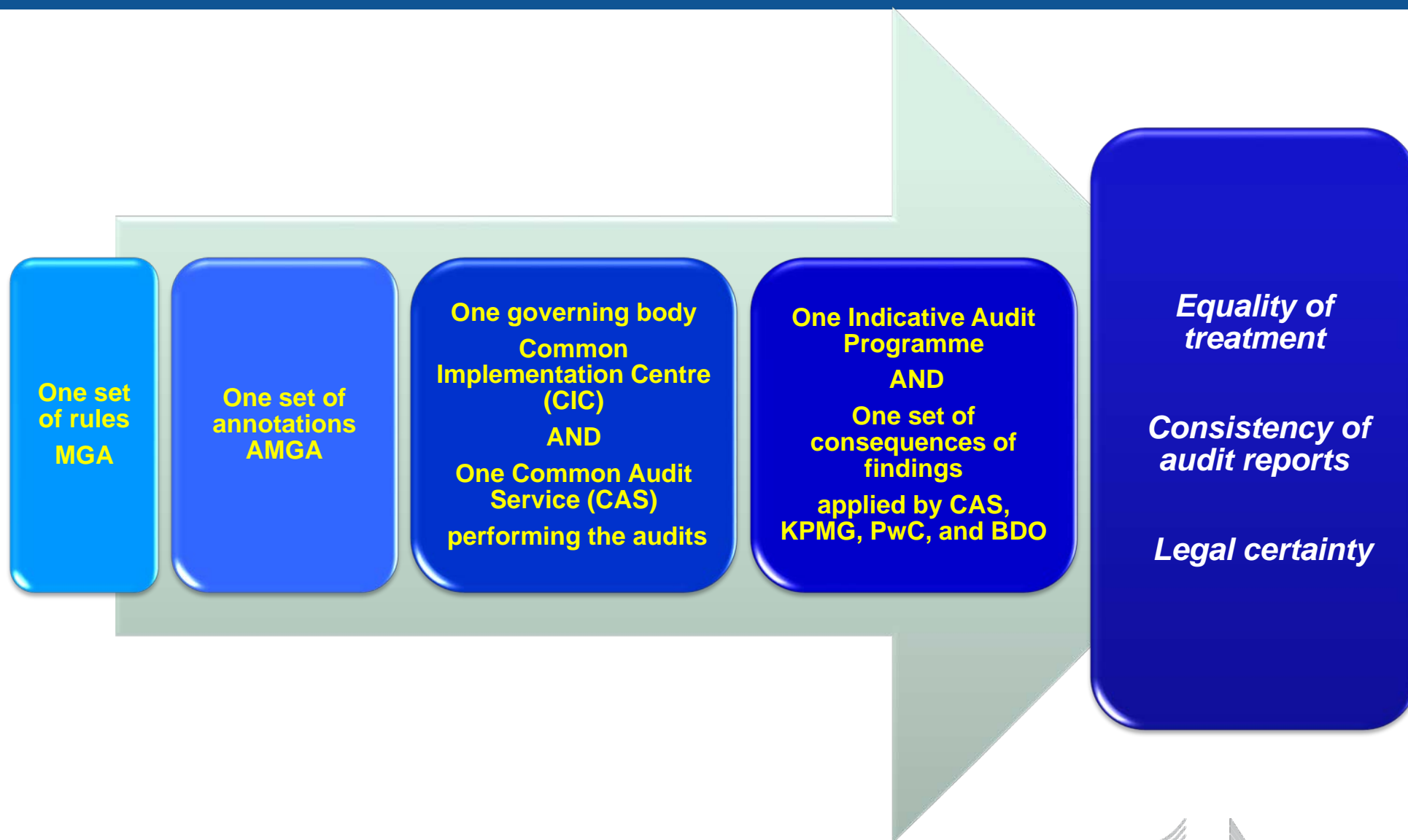




HORIZON 2020

Audit Process

Framework for ex-post audits



The Common Audit Service

Outsourced
&
In-House



Audit Process



Audit Process – planning and preparation

- Set fieldwork dates/ Prepare Audit Planning Memorandum (APM)
- Prepare and send Letter of Announcement (LoA)
- Request information (Annexes to LoA)
- Collect audit evidence (breakdowns, questionnaire and sampling)

TIMING – LoA => field audit = 30 days

Audit process – Examination on site

Opening meeting

Systems Analysis

Systems and substantive testing

Closure meeting

Assessment after field-work

Usually during 4-5 working days (one week)

General information on:

