

FP7 Audit & certifications

The FP7 **certification** on methodology focuses on the preventive verification to detect errors in the methodology to calculate certain costs. FP7 **ex-post audits** and certification of financial statements strive to correct errors detected in financial statements.

It is important to pay close attention to the eligibility criteria of your project costs. Read [how to avoid common errors in cost claims](#). You also need to be ready for an audit making sure that you have the required supporting documents available.

Objectives:

- learn about procedures that the Commission has put in place to verify and assure sound financial management of EU funded research projects
- learn how to prepare and submit certificates on your financial statements to the Commission
- learn if you can have the accounting methodology of your organisation examined by an auditor and approved by the Commission for the EU research projects
- learn about the Commission ex-post audits

Certificates

Three types of certificates provide the Commission with elements to assess whether costs charged by a participant are eligible (CFS) or whether its methodology is suitable to ensure that costs claimed will be in compliance with the terms of the Grant Agreements (CoM and CoMAv):

- Certificate on the Financial Statements (CFS)
- Certificate on the Methodology for Personnel and Indirect Costs (CoM)
- Certificate on the Methodology for average personnel costs (CoMAv)

These are independent reports of factual findings produced by an external auditor or a competent public officer. The Certificates are established in accordance with [Article II.4.4 of the FP7 Grant Agreement](#).

Certificate on Financial Statements (CFS)

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 EUR 375,000 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.

If a period/grant has been audited by the Commission, the audited costs shall not be taken into account for the calculation of the EUR 375 000 threshold.

You need to engage an external auditor or competent public officer to prepare the CFS for your organisation. The standard template for CFS, called [Form D](#), is Annex VII to the Grant Agreement.

Certificate on the Methodology for Personnel and Indirect Costs (CoM)

You may request a certificate on the methodology that your organisation uses for the calculation of personnel and indirect costs. Beneficiaries with approved CoM do not have to submit CFS for interim payments.

This option is open to beneficiaries who have participated in at least eight FP6/FP7 (or four FP7 signed before 2010) grant agreements with an EU contribution each = EUR 375,000.

You need to engage an external auditor or competent public officer to issue CoM for your organisation. The standard template for CoMs, called [Form E](#), is Annex VII to the Grant Agreement.

Certificate on the Methodology for Average Personnel Costs (CoMAv)

All beneficiaries applying average personnel costs are entitled to submit a CoMAv to the Commission for approval (optional). Methodologies will be assessed against the acceptability criteria.

FP7 beneficiaries fulfilling the four [acceptability criteria](#) (see Article 1) may claim average personnel costs. This certificate does not waive the obligation to provide CFS.

You need to engage an external auditor or competent public officer to issue CoMAv for your organisation. The information requested for CoMAv can be found in [Form E](#), Annex VII to the Grant Agreement, which also covers CoMs.

Procedure for Certification

Beneficiaries should ask the Commission if they are eligible for a CoM by [email](#). No eligibility request is needed for CoMAv. Within 30 calendar days, the beneficiary receives an answer on its eligibility. Ineligible beneficiaries are not allowed to submit a CoM.

The certificates should be submitted using Form E to:

- RTD-FP7-Cost-Methodology-Certification@ec.europa.eu for CoM

- RTD-FP7-Average-Personnel-Rate-Certification@ec.europa.eu for CoMAv.

Within 60 calendar days, the beneficiary receives an answer on the acceptance of the certificate.

For any questions about the certificates, you can contact the [Research Enquiry Service for FP7](#).

The beneficiary remains at all times responsible and accountable for the accuracy of the Financial Statements. The submission of a CFS, CoM or CoMAv does not waive the right of the Commission or the European Court of Auditors to carry out their own audits.

Ex-post Audits

Project participants should be ready for an audit by the Commission making sure that they have the required supporting documents available up to 5 years after end of the project. The audits can cover scientific, financial, technological and other aspects relating to the proper execution of the project and the contract. It is important that they pay close attention to the eligibility criteria of costs before submitting their 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.

The Commission's Directorates General, Executive Agencies and Joint Undertakings exchange any relevant information in order to coordinate their audit efforts. The Commission has also increased the frequency of joint audits with the Court of Auditors.

