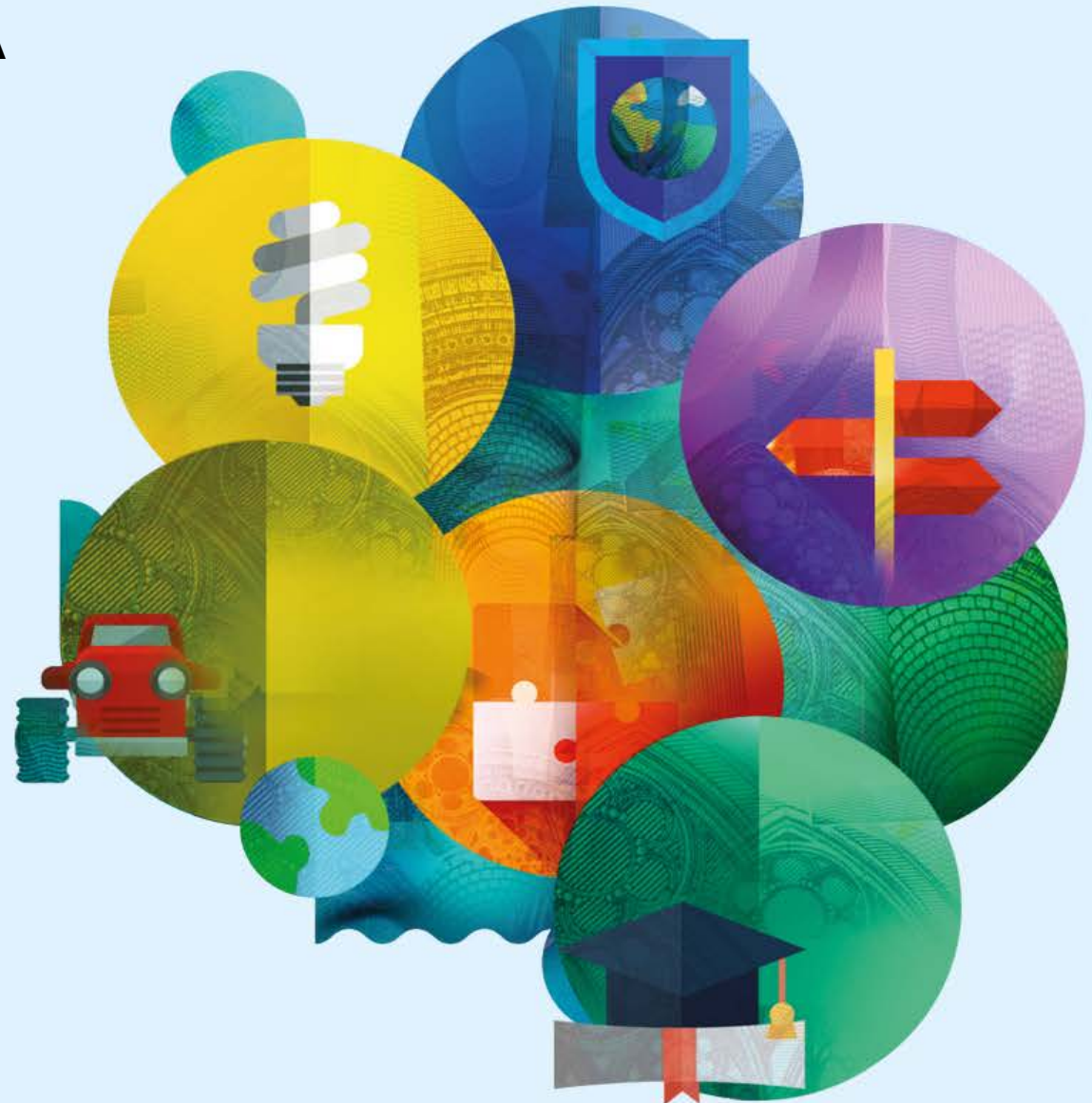




**Stakeholder Workshop on Novelties in HE MGA**

# **Systems and Process Audit**

**Brussels, 09 October 2020**



***#HorizonEU***

Common Audit Service  
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# A Risk-Based HE Control Strategy



## Key concepts

- ✓ **Better control** rather than more control (for both ex-ante & ex-post);
- ✓ Reinforced circular **feedback** mechanism between the two arms of control;
- ✓ More attention to the **early detection** of emerging risks of irregularity;
- ✓ More attention to **fraud prevention and detection**.

# Ex-post controls

## The design



*1. More Simplification*

*2. More Transparency*



# *Horizon Europe: the novelties in audit*

*Systems and Processes Audit (SPA)*

*Wider cross-reliance on audits and assessments*

# System and Process Audit

## □ What is a SPA ?

### *A risk assessment & an audit opinion*

*in 2 steps:*

- Test of the systems / Tests of controls
- Substantive testings / Tests of Transactions

HE Rfp Article 48

*assessing 3 types of risks:*

- Inherent Risk at the level of the entity
- Control Risk at the entity level
- Budget Category Specific Control Risk and their project based accounting

*providing 1 Output:*

- One single report in two parts
  - Combined review result ► flag as Low, Medium or High

# System and Process audit

## Objectives

- *Reduced administrative burden;*
- *Less but more focused audits;*
- *Reliance on the internal control system of the beneficiary (prevent and detect error)*

## Consequences

- *Timing of the SPA (with first audit)*
- *Future audits (less audits, less CFS?)*

# Cross-reliance



## 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

# Cross-Reliance

## Factors of success

Having "*conditions equivalent*" between EU programmes irrespectively of the management mode,

Enhancement of *corporate IT tools*:

Taking into account international benchmarks:

- **International Standard on Auditing (ISA)**
- **INTOSAI**
- **COSO**



# Way Forward – Audits in Horizon Europe

- **Pilot** System and Process Audit on a number of beneficiaries
- Further **consultation with beneficiaries and member states**
- Discussion with the **Central Services of the Commission** regarding further simplification
- Launch of the Horizon Europe audit campaign (creation of a risk-based Audit Strategy)
- Focus on Risk

**Thank you  
for your  
attention & participation !**