

# **Certification modalities in 7th Framework Programme**



# Overview

- Report on factual findings
- Types of Certification
  - CFS
  - Certification on Methodology
- Some best practices
- Conclusion



# Report on Factual findings 1/4

- 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.

## Report on Factual findings 3/4

- 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

## Report on Factual findings 4/4

- Beneficiaries have free choice of external auditor
- External auditors must be ***Independent and Qualified***  
(Directive 2006/43/CE replacing 8<sup>th</sup> 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



# Certificate on the Financial Statements (CFS) 2/2

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€

	Year 1	Year 2	Final Period
EU Contribution	185.000 €	200.000 €	380.000 €
Cumulative contribution not covered by CFS	<b>185.000 €</b>	<b>385.000 €</b>	<b>380.000 €</b>
CFS Mandatory	<b>NO</b>	<b>YES</b>	<b>YES</b>
	(<375.000 €)	(>375.000 €)	(>375.000 €)

# Certification on the Methodology 1/3

- **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

# Certification on the Methodology 2/3

## Average personnel costs

- **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

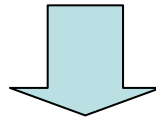
## Time recording

- **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  
[http://cordis.europa.eu/audit-certification/home\\_en.html](http://cordis.europa.eu/audit-certification/home_en.html)
- Guidance notes on FP7 audit certification  
[http://cordis.europa.eu/fp7/find-doc\\_en.html#guidance](http://cordis.europa.eu/fp7/find-doc_en.html#guidance)
- RESEARCH HELPDESK  
<http://ec.europa.eu/research/enquiries>

