The aftermath of an EC Audit
The Aftermath of an EU Audit

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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
<table>
<thead>
<tr>
<th>Commission Auditors</th>
<th>External Auditors</th>
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</thead>
<tbody>
<tr>
<td>Approximately 25% - 30% of audits</td>
<td>Bulk of Audits (70%- 75%)</td>
</tr>
<tr>
<td>Concentration on top beneficiaries</td>
<td>Concentration on representative audits (MUS)</td>
</tr>
<tr>
<td>Specific audits (follow-up, requests)</td>
<td>Supervision and control by Commission services (R&amp;I J.2.01)</td>
</tr>
</tbody>
</table>

*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 38m Euro!!
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:

- **€60M**\* (2016)
- **€40M** (2015)
- **€32M** (2014)

- **Revenue** (2016): 450 professionals
  - Male: 60%
  - Female: 40%

- **R&D Projects**:
  - 80%
  - 50%

- **International Projects**

- **Projects**:
  - 1,000 Business clients
  - 160 Large R&D projects
  - 73 Patents
  - 7 Spin-offs

*forecast
Two very different audit experiences
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 inmediate 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

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Areas shaded yellow to be filled for each project audited</td>
<td>OCULTAR LAS QUE N/A</td>
</tr>
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<table>
<thead>
<tr>
<th>Productive Hours Calculation</th>
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<tbody>
<tr>
<td>Total days in a year</td>
</tr>
<tr>
<td>Less: Weekend</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td>Less: Annual holidays</td>
</tr>
<tr>
<td>Less: Statutory holidays</td>
</tr>
<tr>
<td>Less: Illness</td>
</tr>
<tr>
<td>Workable days in a year</td>
</tr>
<tr>
<td>Less: Other activities (describe in detail)</td>
</tr>
<tr>
<td>Productive days per year</td>
</tr>
<tr>
<td>Hours per day</td>
</tr>
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<td>Productive hours per year</td>
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</tbody>
</table>
What we want to do better

Don’t let them go with unfinished numbers

“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 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 BDigtial -> 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
What do you do better now?
What are your concerns and proposals for H2020?
Concerns, proposals, recommendations, solutions
GRÀCIES

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