



Bu proje Avrupa Birliđi ve Türkiye Cumhuriyeti tarafından finanse edilmektedir  
This project is co-funded by the European Union and the Republic of Türkiye



Technical Assistance for Turkey in Horizon 2020 Phase-II  
EuropeAid/139098/IH/SER/TR

# Turkey in Horizon 2020 Phase II

Legal and Financial & IPR Training, 15-16/9/2022

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# Project closure & Financial audits



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# Certificate on the Financial Statement



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- When requested EU contribution is  $\geq 430,000$  euros (**unlike** H2020)
- Issued by **external** auditor (or **competent internal public officer** for public organisations)
- **Once** with the submission of the Final report
- Pre-defined checks performed on the basis of 67 “agreed upon procedures” (Annex 5 in H2020 – **not yet** available in HEU)
- **Higher** threshold for providing CFS for low – risk beneficiaries (725,000 euros)

<b>HORIZON 2020</b>	<b>example 1</b>	<b>example 2</b>	<b>example 3</b>	<b>example 4</b>
Personnel costs	400,000.00	380,000.00	220,000.00	300,000.00
Personnel costs (SME Owners)	0.00	20,000.00	100,000.00	20,000.00
Other direct costs	70,000.00	70,000.00	24,000.00	26,000.00
Indirect costs	117,500.00	117,500.00	86,000.00	86,500.00
Total costs	587,500.00	587,500.00	430,000.00	432,500.00
Funding rate	70%	70%	100%	100%
EU contribution	411,250.00	411,250.00	430,000.00	432,500.00
Amount to be checked	329,000.00	315,000.00	244,000.00	326,000.00
Threshold	325,000.00	325,000.00	325,000.00	325,000.00
CFS needed?	<b>YES</b>	<b>NO</b>	<b>NO</b>	<b>YES</b>

<b>HORIZON EUROPE</b>	<b>example 1</b>	<b>example 2</b>	<b>example 3</b>	<b>example 4</b>
Personnel costs	400,000.00	380,000.00	220,000.00	300,000.00
Personnel costs (SME Owners)	0.00	20,000.00	100,000.00	20,000.00
Other direct costs	70,000.00	70,000.00	24,000.00	26,000.00
Indirect costs	117,500.00	117,500.00	86,000.00	86,500.00
Total costs	587,500.00	587,500.00	430,000.00	432,500.00
Funding rate	70%	70%	100%	100%
EU contribution	411,250.00	411,250.00	430,000.00	432,500.00
Amount to be checked	411,250.00	411,250.00	430,000.00	432,500.00
Threshold	430,000.00	430,000.00	430,000.00	430,000.00
CFS needed?	<b>NO</b>	<b>NO</b>	<b>YES</b>	<b>YES</b>

**Agreed-upon procedures to be performed and standard factual findings to be confirmed by the Auditor**

The European Commission reserves the right to i) provide the auditor with additional guidance regarding the procedures to be followed or the facts to be ascertained and the way in which to present them (this may include sample coverage and findings) or to ii) change the procedures, by notifying the Beneficiary in writing. The procedures carried out by the auditor to confirm the standard factual finding are listed in the table below.

If this certificate relates to a Linked Third Party, any reference here below to 'the Beneficiary' is to be considered as a reference to 'the Linked Third Party'.

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 i.e. 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.