Reference documents

- [Guidance notes for beneficiaries and auditors on certificates issued by external auditors \[PDF\]](#)
- [Annex VII of FP7 Grant Agreement – Form D PDF](#)
- [Annex VII of FP7 Grant Agreement – Form E \[PDF\]](#)
- [Guide to Financial Issues relating to FP7 Indirect issues \[PDF\]](#)
- [EC simplifying the implementation of the research framework programmes \[PDF\]](#)
- [Service Specific Privacy Statements for Audits and Controls](#)

Audit-related organisations

- [International Federation of Accountants](#)
- [The European Federation of Accountants](#)

FP7 Audit-related background information

The Commission's FP7 audit strategy

Further to the significant increase of the budget allocated to the EU funded Research projects (with a total amount of EUR 53 billion), the Research-related Directorates General have adopted in September 2009 the 7th Framework Programme (FP7) audit strategy underpinning the audit campaign running up to 2016. The Audit Strategy has been revised in May 2012 in order to take better account of changes in the general context of the FP implementation.

In order to clear the FP7 budget of the main errors, the FP7 ex-post audits strive to identify and correct them in the most cost-effective way possible while ensuring fraud prevention and detection. The final aim is to bring the residual error rate down to a tolerable level.

This FP7 Audit Strategy is part of the internal control system already in place within each of the Commission Services managing these EU funded Research activities; the focus of the control system intentionally remains very much on ex-post controls in order to simplify procedures for beneficiaries in providing evidence before payments are made. The main improvement in the Strategy is the adoption, in 2011, of the principle of a Common Representative sample for Research Commission Services, with the purpose of reducing the administrative burden linked to multiple audits on the same beneficiary. Also, the frequency of joint audits with the Court of Auditors has been reinforced.

The Commission's Directorates General, the Executive Agencies and the Joint Undertakings will also share and exchange any relevant information in order to fully and consistently coordinate their audit efforts.

The revision of the FP7 Audit Strategy is equally framed in the light of simplification measures:

- The Commission Decision of 15.12.2009 on simplification of the recovery process in the framework of the implementation of the audit strategy
- The Commission Decision of 24.01.2011 introducing simplification measures for FP7 (new provisions and acceptability criteria for the use of average personnel costs by beneficiaries, introduction of flat-rate financing for SME owners)

It is important that participants in EU research projects pay the utmost attention to the eligibility criteria before submitting their cost claims. For this reason, a note to beneficiaries on [how to avoid common errors identified in cost claims](#) is available. Furthermore, participants should prepare themselves for the event of an audit by making sure that they have the required supporting data and documents available at all times.

The detection of any ineligible costs claimed and reimbursed will lead to recovery of the amount or an offset with the next payment. Moreover, any error of a systematic nature will give rise to extrapolation meaning that the beneficiary will be invited to correct all cost claims related to all of its other projects, as they are deemed to have been affected by the same systematic error. Beyond these corrections, other contractual/regulatory measures/sanctions may be applicable as well.

This guide provides participants with information on audit and certification about the cost eligibility criteria, the supporting data and documents needed during an audit on-the-spot, the audit procedure and the potential consequences.

Results and consequences

Regarding to the rules for participation in EU research projects the Commission, or any representative authorised by it, shall have the right to carry out scientific, technological and financial audits on the participants, in order to ensure that the indirect action is being or has been performed under the conditions claimed and in accordance with the terms of the contract. Pursuant to Article 248(2) of the Treaty, the Court of Auditors may verify the use of the Community's financial contribution.

The audit contributes to the protection of the DG's financial interests, by reducing the financial risks linked to the execution of cost-shared contracts. In this context, the audit sector organises and undertakes financial audits in order to assess and verify the legality and regularity of costs claimed by the participants in EU research projects. Based on the experience gained in the audit field, the audit sector also takes up an advisory role for the DG regarding cost eligibility issues and supports the implementation of audit results by means of advice, monitoring and reporting.

As well as corrections, sanctions may also be applicable:

1. the Commission will claim liquidated damages proportionate to the overstated amounts,
2. any breach of contractual obligations may give rise to additional financial penalties,
3. any intentional overstatement of costs may lead to exclusion from future grants, administrative sanctions and even criminal court proceedings.

• **Annex III of the Letter of Conclusion (cases of extrapolation):** As stated in the Letter of Conclusion for cases of extrapolation, beneficiaries need to provide the Commission with a duly completed copy of Annex III. Please download the document [[DOC](#)], fill it in and **return to the Commission following the instructions given in the Letter of Conclusion itself.**