

FAQ. Audits and Certificates

1) GENERAL (CFS and CoMUC)

Key terms

- CFS — certificate on the financial statement
- CoMUC — certificate on the methodology
- GA – Grant Agreement
- MGA – Model Grant Agreement

- **What auditors can issue the certificate on the financial statement (CFS) or certificate on the methodology (CoMUC)?**

General option valid for all types of Beneficiaries/linked third parties

You are free to choose a qualified external auditor (including the statutory auditor) who is:

- independent from you; and
- qualified to carry out statutory audits of accounting documents (under the national legislation implementing the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations).

For Public bodies only

You may alternatively choose an **independent public officer** who has been granted (by the relevant national authorities) the legal powers to audit the beneficiary/linked third party or follow the first option

For International organisations only

You may appoint an **internal/external auditor** in accordance with your internal financial regulations and procedures or follow the option valid.

- **Can an auditor authorised to issue CFSs or CoMUCs in one EU country do so for a beneficiary located in another?**

YES - provided they follow the relevant national accounting rules and may issue a CFS or CoMUC as explained above.

- **Do we have to name the independent public officer to the Commission in advance?**

NO

- **Can we charge to the project an internal invoice from an independent public officer of a public body or the internal audit service of an international organisation for the services provided in issuing a CFS or CoMUC? Would this cost be eligible?**

YES – the real direct costs (excluding any profit margin) are eligible provided they satisfy all general eligibility conditions and specific conditions relating to direct personnel costs (see Article 6.1 and 6.2). Those conditions include, among others, keeping time-records of the hours worked for the action.

You can't charge any profit for the work carried out.

- **Do we have to use the model CFSs (Annex 5) and CoMUCs (Annex 6) in the H2020 MGA?**

YES – in particular, auditors must carry out the procedures set out in the Annexes.

As a rule, the Commission won't ask auditors to carry out other procedures. When it is impossible to carry out

certain agreed-upon procedures, this must be reported as an exception and the beneficiary and the auditor may agree on alternative procedures. The result of the procedures should be reported under 'Further remarks' (see below for more information on that section).

- **What kind of service is rendered by the auditor in issuing a CFS or CoMUC?**

CFSs or CoMUCs are issued on the basis of agreed-upon procedures laid down by the Commission. These are based on the framework ISRS 4400 engagement established by the International Audit and Assurance Standards Board (IAASB) and, as such, they constitute neither an audit nor a review within the meaning of ISRS 4400.

In the independent report, the auditor confirms the prescribed standard factual findings or signals an exception after carrying out a set of agreed-upon procedures predefined by the Commission. The auditor states the results of the procedures, or facts emerging from them, in the table of procedures and the dedicated sections of the independent report. It is up to the Commission, the user of the report, to assess the findings for themselves and draw their own conclusions.

The independent report sets out factual findings, not an audit opinion or expression of assurance.

Wherever the word 'review(ed)/reviewing' is used in the procedures, it is to be understood as 'examined/examining'.

Any 'audit evidence' referred to in the standard factual findings will be understood as 'evidence gathered from carrying out the prescribed procedures'.

Similarly, 'adequately supported' means 'supported by information/documentation made available by the beneficiary (and entered in the left-hand column)', unless signalled otherwise under 'Further remarks'.

- **Is the auditor expected to specify the evidence on which the report is based?**

NO – there's no need. The report is assumed to be based on the procedures listed in the table.

Auditors may provide additional information under 'Further remarks' if, for instance, there is a need to clarify what evidence has been examined in order to explain a particular factual finding or if the beneficiary presented evidence different from that covered in the table of procedures. In order to assess whether this is necessary, ask yourself whether the information could help the Commission evaluate the eligibility of a certain cost (for a CFS) or the adequacy of the average personnel cost methodology (for a CoMUC). It is not recommended to include information on the report that does not serve these objectives.

