



BESTPRAC Training School: **CFS & FINANCIAL AUDIT PROCEDURE**

Mirella Collini
Università degli Studi di Trento



ADMINISTRATIVE OFFICE FOR TEACHING AND RESEARCH
AT UNIVERSITY OF TRENTO – POLO COLLINA



6 DEPARTMENTS (INFORMATICS, MATH, PHYSICS, INDUSTRIAL
ENGINEERING, MECHANICAL ENG., BIOLOGY)



MORE OR LESS 250 FUNDED PROJECTS (Local, National, UE, International)

SINCE 2010

- more than 50 audit 1° level
- more than 5 audit 2° level (7FP – CP, ERC, MARIE CURIE, EIT,...)
- 1 from the Court of the Auditor (EIT)



WHAT IS...

- **CFS – Certificate on the Financial Statement:** is the Certificate that each beneficiary has to present if the EU Contribution requested in a specific reporting period exceeds Euro 375.000,00 (in FP7) or Euro 325.000,00 (in H2020). It is also called “Audit of 1st level” (art. 20.4 GA H2020 Annex 5 – art. II.4.4 in FP7 – Annex D)
- **AUDIT BY EU (art. 22 GA H2020) (Audit of 2nd level):** it is the audit that the EU directly (using its own staff) or indirectly (using external persons or body appointed to do so). It could be possible during the implementation of the action or afterwards (up to two years after the payment of the balance) (5 years in FP7). The audits can cover scientific, financial, technological and other aspects relating to the proper execution of the project and the contract.
- Other types of audit are also possible: ie
 - OLAF for anti-fraud, corruption or any other illegal activity affecting the financial interests of the EU;
 - ECA (European Court of Auditor) or other International Organisations

PAY ATTENTION TO ...

It is important to pay close attention to **the eligibility criteria of costs** before submitting a cost claims. **Read** how to avoid common errors in cost claims.

Any claimed ineligible costs will be **recovered or deduced** from the next payment.

Moreover, any **systematic error** may give rise to extrapolation of the audit results onto the non-audited grant agreements or the non-audited periods.

Besides these corrections other measures or sanctions may apply.



Certificate on the Financial Statements

- CFS is an independent report of factual findings produced by an auditor in support of the payment requested by the beneficiary.
- The CFS has to be submitted directly to the Project Officer via the Participant Portal together with the beneficiary's Form C in periodic and final reports. Forms C are financial statements where the beneficiary declares project costs of a specific reporting period.
- A CFS is mandatory for every cost claim whenever the amount of the EU contribution is equal or superior to
 - **EURO 325.000,00 in H2020** (not requiring interim certificates (only one at the end of the project per participant reaching the triggering ceiling); basing the triggering ceiling only on actual and unit costs (i.e. excluding flat rates, lump sums, etc)
 - **Euro 375.000,00 in FP7** (when cumulated with all previous interim payments (excluding pre-financing) for which a CFS has not been submitted. However for projects of a duration of 2 years or less, the CFS shall be submitted only for claims on final payments when the amount of the EC contribution claimed by a beneficiary is equal to or superior to EUR 375 000 when cumulated with all previous payments).

What auditors can issue the Certificate on the Financial Statement (CFS)?

All types of Beneficiaries and linked third parties are free to choose a **qualified external auditor** (including the statutory auditor) who is:

- independent and
- qualified to carry out statutory audits of accounting documents (under the national legislation implementing the 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).

For **Public** bodies only it is possible to choose an independent public officer who has been granted (by the relevant national authorities) the legal powers to audit the beneficiary/linked third party.



Would this cost be eligible?

- The costs of producing a CFS are eligible as long as it was mandatory and the related costs fulfil the eligibility conditions (see Article 6.1 and 6.2 of the AGA).
- The costs of a mandatory CFS can be eligible in the last reporting period only.
- You can claim the cost under ‘Costs for other goods and services’ if the certificate was issued by an **external** auditor.
- If the certificate was issued by an independent **internal** auditor it can be claimed under personnel costs. The cost incurred by the internal auditor in issuing a certificate results from multiplying the actual hourly rate applicable to him/her by the time spent for this activity (timesheet required).

HAVE YOU EVER HAD AN AUDIT?

What is the first thing that you have to do
when you know that you need an audit of
the 1° level (you need a CFS)?

THE SELECTION!!!



What do you prepare for an audit?

1. The call for tender and the contract
2. The CFS documents (Annex 5)
3. The documentation that the auditor has to audit



How is composed the CFS – Annex 5

The CFS is composed by 2 separate documents ... but we need to prepare more separate documents... and the auditor others ...

1. The **TERMS OF REFERENCE (ToR)** to be signed by both the Beneficiary (or Third Party) and the Auditor
2. The **INDIPENDENT REPORT OF FACTUAL FINDING** (the Report) signed by the Auditor on his/her letterhead which includes the agreed-upon procedures (the Procedures) to be performed by the auditor and the standard factual findings (the Findings) to be confirmed by the Auditor.

The beneficiary must provide the Auditor with a written **representation letter** supporting these statements.



Which type of documentation you have to prepare ...

All the documents required by the Procedures in Annex 5

All the documents related to the specific project

All the internal rules that can help the auditor (travels rule, procurement internal process, timesheet procedure, ...)



How can you prepare all these documents ...

For the auditor and for you

it's **really important** that you prepare folders in an order

Logic - accurate - clear - «elegant»

ie: on the right top of each documents you have to write a code
and prepare an index that guide the auditor when he needs
to find that specific document

If you need to send electronic files, save them with a specific
numerical code in front, use different folder for each topics
and prepare an index

Folder 0: documents of the project

- 0.1 GA
- 0.2 DOW
- 0.3 Amendments 1
- 0.4 Contribution received
- 0.5 Distribution of the contribution (if coordinator)
- 0.6 Form Cs per each Reporting Period with related accepted cost declaration sent by the PO
- 0.7 Periodic Reports submitted
- 0.8

Financial Documentation

For all the cost category try to follow the numbers of the
Procedures in the Annex 5

- A. Personnel Costs (A.1 PI – A.1.1 contract PI, A.1.2 Timesheet of PI – A.1.2.1 timesheet year 1 - A.1.2.2 timesheet year 2, ; A.2 Mr. X – full professor...)
- B. Subcontracting (B.1 Subcontract Z – B.1.1 Selection Documents – B.1.2 Contract – B.1.3 Invoice – B.1.4 Payment receipts, ...)
- C. Third Parties (if any)
- D. Other Direct Costs:
 - D.1 Travels
 - D.2 Equipment
 - D.3 Other goods and Services



Financial Tables

Don't be afraid to give to the auditor copy of the excel table you use for the preparation of the FormCs – better if with the formula and not only the amount of the cost



How can I be sure that I've prepared all the documents

During the preparation use a check list

and

Some day before the meeting with the Auditor,
ask to one of your colleague to check the
documentation you prepared



Questions?

Thanks for your attention
and enjoy your travel back!