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A	<b>ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE</b>		
	<p>The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A.</p> <p><i>(The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party), otherwise the sample should have a minimum of 10 people, or 10% of the total, whichever number is the highest)</i></p> <p>The Auditor sampled _____ people out of the total of _____ people.</p>		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A.1	<p><b>PERSONNEL COSTS</b></p> <p><u>For the persons included in the sample and working under an employment contract or equivalent act (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</u></p> <p>To confirm standard factual findings 1-5 listed in the next column, the Auditor reviewed following information/documents provided by the Beneficiary:</p> <ul style="list-style-type: none"> <li>o a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract;</li> <li>o the payslips of the employees included in the sample;</li> <li>o reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system;</li> <li>o information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent;</li> <li>o the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay);</li> <li>o applicable national law on taxes, labour and social security and</li> <li>o any other document that supports the personnel costs declared.</li> </ul> <p>The Auditor also verified the eligibility of all components of the retribution (see Article 6 GA) and recalculated the personnel costs for employees included in the sample.</p>	<p>1) The employees were 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.</p> <p>2) Personnel costs were recorded in the Beneficiary's accounts/payroll system.</p> <p>3) Costs were adequately supported and reconciled with the accounts and payroll records.</p> <p>4) Personnel costs did not contain any ineligible elements.</p> <p>5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.</p>	
	<p><i>Further procedures if 'additional remuneration' is paid</i></p> <p>To confirm standard factual findings 6-9 listed in the next column, the Auditor:</p> <ul style="list-style-type: none"> <li>o reviewed relevant documents provided by the Beneficiary (legal form, legal/statutory</li> </ul>	<p>6) The Beneficiary paying "additional remuneration" was a non-profit legal entity.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> <li>○ any other document that supports the costs declared (e.g. invoices, etc.).</li> </ul>	Beneficiary's accounts. The third party did not include any profit.	
		<p><i>If personnel is seconded free of charge:</i></p> <p>21) The costs declared did not exceed the third party's cost as recorded in the accounts of the third party and were supported with documentation.</p>	
A.2	<p><b>PRODUCTIVE HOURS</b></p> <p>To confirm standard factual findings 22-27 listed in the next column, the Auditor reviewed relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that:</p> <ul style="list-style-type: none"> <li>○ the annual productive hours applied were calculated in accordance with one of the methods described below,</li> <li>○ the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated.</li> </ul> <p>If the Beneficiary applied method B, the auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours.</p> <p>If the Beneficiary applied method C, the auditor verified that the 'annual productive hours' applied when calculating the hourly rate were equivalent to at least 90 % of the 'standard annual workable hours'. The Auditor can only do this if the calculation of the standard annual workable</p>	<p>22) The Beneficiary applied method [choose one option and delete the others] [A: 1720 hours] [B: the 'total number of hours worked'] [C: 'standard annual productive hours' used correspond to usual accounting practices]</p> <p>23) Productive hours were calculated annually.</p> <p>24) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.</p>	

D	OTHER ACTUAL DIRECT COSTS		
D.1	<p><b>COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES</b></p> <p>The Auditor sampled [ ] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest</i>).</p> <p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> <li>o 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;</li> <li>o 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;</li> <li>o no ineligible costs or excessive or reckless expenditure was declared (see Article 6.5 MGA).</li> </ul>	43) Costs were incurred, approved and reimbursed in line with the Beneficiary's usual policy for travels.	
		44) There was a link between the trip and the action.	
		45) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.	
		46) No ineligible costs or excessive or reckless expenditure was declared.	
D.2	<p><b>DEPRECIATION COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS</b></p> <p>The Auditor sampled [ ] cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest</i>).</p> <p>For “equipment, infrastructure or other assets” [from now on called “asset(s)”] selected in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> <li>o the assets were acquired in conformity with the Beneficiary's internal guidelines and procedures;</li> </ul>	47) Procurement rules, principles and guides were followed.	
		48) There was a link between the grant agreement and the asset charged to the action.	
		49) The asset charged to the action was traceable to the accounting records and the underlying documents.	



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## Advice

- Start the process **before** the project's end – may take time
- Gather **3 offers**
- **Select** auditors with **previous experience** in issuing a CFS for H2020/ HEU
- Effort and time is required from **both sides**: beneficiary and auditor
- **Plan in advance**, prepare documents and information usually requested



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# Financial Audits



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## Controls in place by the EU:

- **Reports** on the progress of the action (technical + financial)
- **Certificate on the Financial Statement (CFS)** if EU contr.  $\geq 430$  k (“1st level control”)
- **Reviews** “on the proper implementation of the action (including assessment of deliverables and reports)”.
- **Audits** “on the proper implementation of the action and compliance with the obligations under the Agreement”. (2<sup>nd</sup> level control)
  - May be started from end of PR1 up to two years after the payment of the balance



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## Audits

- Mainly focused on **financial aspects**, but may include technical aspects
- Target: 7-8 % of EU contribution
- **By whom:** EU Auditors, external collaborating auditing firms, OLAF, ECA, EPPO
- **To whom:**
  - Beneficiaries selected through **sampling** (selection through statistical method targeted to a representative sample of beneficiaries)
  - Beneficiaries selected on the grounds of **reasonable doubt** or existence of **risk factors**
- **What:** one or more H2020 actions
- **Extension of the findings** in case of systematic errors.

## Process:

1. Inform the beneficiary with “**Letter of announcement**”
2. **Request** for preliminary documents
3. **Assess** documents and request more information (*iteration*)
4. (*maybe*) Opening meeting
5. **On the spot** audit
6. **Request** documents/ evidence on the spot
7. **Assess** documents and request more information (*iteration*)
8. (*maybe*) Closure meeting
9. **Draft** audit report
10. 30 days **Contradictory procedure**: feedback of beneficiary on draft audit report
11. **Final** audit report and audit closure with “Letter of closure”
12. **Implementation** of the audit findings by the EC to the beneficiary



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## Possible actions by the EU depending on the findings

- Rejection of ineligible costs
- Reduction of the grant
- Recovery of undue amounts
- Administrative and financial penalties
- Suspension of payments
- Suspension of the action implementation
- Termination of the participation of the beneficiary in the grant agreement
- Termination of the grant agreement
- Extension of Audit Findings

Re: FW: For Informi [redacted]

File Message Tell me what you want to do...

