

# **Certification modalities in Framework Programme 7**



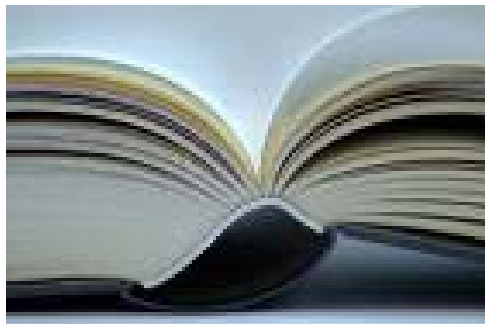
# Overview of presentation

- The FP7 certification system
- Types of certification
- Certification on the financial statements (CFS)



# 6th FP Certificates

- Audit Certificates

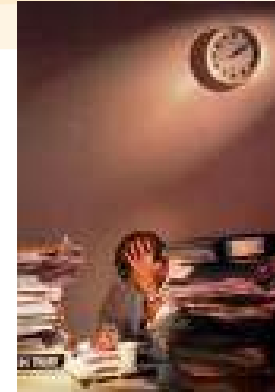


- Beneficiary's auditor provides **assurance opinion on costs claimed**



# 7th FP Certificates

- Certificate on the **financial statement**
- Certificate on the Methodology for **personnel and indirect costs**
- Certificate on the Methodology for **average personnel costs**



- Beneficiary's auditor performs "*agreed upon procedures*" (IFAC) and provides **report on factual findings**



# “Agreed Upon Procedures”

- Auditors will provide information according to a specific format defined via agreed **Terms of Reference** (ToR)
- ToR are annexed to the FP7 Model Grant Agreement (Annex VII)
- ToR are derived from best practice in audits and correspond to international audit standards (*International Federation of Accountants* – IFAC – ISRS 4400)
- *The objective of agreed upon procedures is for the auditor to carry out procedures of an audit nature to which the auditor and the entity and any third parties have agreed, and to report on factual findings*



# Who delivers the certificates ?



- Beneficiaries have free choice 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 (Form D)
- **Certification on the Methodology**
  - Verification of systems (Form E)
    - for Personnel & Overheads (CoM)
    - for Average Personnel Costs (if average system applied by the beneficiary) (CoMAv)



# Periodicity of the submission of certificates

- **Certificate on the Financial Statements (CFS)**
  - Requested EC contribution (cumulative) < 375.000€:
    - > No CFS to be submitted (not even at the end of the project)
  - Requested EC contribution (cumulative) ≥ 375.000€:
    - > Certificate on the Financial Statements has to be submitted:
      - CFS every time ≥ 375.000 € (except for a project with a duration of 2 years or less – in this case only one CFS needs to be submitted at final payment stage)
      - If Certificate on the Methodology (CoM) accepted by the Commission : no interim CFS but only at the end of the project
      - For beneficiaries with costs incurred but without EC contribution no CFS is required



# Example : Beneficiary WITHOUT CoM for Personnel and Indirect Costs

- Year 1 EC contribution= 185.000€ : No CFS because <375.000€
- Year 2 EC contribution= 200.000€ : CFS to be submitted  
(since 185.000€+200.000€> 375.000€)
- Year 3 EC contribution= 380.000 : CFS because >375.000€

	Year 1	Year 2	Final Period
EC Contribution	185.000 €	200.000 €	380.000 €
Contribution accumulated 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 €)

# Certificates on the Financial Statement (CFS)

- Submission of certificate
  - In case of a third party covered by special clause 10 the threshold of 375.000€ applies to the sum of the EC contribution of the beneficiary and the EC contribution of the third party
- Form of Certificate
  - A list of minimum requirements required by the Commission to be included in the engagement letter
  - The model auditor's report of factual findings to be issued on the auditor's letterhead and dated, stamped and signed by the auditor (or competent public officer)
  - A detailed description including the procedures to be performed by the auditor and the findings expected to result there from
- The language of the CFS should be written in the language indicated in Article 4 of the grant agreement
- The cost is an eligible direct cost charged under management in the subcontracting category
  - Note: costs of a CFS when the threshold is not reached will not be eligible (it may become eligible if the threshold is reached in a subsequent period)



# Procedures for the CFS to be performed by the auditor/information to be provided by the beneficiary/third party

- Personnel cost
  - Recalculate the hourly rate for personnel based on
    - Actual payroll information and productive hours
  - Describe time recording
    - Description of the time-recording system and individual timesheets
  - Employment status and employment conditions
    - Specific employment contracts for researchers in question as well as standard employment contracts
  - Use of averages
    - Most up to date classification grid



# Procedures for the CFS to be performed by the auditor/information to be provided by the beneficiary/third party

- Subcontracting
  - Matching with Annex I
    - Contracts signed with 3<sup>rd</sup> party
  - Award procedure
    - Report which describes how the offers were obtained and assessed
- Other Direct costs
  - Travel cost and consumables correctly identified and allocated to the project
    - Extracts from the accounting records together with original invoices including company policy on travel costs
- Indirect costs
  - Review detailed breakdown of indirect costs
    - Details on the calculation together with a sufficient narrative description of the methodology
  - Assess use of simplified method



# **Procedures for the CFS to be performed by the auditor/information to be provided by the beneficiary/third party**

- Exchange rates
- Receipts
- Interest yielded



# FURTHER INFORMATION

## **Basic elements published on Internet:**

- **Form D (CFS):**  
[ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-ga-annex7d\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-ga-annex7d_en.pdf)
- **Form E (CoM-CoMAv):**  
[ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-ga-annex7e\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-ga-annex7e_en.pdf)
- **Guidance notes for beneficiaries and auditors on FP7 audit certification:**  
[ftp://ftp.cordis.europa.eu/pub/fp7/docs/guidelines-audit-certification\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/guidelines-audit-certification_en.pdf)
- **FP7 Guide to Financial Issues:**  
[ftp://ftp.cordis.europa.eu/pub/fp7/docs/financialguide\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/financialguide_en.pdf)
- **Enquiry service:**  
<http://ec.europa.eu/research/index.cfm?pg=enquiries>



# OTHER NEW SOURCES OF INFORMATION



FP6 / FP7 Audit certification policy website

[http://cordis.europa.eu/audit-certification/home\\_en.html](http://cordis.europa.eu/audit-certification/home_en.html)



FP7 Certification FAQs

[ftp://ftp.cordis.europa.eu/pub/fp7/docs/faq-certification\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/faq-certification_en.pdf)



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[ec.europa.eu/research/enquiries](http://ec.europa.eu/research/enquiries)