- **Does the expression 'all necessary documents have been reviewed' imply that the auditor should decide what documents are appropriate for completing a procedure?**

We used the expression 'Any other document that supports the XXX costs declared' in the CFSs and CoMUCs for certain procedures where it wasn't feasible to specify the name or type of document applicable for beneficiaries in all countries covered by the framework programme.

Apart from being familiar with the legal and financial rules for the framework programme, the auditor is expected to possess the necessary knowledge of the national, regional, local and other rules and regulations applicable to the beneficiary. The Commission expect auditors to identify typical documents needed for certain procedures to assess the standard factual finding (e.g. payroll slips, tax and social security declarations, general labour agreements for factual findings 15-18 in the CFS).

If the auditor finds it useful or necessary for the completeness of the report, he/she may provide more information on the evidence examined in the course of such procedures under 'Further remarks'.

- **Where can I find more information on the nature and extent of the procedures to be carried out?**

We have established the procedures on the basis of the MGA. Auditors should therefore familiarise themselves with the MGA and the additional information contained in the [Annotated MGA User Guide](#). This should clarify

the purpose of the procedures and the significance of the standard factual findings.

If, after having the MGA and the Annotated MGA, the description of a procedure or factual finding remains unclear to you, you can contact the Research Enquiry Service ([Horizon 2020 Helpdesk](#)).

- **Can auditors carry out procedures other than those in the table in Annex 5 or 6?**

As a rule, we don't ask auditors to carry out other procedures. When it is impossible to carry out certain agreed-upon procedures, this must be reported as an exception and the beneficiary and the auditor may agree on alternative procedures.

You should report information on the alternative procedures and the results under 'Further remarks'.

- **What does the Commission do with the information in the CFS or CoMUC?**

The Commission assess the findings reported by the auditor, any other relevant information and the beneficiary's representations and statements to draw conclusions as to the eligibility of costs claimed or the adequacy of the methodology used to calculate average personnel costs.

- **What is the purpose of the terms of reference for Annex 5 and 6?**

These are part of the agreed-upon procedures. They are the minimum conditions applying to the work of the auditor.

Beneficiaries and auditors can insert any specific terms (auditor's fees, liability, applicable law, etc.) under 'Other terms' at the end.

- **In what language should the certificates be provided?**

In the language indicated in Article 20.7 of the GA (most often English).

- **Where can the beneficiary find detailed information on the two types of certificate?**

All necessary information and practical hints for producing the certificates are available on the [Certifications page](#) of the Online Manual on the Participant Portal.

- **To whom can I address further questions?**

The Research Enquiry Service ([H2020 Helpdesk](#)) is there to ensure that requests are processed more efficiently.

- **Under which cost category can I claim the costs of issuing a CFS or CoMUC?**

You can claim them under 'Costs for other goods and services' if the certificate was issued by an external auditor. If the certificate was issued by an independent internal auditor it can be claimed under personnel costs.

The cost incurred by the internal auditor in issuing a certificate results from multiplying the actual hourly rate applicable to him/her by the time spent for this activity.

2) CFS - Certificate on the financial statement

- **When do I need a CFS?**

If the cumulative requested contribution is EUR 325 000 or more as reimbursement of actual costs and unit costs calculated by you on the basis of your usual cost-accounting practices (i.e. average personnel costs). Costs based on lump sums, flat rates (e.g. indirect costs) or unit costs (other than those for personnel costs calculated according to the beneficiary's usual cost-accounting practices) are not counted for the EUR 325 000 threshold (and don't need to be covered by the certificate) like the amount paid as pre-financing. Linked third parties must submit a certificate if they themselves (i.e. without taking into account costs claimed by the beneficiary in question) reach the EUR 325 000 threshold.

Within 60 days of the end of the last reporting period, coordinators must submit a final report including a CFS

for each beneficiary and each linked third party that requested the contribution indicated above.

If a certificate is required, it must cover all costs declared as actual costs or average personnel costs.

