

The aftermath of an EC Audit



The Aftermath of an EU Audit

John Stringer

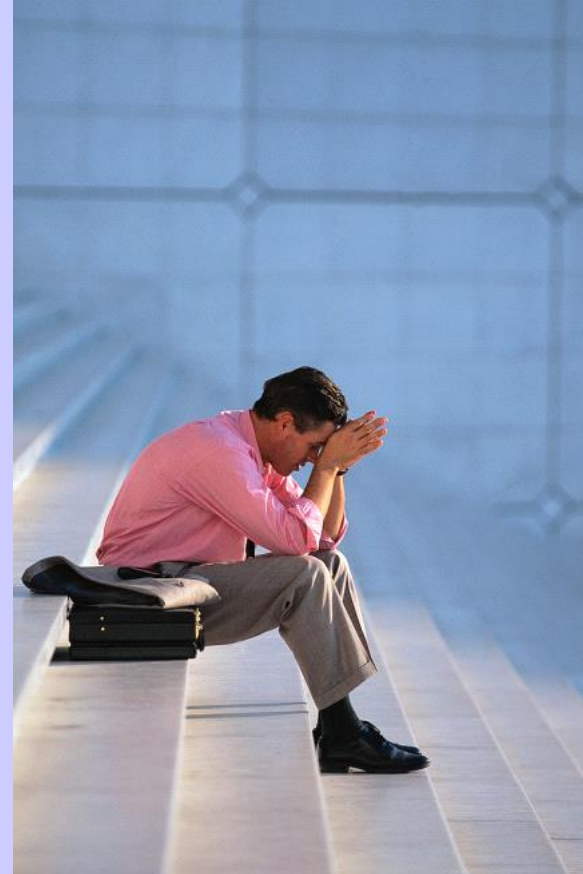
Agenda – Commission Audits

- ◆ EU Audit Strategy
- ◆ Actors Involved
- ◆ Implementation
- ◆ FP7 Results
- ◆ Horizon 2020 Framework
- ◆ Key Issues Emerging



Contractual Justifications H2020

- ◆ Audit period H2020 is 2 years after final payment
- ◆ Obligation to keep records 5 years (3yrs for low value grants)
- ◆ Extrapolation is now included in the MGA



Commission Audit Strategy

- ◆ Covers period 2016-2025
- ◆ Provides input to Declaration of Assurance
- ◆ Ensures eligibility of costs claimed
- ◆ Raises Control Awareness in Research Community
- ◆ Managed by Common Audit Service

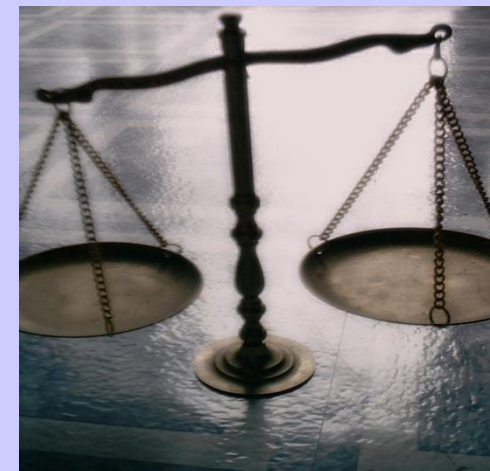


« Appropriate balance between trust and control »

Players Involved in Strategy

- ◆ OLAF (anti-fraud)
- ◆ Court of Auditors
- ◆ Commission (Research Family & Agencies)
- ◆ External Auditors under Framework Agreements

Key Role of the Court of Auditors



Commission & External Auditors

Commission Auditors

- ◆ Approximately 25% - 30% of audits
- ◆ Concentration on top beneficiaries
- ◆ Specific audits (follow-up, requests)

External Auditors

- ◆ Bulk of Audits (70%- 75%)
- ◆ Concentration on representative audits (MUS)
- ◆ Supervision and control by Commission services (R&I J.2.01)

Does it matter who you are audited by?

