



# HORIZON 2020

## Lessons Learned from H2020 audits

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# *First results of H2020 audits (Scope)*

- As of end of February 2019, H2020 audits closed for Belgium
  - *23 audits – 49 audited participations (90% External Audit Firms)*
  - *Overall 555 audits finalised -1280 Participations (78% External Audit Firms)*
- Value % against all negative adjustment
- Indirect costs excluded
- No reclassification

***The H2020 Audit Strategy targets 9000 participations audited***

# First results of H2020 audits (1/2)

**Personnel costs – actual costs (1/3 of all negative adjustments) due to:**

- Incorrect remuneration costs - e.g. estimated (20%)
- Incorrect productive hours calculation (6%)
- Incorrect time working on action claimed (3%)
- Other - e.g. unreliable/missing timesheets, incorrect additional remuneration (4%)

**Personnel costs – unit costs (0% of all adjustments):**

- One key difference: Incorrect remuneration costs - e.g. budgeted, estimated

# First results of H2020 audits (2/2)

## **Other goods and services (61% of all adjustments) due to:**

- Lack of adequate supporting documents (59%)
- No direct measurement of the cost (1%)
- Double funding and Other errors – e.g. indirect costs claimed as direct costs , no value for money (1%)

## **Subcontracting (1% of all adjustments) due to:**

- Other errors – including e.g. no value for money, (1%)

## **Travel (1% of all adjustments) due to:**

- Cost not related to the action (1%) (mostly)

## **Equipment (1% of all adjustments) due to:**

- Other errors – e.g. no value for money, cost not related to the action (1%) (mostly)

# To go further

## Annotated Model Grant Agreement (AMGA) :

[http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/amga/h2020-amga\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf)

## Indicative Audit programme (IAP) :

[http://ec.europa.eu/research/participants/data/ref/h2020/other/gm/audit/h2020-iap\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/other/gm/audit/h2020-iap_en.pdf)



# Lessons Learned (1/2)

- Promote understanding of specific risks and common errors in support of:
  - Ex ante control from financial and project officers
  - Reporting by beneficiaries (incl. FAQ – Online Manual, via Support)
- Raise awareness and provide sustained guidance to Beneficiaries through Communication campaigns
- Improve audit procedures towards a reduced administrative burden and a sped up reporting
- Need for additional guidance on hourly rates and productive hours (e.g. new IT tool to be presented today).

# Lessons Learned (2/2)

- Additional guidance required on “Declaration on exclusive work” and minimum requirements of time records.

- Different regional perspectives:

[http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/amga/h2020-issues-list-countries\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-issues-list-countries_en.pdf)

- Self-employed employees working via a management company and temporary employment agency
- Specific case of natural persons with a direct contract (co.co.co and co.co.pro) in Italy and Greece.
- Work-agreement and work-performance agreements (Equivalent Appointing acts)
- SME-owner / Marie-Curie-rates



