting system (traceable to underlying documents such as purchase orders, invoices and accounting);
- ✓ the goods were not placed in the inventory of durable equipment;
the costs charged to the action were accounted in line with the Beneficiary's usual accounting practices;

USE OF EXCHANGE RATES

The Auditor will check that

- ✓ *costs incurred in another currency shall be converted into euro at the average of the daily exchange rates published in the c series of official journal of the european union*
- ✓ *<https://www.ecb.int/stats/exchange/eurofxref/html/index.en.html> , determined over the corresponding reporting period.*
- ✓ *if no daily euro exchange rate is published in the official journal of the european union for the currency in question, conversion shall be made at the average of the monthly accounting rates established by the commission and published on its website*
http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm ,

THANK YOU FOR YOUR PATIENCE

For more questions, harunasa@yahoo.com