



HORIZON 2020

Certificate on Financial Statements (CFS) Main Requirements

Certificate on Financial Statements (CFS)

Legal basis **Art 20.4(b)(ii)** H2020 GA.

- Threshold: **€ 325,000**

Declared actual costs + unit costs calculated on the basis of usual cost accounting practices (average personnel costs & internal invoices).

- **1 certificate per beneficiary at the end of the action** -must be submitted by the coordinator 60 days after end of the last reporting period

Certificate may cover the whole period or each reporting period separately

- **Costs for CFS eligible** under category "Costs for goods or services".
- **Not an assurance** engagement

Levels of controls and Audit

Ex-ante controls:

- Certificate on the Methodology (CoMUC)
- Large Research Infrastructure (LRI)

- **Ex-post controls:**

- **First level audit:** Certificate on the Financial Statements (CFS).

= auditor to be selected by Beneficiary

- **Second level audit:** Financial audits, investigations.

Must be a qualified auditor

Qualified in accordance with national legislation implementing Directive 2006/43/EC

Must be independent

As defined by the "Code of Ethics for Professional Accountants" (published by IESBA)

Must be an external auditor

- Exception for public bodies: May use an independent public officer with formal competence to audit
- Exception for international organisations: May appoint an internal/external auditor in accordance with its internal financial regulations and procedures

Annex 5 to the Grant Agreement -Model for the Certificate on the Financial Statements

Consists of:

- **Terms of Reference** -Contract signed by authorised representatives of the beneficiary/linked 3rd party and the auditor
- **Independent Report of Factual Findings** -Report completed by the auditor, including a table of specific details to be investigated as instructed by the EC

CFS- Terms of reference

- Engagement of the Auditor by the Beneficiary
- Subject of the engagement
- Responsibilities of the Beneficiary and the Auditor
- Applicable standards –ISRS 4400, Code of Ethics for Professional accountants IESBA
- Reporting
- Timing
- Other terms (e.g. fees, liability, applicable law)
- Date and signature of Auditor and Beneficiary

The Report –procedures (AUP)

- Not applicable Findings
- Exceptions
- Further Remarks
- Use of this Report –confidential use of Beneficiary and Commission/Agency
- Confirmation on no conflict of interest + fee
- Signature of the Auditor

Agreed upon procedures

SAMPLE:

- Full coverage if < 10 items (at the sub-category level)
- Otherwise, random sample of minimum 10 items or 10% of sub-category total, whichever is highest.

66 PROCEDURES which covers all costs categories.

Result:

- » **(C)** Compliance
- » **(E)** Exception
- » **(N.A.)** Not Applicable

Key differences CFS vs EC Audit

CFS	EC Audit
Not an assurance engagement - Agreed Upon Procedures	Assurance engagement - independent audit opinion
Procedures set up by Commission - Auditor not responsible for their suitability or pertinence	Indicative Audit Programme - overall ownership remains with the auditor
Independent report on factual findings	The audit also includes review of the system of internal controls - may lead to recommendations for system improvements
Performed by external independent auditors, selected by Beneficiary	Performed by CAS or external auditors appointed by the Commission
Auditee selected based on size of costs being reimbursed by EU	Auditee selected using statistical sampling (MUS) + risk-based audits
Findings do not lead to extrapolation	Potential extrapolation for systemic/recurrent findings

Complementarities

- Both are ex-post controls that provide assurance to the Authorising Officer on the eligibility of costs claimed in the financial statements
- Similarity of procedures between CFS audit and Indicative Audit Programme
- Similarities in required documentation to be prepared by the Beneficiary
- Costs previously audited by the Commission do not need CFS - exclude from calculation of CFS submission threshold



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Thank You