- organisation
- projects
- financial administration
- internal control systems

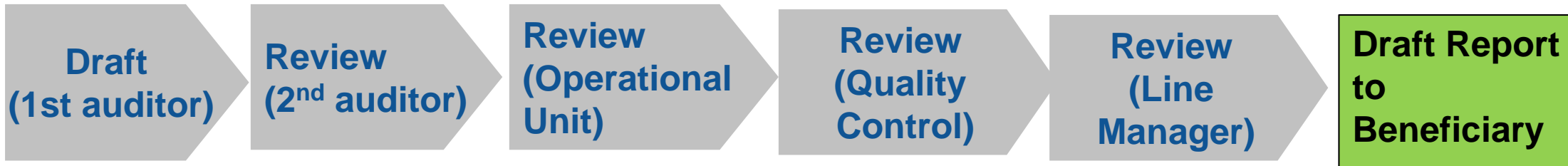
Audit agenda for the week

Collection of information and audit evidence, analysis of documents, interviews with researchers, project presentations, physical inspections, etc.

Discussion on preliminary audit findings and observations

Indication of further audit procedure

Audit process – Report Drafting (In House)



Lead-time depends on complexity. Target is 3 months from Field Work to Final Draft

Additional test work may be required after field visit.

Quality reviews aimed at both form and substance.

Focus on ensuring equal quality and parity of treatment for Beneficiaries.

On occasion, review feedback may necessitate additional test work (performed remotely)

Audit process – Report Drafting (External)

**Draft
(EAF*)**

**Review
(CAS auditor)**

**Review
(Operational
Unit)**

**Review
(Quality
Control)**

**Review
(Line
Manager)**

**Draft Report
to
Beneficiary**

**Lead-time depends on complexity. Target is 3 months from
Field Work to Final Draft**

**Additional test
work may be
required after
field visit.**

**Quality reviews aimed at both
form and substance.**

**Focus on ensuring equal
quality and parity of
treatment for Beneficiaries.**

**On occasion, review
feedback may
necessitate additional
test work (performed
remotely)**

*** EAF = External
Audit Firm**

Contradictory Procedure

This refers to the procedure whereby the auditor sends the draft report to the Beneficiary with a response required within **30 days**.

The report is accompanied by a Letter of Representation that also needs to be completed by the Beneficiary and returned within **30 days**.

Contradictory Procedure - Communication

Dear Ms ~~Forde~~

Following our desk audit, please find enclosed the Draft version of the Audit Report.

I would be grateful if you could review this Draft Audit Report and send me your comments, if any.

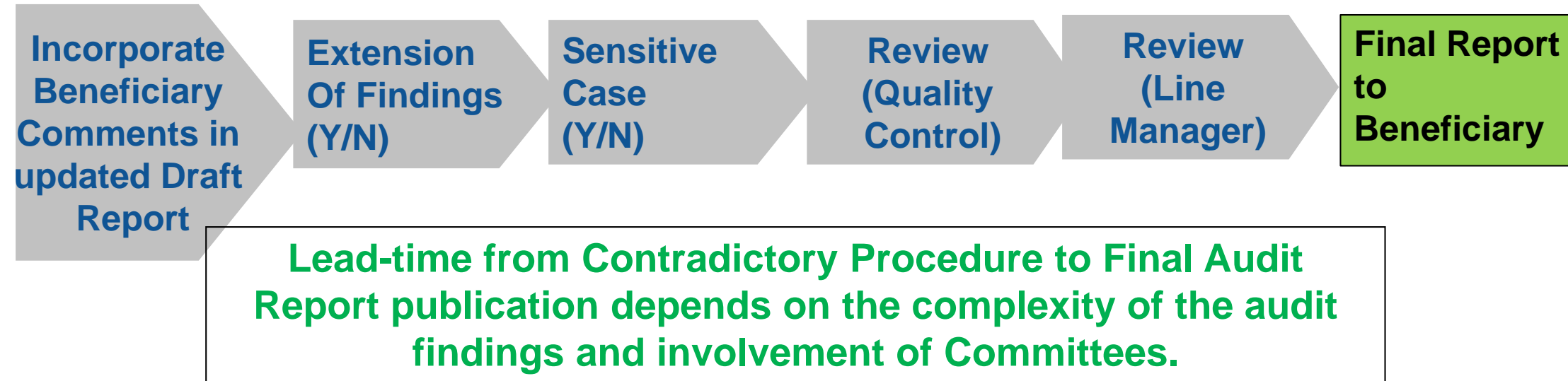
If you disagree with the preliminary findings of the enclosed Draft Audit Report, please note that there will be no further possibility within the framework of the audit process to provide comments and additional supporting documents before the audit finalisation.

Any comments or additional supporting documents sent within 30 (thirty) days from receipt of this e-mail will be duly considered and included in the Final Audit Report as an additional chapter.