Incomplete certificates will be returned for correction.

- **Can I ask the auditor to issue one CFS per reporting period or for several reporting periods or may he or she only issue a single CFS for the whole action?**

You can do either. However, you should formally send the CFS(s) to the Commission in the final reporting period only, even if the beneficiary/linked third party has reached the EUR 325 000 threshold in previous reporting periods and intermediate CFSs have been issued by the certifying auditor. The Commission will not accept certificates submitted at any other time (and costs incurred for such certificates will not be considered eligible, because they are not necessary).

If you submit several CFS at the end of the action bear in mind that all reporting periods must be covered.

- **When are the costs of a CFS eligible?**

You can claim the cost of a CFS if its submission was mandatory and the underlying costs fulfil all general and applicable specific eligibility conditions.

Certificates may be submitted only with the final financial report. Under the general eligibility conditions in Article 6.1(ii), costs must be incurred in the period referred to in Article 3, with the exception of those relating to the submission of the periodic report for the last reporting period and the final report (see Article 20).

Under Article 20.4 of the GA, the costs of a CFS are considered to relate to the submission of the final report. The costs of a mandatory CFS can be eligible in the last reporting period only.

If the beneficiary submits a CFS without the EUR 325 000 threshold having been reached or with an interim financial report, the Commission will reject the costs for not being necessary for the action.

- **What is the purpose of the CFS for the EU?**

The information in the CFS enables us to assess whether costs charged in the financial statements are eligible. The CFS is therefore an important, albeit not the only, basis for the ex ante control of the regularity of EC expenditure on H2020 actions.

- **What should be included in the 'Not applicable' section of a CFS?**

If no cost is declared under a certain category or the condition for applying a procedure is not fulfilled, the corresponding finding(s) and procedure(s) are not applicable (N.A.). For instance, the procedure and finding relating to 'beneficiaries with accounts established in euro' don't apply to 'beneficiaries with accounts established in a currency other than euro'. Similarly, if no additional remuneration is paid, the finding(s) and procedure(s) for additional remuneration are not applicable.

If a finding isn't applicable, it must be marked 'N.A.' in the corresponding row in the right-hand column of the table to signal that it did not have to be corroborated by the auditor and the related procedure(s) did not have to be carried out.

- **What should be included in the 'Exceptions' section of a CFS?**

The auditor must signal an exception if he/she was unable:

- to corroborate a standard finding after carrying out the corresponding procedure; or
- to complete a procedure due to, for instance, existence of key information that could not be reconciled or the unavailability of data.

Where possible, he/she should explain the reasons and possible consequences in order to assist the Commission to better assess the situation and make a reasoned decision on the eligibility of the costs involved. In addition, any changes to the standard template must be reported under 'Exceptions'.

Exceptions shall be marked 'E' in the corresponding row in the right-hand column of the table. Also, if the exception is quantifiable, please enter the corresponding amount.

- **What should be included in the 'Further remarks' section of a CFS?**

This section is for the certifying auditor to provide further explanations on the issues reported. It doesn't have to be filled in, but should be used for information that could help the end-user interpret the contents of the report, e.g. why certain findings were ultimately corroborated by the auditor (marked as 'C' in the corresponding row in the right-hand column of the table).

When it is impossible to carry out certain agreed-upon procedures, this must be reported as an exception and the beneficiary and the auditor may agree on alternative procedures, the result of which should be reported by the auditor under 'Further remarks'.

The more detailed the information, the easier it will be for the Commission to assess the situation and make a reasoned decision on the eligibility of certain costs.

- **Will the results obtained from the sampled items be extrapolated to the whole population?**

The tests are applicable only to the selected sample and the results should not be extrapolated to the population as a whole. The standard factual findings relate to sampled items only and not to the total population.

