Certification modalities in 7th Framework Programme
Overview

• Report on factual findings
• Types of Certification
  – CFS
  – Certification on Methodology
• Some best practices
• Conclusion
Beneficiary’s auditor provides **report on factual findings**

Auditors perform a standard set of checks and provide **information according to a specific format** defined via agreed **Terms of Reference (ToR)**

ToR are part of the FP7 Model Grant Agreement (Annex VII)

ToR correspond to international audit standards (**International Federation of Accountants – IFAC ISRS 4400**)
Report on Factual findings 2/4

- Use of the reporting format attached as Annex VII of the Model Grant agreement is **compulsory** (FORM D/E), updated following EC decision of 14/11/2011.
- Terms of Reference are to be completed by the beneficiary and the auditor.
- Drafted in the language indicated in Article 4 of the Grant Agreement.
Procedures to be followed by auditors are **compulsory**

**Exceptions** should be noted every time the findings are not consistent with the standard ones

Exceptions will be evaluated by EC and not necessarily mean rejection of costs
• Beneficiaries have free choice of external auditor
• External auditors must be **Independent** and **Qualified** (Directive 2006/43/CE replacing 8th Council Directive)
• Competent public officer (*research organisation, public bodies, higher education establishments*)
Types of Certification in FP7

• **Certification on the Financial Statements (CFS)**
  - Verification of costs and receipts (Annex VII - Form D)

• **Certification on the Methodology**
  - Verification of systems (Annex VII - Form E)
    • for both Personnel & Overheads (CoM)
    • for Average Personnel Costs (CoMAv)
  - Optional since EC decision 24/01/2011
Certificate on the Financial Statements (CFS) 1/2

- Requested EU contribution (cumulative) < 375,000€:
  -> **No CFS** to be submitted (not even at the end of the project)

- Requested EU contribution (cumulative) ≥ 375,000€:
  -> **CFS every time ≥ 375,000 €** (except for a project with a duration of 2 years or less – in this case only one CFS at final payment stage)

  - **NB:** If Certificate on the Methodology (CoM) accepted by the Commission: no interim CFS but only at the end of the project
Example of CFS submission (*without* CoM for Personnel and Indirect Costs)

- Year 1 EU contribution = 185,000 €: No CFS because < 375,000 €
- Year 2 EU contribution = 200,000 €: CFS to be submitted (since 185,000 € + 200,000 € > 375,000 €)
- Year 3 EU contribution = 380,000 €: CFS because > 375,000 €

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<th>Year 1</th>
<th>Year 2</th>
<th>Final Period</th>
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<td>Cumulative contribution not covered by CFS</td>
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<tr>
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<td>(&lt;375,000 €)</td>
<td>(&gt;375,000 €)</td>
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Certification on the Methodology (CoM & CoMAV)

- System verification (Annex VII - Form E)
- No prior certification required for Average Personnel Costs (CoMAv) anymore but it is still possible
- for Personnel & Indirect Costs (CoM) remains an option for eligible beneficiaries
New criteria (EC decision 24/01/2011):

- usual accounting practice;
- averages based on actual costs in statutory accounts (no budgeted or estimated rates);
- exclusion of ineligible costs as defined in the FP7 Rules for Participation and model grant agreements and exclusion of costs claimed under other cost categories (to avoid double funding);
- productive hours: correspond to the usual management practice, reflect actual working standards, be in compliance with national legislation and shall be based on auditable data.

Average personnel costs charged on the basis of methodologies which comply with those criteria shall be deemed not to differ significantly from actual costs.
Certification on the Methodology 3/3
Advantages of certification

• Advantages for both CoM and CoMAv
  • Early detection of the compliance of the methodology used with the acceptability criteria
  • In case of audits, the auditors will check whether the methodology used is the one which has been certified
  • Costs of certification are eligible
  • Valid for the whole duration of FP7

• Additional advantages for CoM
  • Waives the obligation to submit CFS for interim payments
  • Lightened ex post audit procedures for both personnel costs and indirect costs
Some best practices
General

• Costs claimed must be actual
• Use of budgeted, standard, estimated, notional ... costs is not allowed
• Costs that are not recorded in the accounts are not incurred
• Costs must be properly documented
Some best practices
Time recording

• **Person-based full time-recording system**
  = Per researcher/employee working on projects, allocating time to the different activities (research, demonstration, management, ..., sickness, holidays), no estimates and properly authorized.

• **Why full time-recording system?**
  - To be able to accurately calculate annual productive hours which are the basis for the correct calculation of the hourly personnel rate
  - To avoid double charging time of the same personnel to several activities/projects
Conclusions

- Certificates help
  - to detect possible errors at an early stage
  - to promote the use of correct methodologies according to FP7 rules
Where to get INFORMATION and HELP

- Audit certification policy website

- Guidance notes on FP7 audit certification
  http://cordis.europa.eu/fp7/find-doc_en.html#guidance

- RESEARCH HELPDESK
  http://ec.europa.eu/research/enquiries