Risk Factors

- ◆ Size of Grant
- ◆ Numbers of Projects
- ◆ Persistent errors
- ◆ Suspicion or concerns
- ◆ Risk of country or types of project
- ◆ Experience in Programmes



See remarks of the CA on
concentrating on risks

FP7 Framework Contract

- ◆ Auditors appointed:
 - **Lubbock Fine; Ernst & Young; KPMG**
- ◆ Duration of contract: **4 years (3 +1)**
- ◆ Number of audits: **600 per annum**
- ◆ Total number of audits over period: **2.400**
- ◆ Audits based on batch or individual assignment

Contract worth 38meuro!!

FP7 – Audit Strategy Results

- ◆ By end of 2014, Commission audited costs of around 2 billion €
- ◆ 2860 audits closed (3000 planned)
- ◆ 47.6 million euro recovered
- ◆ Outstanding 20 million euro



H2020 Audit Framework

- ◆ New Audit Framework tender launched on 23rd March 2016 – 30 million €
- ◆ Tender covering 4 years (2 +1+1)
- ◆ In total around 1600-1800 engagements are planned
- ◆ Organized in batches (100 engagements) and individual assignments
- ◆ Tender gives detailed information on the audit programme and the checks to be carried out

Does it matter which firm wins?

Emerging Issues from FP7 audits

- ◆ External Auditors try to enforce rigid timetables
- ◆ How audits are implemented depends on when they take place in life of the audit FW
- ◆ Audit focus is an evolving process...evidence of rigid approach emerging
- ◆ Mistakes made in FP7 documentation
- ◆ « Flexible approach » to deadlines on Commission
- ◆ Need to ensure a detailed response to draft reports
- ◆ Worth pursuing case even after the final audit report has been delivered
- ◆ **Research Community needs to have a more co-ordinated approach to EU audit policy**



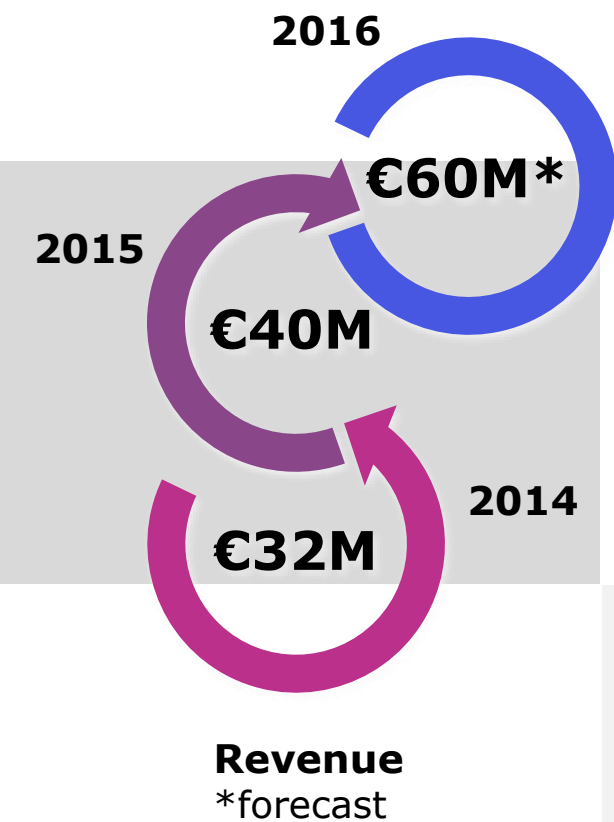
Aftermath of an EC audit

A personal experience

Barcelona Digital was:



Eurecat is:



+ **1,000**
Business clients



+ **73**
Patents

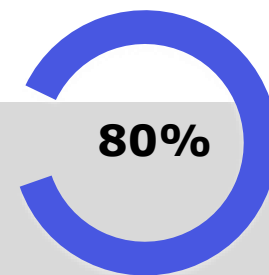
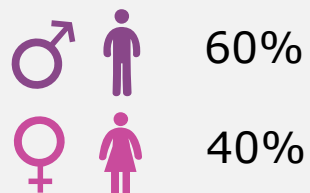