3) CoMUC - Certificate on the methodology

- **What is the purpose of the CoMUC for the EU?**

The CoMUC will enable us to draw conclusions as to the existence of usual cost-accounting practice and whether it ensures that direct personnel costs claimed on that basis comply with the GA (Grant Agreement). The Commission will draw its own conclusions from the report and any additional information it have asked for. The Commission will use the CoMUC for preventive (ex ante) verification to detect and correct errors in the methodology used to claim average personnel costs ('Unit costs for direct personnel calculated in accordance with usual cost-accounting practices') for all actions under H2020. It's in everyone's interest for any errors to be detected and corrected as early as possible.

- **Which cost methodology is covered by the CoMUC?**

Only average personnel cost methodologies are covered by the CoMUC. Under Article 18.1.2 of the Agreement, beneficiaries and linked third parties that declare direct personnel costs as unit costs calculated in accordance with their usual cost-accounting practices (average personnel costs) may submit to the Commission, for approval, a CoMUC.

- **Do we have to submit a CoMUC if we apply average personnel costs?**

NO – it is completely optional.

You may apply the methodology without the Commission having formally accepted it in advance.

- **On what should the CoMUC be based?**

The CoMUC should be based on the model in Annex 6 to the MGA.

- **What's the main advantage of having a CoMUC accepted by the Commission?**

Once the Commission has accepted a CoMUC, no systemic or recurrent error can be attributed to the accepted methodology unless the beneficiary has concealed information for the purpose of the approval of the certificate.

- **When can I submit a CoMUC?**

At any point during implementation of H2020 framework programme; send an e-mail to our functional

mailbox: EC-H2020-Unit-Cost-Methodology-Certification@ec.europa.eu.

As a minimum, the H2020 action should have been started and the data available must give the auditor enough of a basis to carry out the procedures set out in Annex 6. Ideally, we would recommend submitting the methodology after at least one reporting period.

- **What are the documents to be submitted in a CoMUC?**

Besides the terms of reference, duly signed by you and the auditor/Public Officer and the auditor's independent report of factual findings which including the table with the statements, procedures and findings you must enclose the annexes requested in the Annex 6 to the grant agreement, notably:

- Brief description of the methodology for calculating personnel costs, productive hours and hourly rates;
- Brief description of the time recording system in place;
- An example of the time records used by you;
- Description of any budgeted or estimated elements applied together with an explanation as to why they are relevant for calculating the personnel costs and how they are based on objective and verifiable information;
- A summary sheet with the hourly rate for direct personnel declared by you and recalculated by the Auditor for each staff member included in the sample (the names do not need to be reported);
- A comparative table summarising for each person selected in the sample a) the time claimed by you in the Financial Statement(s) and b) the time according to the time record verified by the Auditor;
- A copy of the letter of representation provided to the Auditor.

During the examination process you may be requested to provide further clarifications to the Commission. You will receive a letter of acceptance or rejection of the methodology submitted when the Commission has finalised the assessment.

You may additionally submit any information that could help us evaluate the adequacy of the average personnel cost methodology (for a CoMUC) to fulfil the conditions set out in point A of Article 6.2 of the MGA.

- **Are the costs of a CoMUC eligible?**

Costs incurred for a CoMUC are eligible costs in any financial statement submitted under any H2020 GA, provided we approved the CoMUC.

You can claim CoMUC costs only once for each H2020 GA, unless a new CoMUC has to be submitted due to a change of methodology. We therefore recommend that you anticipate the submission and estimate the costs already at proposal/negotiation stage, so that they don't weigh disproportionately on a specific action.

- **If the Commission has accepted our average personnel costs methodology for FP7, is it automatically accepted for H2020?**

NO – as explained in the [Annotated Grant Agreement](#), certificates of methodology issued for FP7 beneficiaries are not valid for H2020. This is because the rules (on productive hours, additional remuneration, etc.) have changed in H2020 and the different legal basis may mean that a methodology that was acceptable under FP7 may not be acceptable under H2020.