

HORIZON 2020

„1st level audits -
Certificate on the
financial statements“

inter
EXPERT



Horizon 2020
European Union Funding
for Research & Innovation

Agenda:

- ▶ Terms of Reference and Agreed procedures for the certification
- ▶ International standard for related services
- ▶ Procedures for the Personnel costs A.1
- ▶ Procedures regarding Productive hours A.2
- ▶ Hourly personnel rates calculations A.3
- ▶ Time recording system A.4

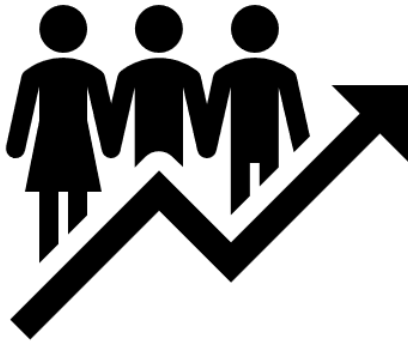
Certificate on the Financial Statements

- ▶ Is required if the requested total contribution is equal to EUR 325 000 or more (valid for each beneficiary and for each linked third party)
- ▶ The CFS is composed of two separate documents:
 - ▶ The Terms of Reference - to be signed by the Beneficiary and the Auditor
 - ▶ The Auditor's Independent Report of Factual Findings - to be issued on the Auditor's letterhead, dated, stamped and signed by the Auditor and includes the agreed-upon procedures which has to be performed by the Auditor, and the standard factual findings which have to be confirmed by the Auditor

Agreed - upon procedures

- ▶ The auditor is not preparing his own audit procedures;
- ▶ The auditor has to follow and perform procedures designed by the Commission;
- ▶ Decision on eligibility remains with the Commission;
- ▶ The auditor has to note exceptions and further remarks

Procedures for the Personnel costs A.1



- ▶ First step we draw a sample of project personnel:
 - ▶ *all project staff included up to 10 persons in the project team,*
 - ▶ *for bigger project teams*
 - ▶ *minimum of 10 people,*
 - ▶ *or 10% of the total ,*
 - ▶ *whichever number is the highest*

Procedures for the Personnel costs A.1

▶ What we verify:

- ▶ *Personnel is directly hired by the Beneficiary*
- ▶ *In line with the Labour Code, or other legislation*
- ▶ *Under the Beneficiary's sole technical supervision and responsibility*
- ▶ *Remunerated in accordance with the Beneficiary's usual practices*

- ▶ *Personnel costs are recorded in the Beneficiary's accounts/payroll system*
- ▶ *Check for ineligible items*
- ▶ *Comparison to our recalculation*

► Documents we ask for substantiation of personnel costs:

- *Internal directive on remuneration of employees*
- *Working contracts, Agreements on Work Performance, Agreements on Working Activity (based on Labour Code), Contracts according to Civil Code (natural persons)*
- *Payroll slips (mzdové listy)*
- *Printout from payroll system - allocation of personnel costs (per person, in each month of the reporting period)*
- *Export from project accounting (accounts class 52_)*
- *Calculation of personnel costs according to MGA formula (xls)*
- *Timesheets, Declarations*

Procedures for the Personnel costs A.1

Procedures for the Personnel costs A.1

▶ Further checks if additional remuneration was paid:

- ▶ *Only for non-profit legal entities*
- ▶ *Additional remuneration paid corresponds to the Beneficiary's usual remuneration practices*
- ▶ *Was consistently paid whenever the same kind of work or expertise was required*
- ▶ *The criteria used to calculate the additional remuneration were objective and generally applied by the Beneficiary regardless of the source of funding used.*
- ▶ *(reference to internal directive, history, similar category of staff)*
- ▶ *Verify that the € 8.000 cap (per FTE/year) was respected (example)*

Productive hours A.2

- ▶ We check (and report) which of the options the Beneficiary uses
 - ▶ 1720 annual productive hours (became popular)
 - ▶ individual productive hours
 - ▶ Use „Mzdový list“ as primary document - it makes the job for you (determines workable hours (WH), calculates part time WH, subtracts illness, holiday, other absences, ...)
 - ▶ standard productive hours (rare, at least 90 % of the ‘annual workable hours’, it comes from reality)
 - ▶ *Note: the option you choose should be applied on all H2020 projects*
- ▶ We check that the number of productive hours is determined on annual basis

Hourly personnel rates A.3

- ▶ **Unit costs** calculated in accordance with the Beneficiary’s usual cost accounting practices”
 - ▶ We check that the CoMUC was followed
 - ▶ If not certified we perform recalculation (of the sample)
 - ▶ (rare)
- ▶ **Individual hourly rates**
 - ▶ We always compare to our calculation (input from the client)
 - ▶ If we see a fundamental problem (*i.e. we cannot use Beneficiary’s calculation*) we recalculate on annual basis using a fix number of 1720 productive hours

Time recording system (TRS) A.3

► First information

- We ask for description of TRS, or if there are internal procedures (directives) for time recording, whether kept on paper, or electronic (how it is authorised? electronic signatures?)

► We check and report

- Whether entries are recorded daily/ weekly/ monthly

- Authorisation of at least monthly and who is in charge

- Minimum information is included

- We perform crosschecks to payroll system and travel cost reimbursements

- Reconciliation to hours declared in Form C

Time recording system A.3

Exclusive dedication to project

- May be covered by declaration on exclusive work (also must be signed by the employee and authorised by the Beneficiary)

Implications (how many hours should be declared?)

- for annual hourly rates: a pro-rata of the annual productive hours corresponding to the period covered by the declaration

Do not use productive hours from the payroll slip („mzdový list“)

Differences between project accounting and calculation according to mandatory formula

Personnel costs
calculated in line
with the MGA
formula



Personnel costs
allocated in the
project accounting

While applying mandatory formula for the calculation of eligible personnel costs there will be differences compared to allocations in the project accounting (based on monthly payroll calculation process).

Differences between project accounting and calculation according to mandatory formula

Recommendation:

- At the end of each calendar year and at the end of the reporting period post the differences in the project accounting

Reporting period (01/10/2017 - 31/03/2019)																	
2017			2018												2019		
10	11	12	01	02	03	04	05	06	07	08	09	10	11	12	01	02	03



At the end of the year we know final amount of eligible personnel costs of the past leg of the actual reporting period. There are no retroactive corrections or recalculations even for the year 2019.

Differences between project accounting and calculation according to mandatory formula

Calculation for the year 2018:		
Total personnel costs:	30 000 EUR	including social charges
Hours actually worked on the project:	910	verified in the timesheets
Total annual productive hours:	1720	used for the calculation
Time dedication (workload)	50%	according to working contract
Allocation in the project accounting:	15 000 EUR	made by payroll department
Hourly rate 2018	17 EUR	= 30.000 / 1720
As per MGA formula	15 872 EUR	calculated by proj. fin. manager
- difference	872 EUR	

Differences between project accounting and calculation according to mandatory formula

- ▶ How to deal with the difference (872 EUR) depends on what kind of sources cover the rest of the working time of the researcher
 - A. The researcher works according to working contract 50% on H2020 project and the rest is covered by other national projects
 - ➔ The Beneficiary cannot claim in the Form C
 - No difference posting in the project accounting
 - B. The researcher works according to working contract 50% on H2020 project and the rest is covered by the institutional sources
 - ➔ The Beneficiary claims in the Form C
 - The difference is posted in the project accounting

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**Thank you for your
attention!**