+ **160**
Large R&D projects

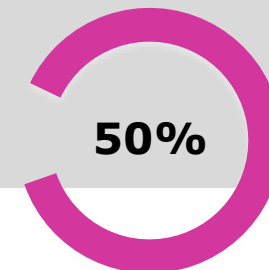


+ **7**
Spin-offs

450 professionals

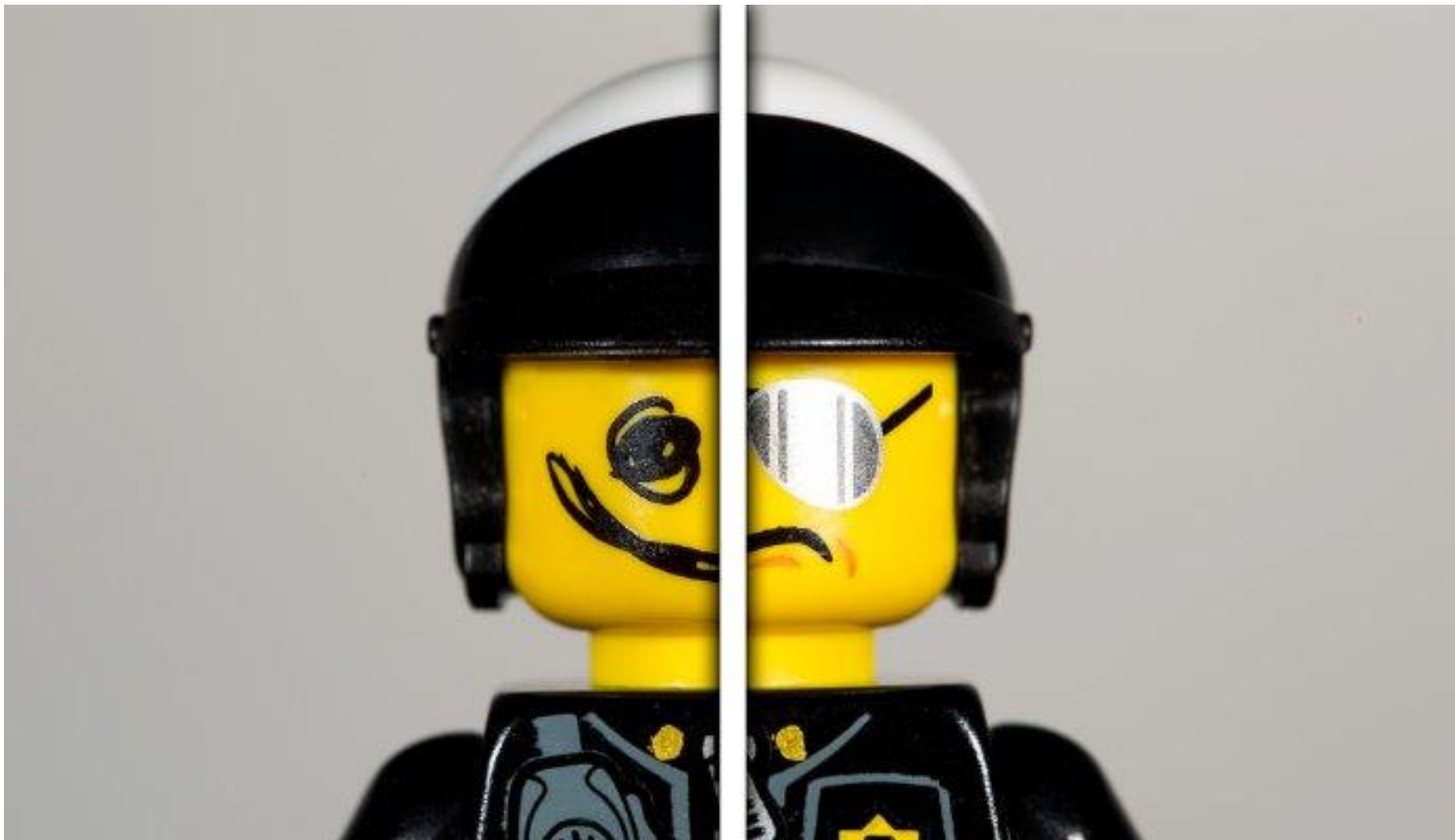


R&D Projects



International Projects

Two very different audit experiences



The FP7 audit

1st period of our 1st project

Time recording system in excel was insufficient:

Interviews, mails, protocols, additional work reports, project demonstration...