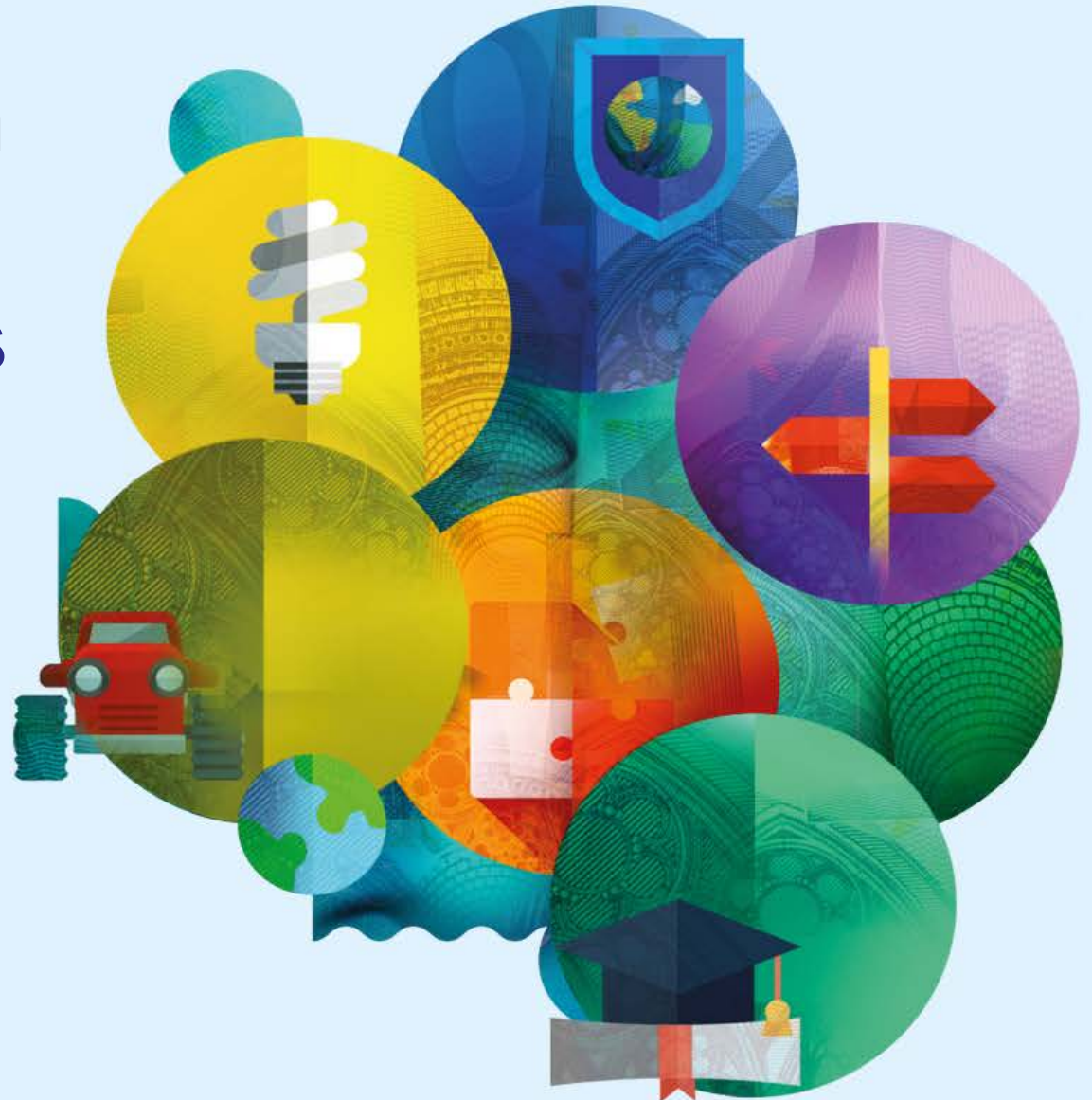
**HORIZON EUROPE  
THE NEXT EU RESEARCH & INNOVATION  
PROGRAMME (2021 – 2027)**

# **Horizon Europe audits *focusing on system audits and cross reliance of audits***

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Common Audit Service

31 January 2019





# Audit and control system



## Simplified audit and control system:

### Key features

- Combined reviews
- Single audit principle for joint funding
- Possibility for enhanced cross-reliance

#### Combined review

Combines systems and process audit with an audit of transactions  
Optional for certain types of beneficiaries  
May lead to less Certificates on Financial Statements

#### Single audit principle for joint funding

A single audit for actions that receive joint funding from different Union programmes

#### Possibility for enhanced cross-reliance

Possibility for the Commission to rely on audits on the use of Union contributions carried out by other persons or entities



reduced audit burden for beneficiaries



# Audit and control system



## Article 48 RfP – Audits (1/3)

1. The control system for the Programme shall ensure an appropriate balance between trust and control, taking into account administrative and other costs of controls at all levels, especially for beneficiaries.
2. The audit strategy for the Programme shall be based on the financial audit of a representative sample of expenditure across the Programme as a whole. The representative sample shall be complemented by a selection based on an assessment of the risks related to expenditure. **Actions that receive joint funding from different Union programmes shall be audited only once, covering all involved programmes and their respective applicable rules.**



- ▶ **Seek synergies with other Union Programmes**
- ▶ **Increase leverage of Union funding**
- ▶ **Reduce the audit burden for beneficiaries**



# Audit and control system



## Article 48 RfP – Audits (2/3)

3. In addition, the Commission or funding body may rely on **combined systems reviews** at beneficiary level. These combined reviews shall be optional for certain types of beneficiaries and shall consist in a **systems and process audit**, complemented by an **audit of transactions**, carried out by a competent independent auditor qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC<sup>34</sup>. They may be used by the Commission or funding body to determine overall assurance on the sound financial management of expenditure and for **reconsideration of the level of ex-post audits and certificates on financial statements**.



- ▶ **Reduce the audit burden for beneficiaries** : at CFS level and ex-post audits.
- ▶ **Voluntary basis / Optionality** : Similarities with CoMUC and LRI.



# Audit and control system



## Article 48 RfP – Audits (3/3)

4. In accordance with Article 127 of the Financial Regulation, the Commission or funding body may rely on audits on the use of Union contributions carried out by other persons or entities, including by other than those mandated by the Union Institutions or bodies.
5. Audits may be carried out up to two years after the payment of the balance.



- ▶ **Single set of rules** : one of the seldom repetition of the Financial Regulation.
- ▶ **Well defined scope** : No possible reliance on audits on non-EU contribution (importance of eligibility rules).
- ▶ **Stability** : Auditability similar to Horizon 2020 (5 years in FP7).

# Thank you!

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<http://ec.europa.eu/horizon-europe>