Ignore X Delete Reply Reply All Forward More Meeting Move OneNote Actions Mark Unread Categorize Follow Up Translate Find Related Select Zoom

[redacted] 20/10/2021

Re: FW: For Information - Announcement of Audit [redacted]

You replied to this message on 27/10/2021 4:08 μμ.  
If there are problems with how this message is displayed, click here to view it in a web browser.

**From:** European Commission [mailto:[EC-NO-REPLY-GRANT-MANAGEMENT@nomail.ec.europa.eu](mailto:EC-NO-REPLY-GRANT-MANAGEMENT@nomail.ec.europa.eu)]  
**Sent:** Wednesday, October 20, 2021 2:50 PM  
**To:** Vangelis ARGOUEDELIS <[vangelis.argoudelis@gmail.com](mailto:vangelis.argoudelis@gmail.com)>  
**Subject:** For Information - Announcement of Audit [redacted]  
**Importance:** High

## Europa / Funding & Tenders Portal notification

Dear Madam/Sir,

A letter related to the above audit has been sent to you.  
Please log on to the Funding & Tenders Portal > My Audit(s) ( <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/myarea/audits> ) and click on Action > Access Audit to access the letter.

Regards,  
Grant Management Services

***Please do not reply to this message***  
*This message has been automatically generated by the Grant Management Services of the European Commission with the following configuration:*  
**To:**

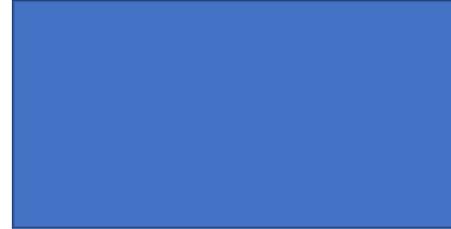




**EUROPEAN COMMISSION**  
DIRECTORATE-GENERAL FOR RESEARCH & INNOVATION

Directorate H – Common Implementation Centre  
H.2 – Common Audit Service  
The Head of Unit

Brussels,  
DG RTD.H.2/GF/FM/vs  
Ares(2021)



**Subject:**

**Horizon 2020 Framework Programme for Research and Innovation**



**Contact person:**

Dear Sir,

I am writing in connection with your Grant Agreements mentioned in the table below and I would like to inform you that we are planning a financial audit.

The audit will concern:



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## Useful documents (for HORIZON 2020, **not yet** available for HEU):

1. Indicative Audit Programme (IAP)
2. LoA Annex 1
3. LoA Annex 2
4. LoA Annex 3



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## Most usual errors

- Travel and equipment **not relevant** to the project
- Personnel **not directly** working for the action or **not paid by the beneficiary**
- Incorrect calculation of **hourly rate/ annual productive hours**
- Wrong implementation of the **SME owners unit costs**
- Reporting **average/ budgeted** personnel costs instead of actual
- Natural persons under direct contract **not qualifying** as “personnel”



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## Most usual errors

- **Unreliable** / missing time sheets
- Subcontracting **not foreseen or agreed** with EU
- **No compliance** with “best value for money”
- **Indirect** costs reported as direct
- **Lack of adequate** supporting documents
- Time sheets **not reconcile** with HR (absences, training, other activities, ...)



## Experience

- Comparison of audits from **EC** vs **ECA** vs **private audit firms** (outsourced)?
- **Process, duration and outcome** largely depends on the individual auditor (experience, professionalism, personality)
- Unlike CFS, **we cannot select** the auditor
- Auditors are **humans**
- Be cooperative, provide all requested information, demonstrate good will

**Preparation for the audit starts on the 1<sup>st</sup> day of the project!**



# Horizon Europe: System and Process Audit (SPA)

tarafından finanse edilmektedir

## Who can apply?

### Any beneficiary that:

- uses unit, flat rate or lump sum costs according to documented (i.e. formally approved and in writing) usual costs accounting practices (if any)

OR

- has documentation on the systems and processes for calculating their costs (i.e. formally approved and in writing),
- has participated in at least 150 actions under H2020 or Euratom and,
- participates in at least 3 ongoing actions under HE or Euratom.

## How?

**Step 1** — The beneficiary submits the application in the system which will be assessed by the EC auditors

**Step 2** — If application accepted, the EC auditors (directly or indirectly) will carry out the SPA

**Step 3** — The audit result will take the form of a risk assessment classification (LOW – MEDIUM – HIGH)

## What benefits for beneficiaries classified as ‘low-risk’?

- less (or less in-depth) ex-post audits AND,
- a higher threshold for submitting CFS (i.e. 725.000 EUR instead of 430.000 EUR) statements



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# Thank you for your attention!

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