Cooperative approach from the auditors
“to get it right”

Positive pressure and impact for the new well-done time reporting system.



The CIP audit

3 CIP projects over several periods

Auditors with immediate conclusions after day 1 and 'knowing better' attitude

Final conclusions explained on the phone – major misunderstanding on hourly rate/productive hours discovered but “calculation is wrong anyway, so stick to what we tell you”

Systematic error with extrapolation procedure



Our major errors

Innocent thinking

convinced of doing it right, we didn't expect that they will turn it all upside down

Follow the forms

and hope they give you the chance to explain or clarify what they asked you beforehand.

Believe they know the rules

and respect their role despite the errors discovered in their work

Internal disagreement

about how to proceed with the draft audit report - the findings

What we want to do better

**Have a
single
contact
point
ALWAYS**

**Answer what is
YOUR
COMPETENCE and
responsibility**

**Don't
stick to
a form if it
does not
match your
reality**

**Be in all
meetings**

**Keep track
of what you
deliver**

What we want to do better

| | A | B | C | D | E | F | G | H | I |
|----|---|---|---|---|---|---|---|---------------------|---|
| 1 | Areas shaded yellow to be filled for each project audited | | | | | | | OCULTAR LAS QUE N/A | |
| 2 | | | | | | | | | |
| 3 | Productive Hours Calculation | | | | | | | | |
| 4 | Total days in a year | | | | | | | | |
| 5 | Less: Weekend | | | | | | | | |
| 6 | Subtotal | | | | | | | | |
| 7 | Less: Annual holidays | | | | | | | | |
| 8 | Less: Statutory holidays | | | | | | | | |
| 9 | Less: Illness | | | | | | | | |
| 10 | Workable days in a year | | | | | | | | |
| 11 | Less: Other activities (describe in detail) | | | | | | | | |
| 12 | Productive days per year | | | | | | | | |
| 13 | Hours per day | | | | | | | | |
| 14 | Productive hours per year | | | | | | | | |
| 15 | | | | | | | | | |

each person
x
each period

general information

organisation's info

productive hours calculation

each person
x
each period

What we want to do better

"We will
complete this
in the office"

"You will see
this in the
draft report"

"It is normal
that there are
some
mismatches"

**Don't let
them go with
unfinished
numbers**

**Don't be
afraid to
disagree**

What we did right

Have staff available

Welcome presentation with core team.
Accountant, HR, project manager, research team members

Get all the files

Get the files used/valid at time of reporting:

Procedures and manuals: time reporting, travel policy, variable salary, salary in kind
Payslips, proof of payment [online banking!], Social Security + payments, contracts, labour calendars, agreement on part-time, proof of special leaves
Invoices + payments, original tickets from travels and payment, programs, minutes, fotos
Financial Guidelines valid when signing the GA, valid when reporting

Close follow-up with the Implementation Unit

during the extrapolation procedure: get the things right, communication with Financial Officer of the project, inform about latest financial reports and adjustment delivered in the several projects

Consultation about implementation/continuation of the procedure after the merger BDigital -> Eurecat

What we do for Horizon 2020

Know the external auditor's instructions

Teach management on requirements

Talk to your own auditor already now

Get an expert auditor

New corporate time recording system

1720h calculation
Spanish parental leaves
Additional remuneration



| Share & learn

**What do you do better now?
What are your
concerns and proposals for H2020?**

ISSUE - TOPIC

Concern
Solution
Recommendation
Sharing

ISSUE - TOPIC

Concern
Solution
Recommendation
Sharing

ISSUE - TOPIC

Concern
Solution
Recommendation
Sharing

Concerns, proposals, recommendations, solutions

ISSUE - TOPIC

Concern
Solution
Recommendation
Sharing

ISSUE - TOPIC

Concern
Solution
Recommendation
Sharing

GRÀCIES

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