After the expiry of the above deadline, the Report will be finalised and a copy of the Final Audit Report will be sent to you.

Please send your comments and supporting documents by e-mail to the following address: andrew.forde@ec.europa.eu as well as by surface mail to the following address:

Audit process – Final Report



Report findings may change based on Beneficiary feedback.

Beneficiary comments are copied and pasted into an Annex of the report.

Final Report is accompanied by Letter of Conclusion.



HORIZON 2020

Thank You

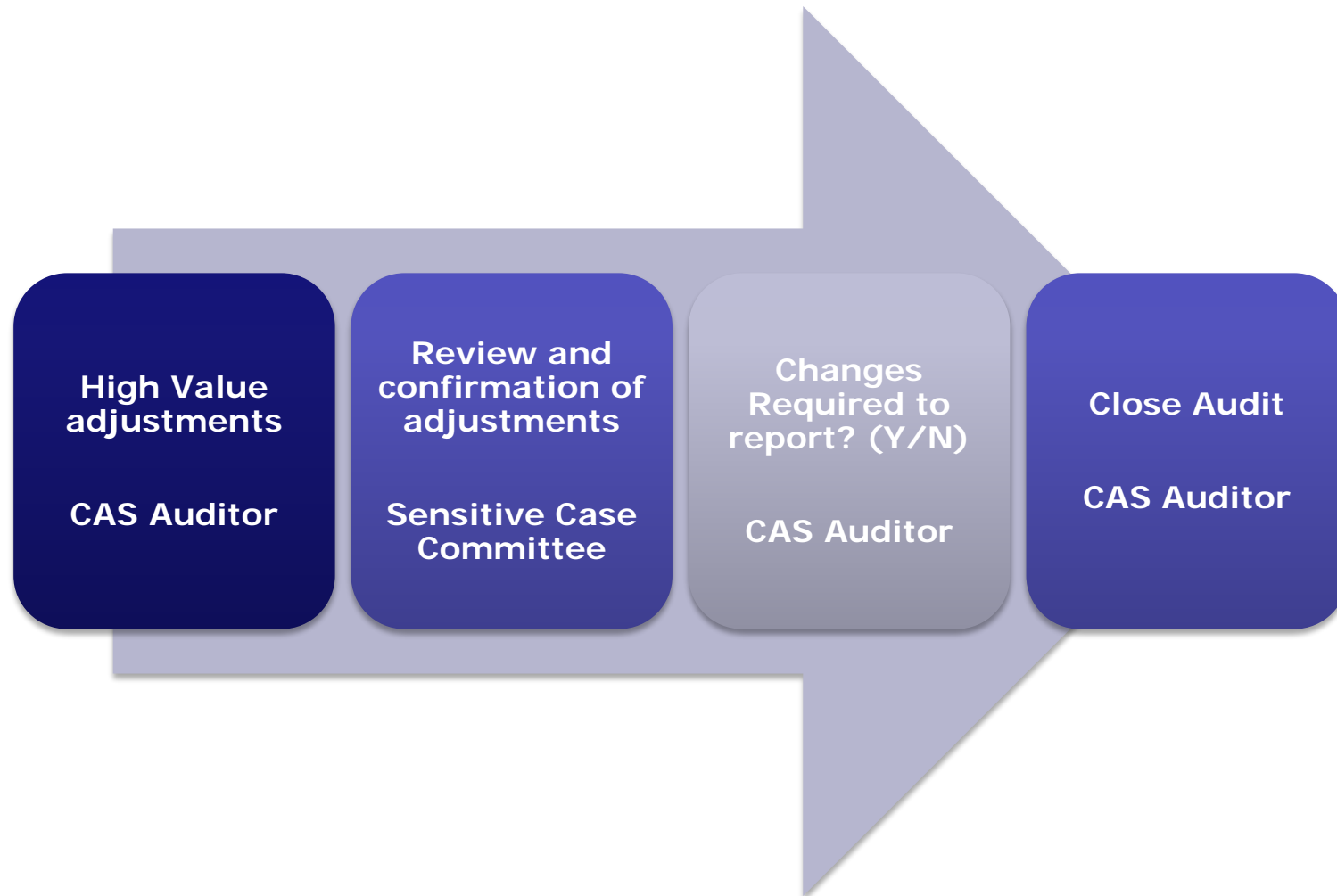


HORIZON 2020

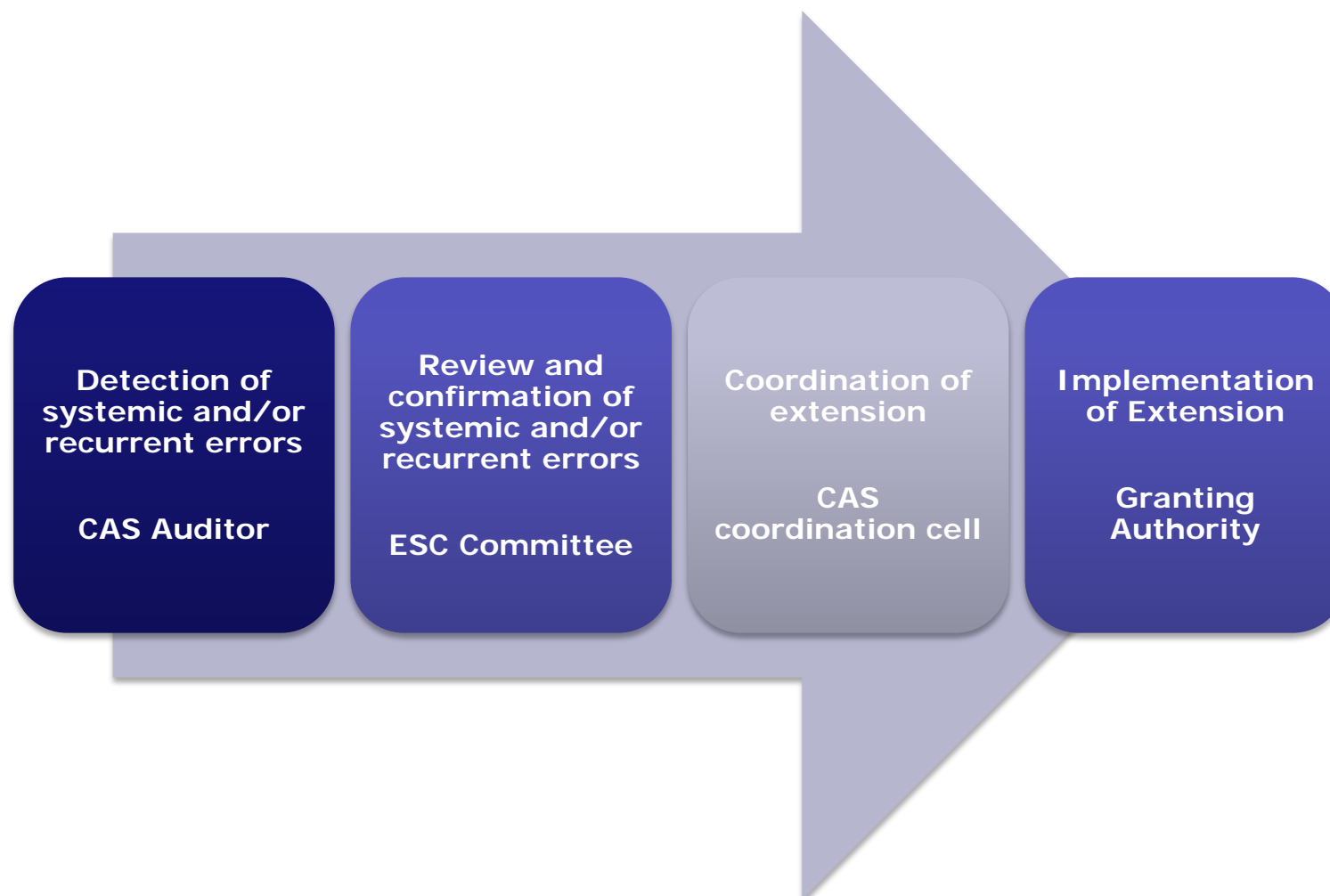
Audit Process

Back Up

Sensitive Case



Extension of Audit Findings



How to prepare for an audit

- Ensure that key personnel (finance/accounting/admin/project) will be present for the duration of the on-site audit.
- Ensure the project file is complete – timesheets, purchase orders, invoices, evidence of price comparisons/tenders etc.
- The more documentation – including policy documents – that reaches the auditors before the audit, the smoother the on-site audit will go.
- Understand that the auditors may request to see original documents when on-site.

How to prepare for an audit - continued

- The Breakdown of Costs is the key document which sets out the detail of the costs claimed to the action. It is critical that this document reach the auditors at least three weeks prior to the audit.
- Check that the amounts in the Breakdown of Costs match the amount included in the claim. If they don't, explain why.
- Ensure that the auditors have a decent working space with working WiFi connection.
- Remember that time lost on-site is likely to lead to additional test work having to be performed after the audit.

Audit Process - strategy and selection

- Statistical method: Monetary Unit Sampling (MUS)
- Audits of biggest beneficiaries
- Risk based analysis: high amounts, large proportion of subcontracting, new beneficiaries, etc.