



EUROPEAN
COMMISSION

Community research



CERTIFICATES ISSUED BY EXTERNAL AUDITORS

FREQUENTLY ASKED QUESTIONS

MATERIALS PREPARED BY
THE WORKING GROUP ON CERTIFICATE ON THE METHODOLOGY UNDER FP7:
DG RESEARCH
DG INFORMATION SOCIETY AND MEDIA
DG ENERGY AND TRANSPORT
DG ENTERPRISE AND INDUSTRY
DG BUDGET

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1. GENERAL ISSUES

#	TOPIC:	QUESTION:	ANSWER:
1.	Competent public officer	How does a public body establish the legal capacity of the internal audit unit to act as competent public officer?	<ul style="list-style-type: none"> - Relevant national authorities establish the legal capacity of the internal audit unit (of a given public body) to act as competent public officer. - Although it not compulsory, based on good practice, it is recommended this be notified by a letter to (and subsequent letter of acknowledgement of receipt from) the relevant research DG.
		Can the competent public officer be a staff member of the audited organisation, as long as they are not closely involved in the grant agreement activity?	<ul style="list-style-type: none"> - Yes, the competent public officer can be a member of staff but its independence has to be established by the relevant national authorities.
		How do we demonstrate that the competent public officer is completely independent of the grant agreement activity - scientifically, administratively and financially?	<ul style="list-style-type: none"> - An organisation chart and/or a job description of the organisation can show that the competent public officer is not involved in processing the financial claim. Internal audit officers usually have this independence.
		Do we have to name the competent public officer to the Commission in advance of a financial statement?	<ul style="list-style-type: none"> - No, the name of the competent public officer does not need to be given in advance.
		Is an internal auditor of an International Organisation ¹ eligible to deliver certificate on the Financial Statements to that organisation?	<ul style="list-style-type: none"> - International organisations are treated as public bodies for the purposes of FP7. Accordingly, such organisations can opt for an internal auditor. - N.B.: An internal auditor for a public body must meet the criteria described in the Guide to Financial Issues
		Would it be possible for the internal audit service to present an invoice for the service to the department which could be charged to the project? Would this cost be eligible?	<ul style="list-style-type: none"> - The principle of using a public competent officer within the same organisation to prepare the certificate on the Financial Statements or on the Methodology means that the real costs of carrying out that work would be eligible. - It is not possible to charge a market price (profit) for work carried out by the same beneficiary within the ECGA

¹ 'International organisation' means an intergovernmental organisation, other than the Community, which has legal personality under international public law, as well as any specialised agency set up by such an international organisation.

		Can a beneficiary that is a public body opt for the same competent public officer who has established the audit certificates for the FP6 contracts?	- Yes, if the legal capacity and independence of the competent public officer have been established by the relevant national authorities in accordance with Article II.4 of the General Conditions of the model grant agreement
2.	Certificate on the Financial Statements and on the Methodology templates	Are the models certificates on the Financial Statements and on the Methodology provided in the FP7 Model Grant agreement mandatory?	- YES, the model certificates (Form D and E) provided in the Annex VII of the Model Grant Agreement are mandatory
3.	Qualifications of auditors	Is it possible for an auditor that is properly authorised to issue certificates on the Financial Statements and/or on the Methodology in a Member State to certify the costs of a beneficiary located in a different Member State?	- Yes. - Auditors that are qualified to provide a certificate on the Financial Statements and/or on the Methodology in one Member State are qualified to provide a certificate on the Financial Statements and/or on the Methodology in all Member States and in Third countries provided that they have a sufficient knowledge of the legislation of these countries (including national accounting rules) in order to fulfil their task.
		Is it possible for an auditor from a Third country to provide a certificate on the Financial Statements and/or on the Methodology in a Member State?	- No, auditors from a Third country are only qualified to provide a certificate on the Financial Statements and/or on the Methodology in this country if they comply with the national regulation of this country
		Can an auditor establish the certificate on the Financial Statements and the certificate on the Methodology?	- Yes, there are no specific independency requirements in relation to the auditors establishing Form E versus the auditors establishing Form D - Either form may be established by one and the same qualified and independent auditor or another one
4.	Cost	How much should a certificate on the Financial Statements and/or on the Methodology cost?	- The cost of a certificate on the Financial Statements and/or on the Methodology is determined by the professional judgment of the auditor, who must find the right balance between carrying out the procedures requested and on the other hand, the amount of work required (and the directly related price according to market prices). - The cost of a certificate on the Financial Statements and/or on the Methodology depends on the auditor and the testing procedures to perform.
		Is there an upper limit to the cost of a certificate on the Financial Statements and/or on the Methodology?	- Generally there is no upper financial limit set for the certificate itself. As any other subcontract the costs have to reflect a reasonable market price and the general eligibility criteria of the grant

			agreement (Art II.14).
		To which activity should the cost of the certificate on the Financial Statements and/or on the Methodology be charged?	<ul style="list-style-type: none"> - The cost of the certificate(s) is to be charged to the management of the consortium activity, which is part of the "other activities". - The Commission will not pay the cost of building up the methodology. The eligible cost is limited to the performance of the agreed upon procedure (Annex VII) with the exclusion of any costs relating to consultancy for improvement or refinement of the methodology.
5.	Selection of audit firm	Should the statutory auditor provide the certificate on the Financial Statements and/or on the Methodology?	<ul style="list-style-type: none"> - The advantage of using the statutory auditor (the same auditor of the beneficiary's annual financial statements) to provide the certificates is that they are familiar with the in-house procedures, which is one of the aspects reviewed.
		Is there a contradiction in using the statutory auditor? If the external auditor already audits the beneficiary's financial statements and/or provides other services such as tax, consulting etc. does this not restrict the auditor's independence, in as much as there is an "economic" link between the two parties?	<ul style="list-style-type: none"> - There is no contradiction. - Beneficiaries may use their statutory auditors, provided that they are independent. The fact that the beneficiary usually uses the same auditor does not affect the independence of the latter.
6.	Language of certificates	In what language should the certificates be provided	<ul style="list-style-type: none"> - The certificates should be in the language indicated in Art.4 of the grant agreement.

2. SPECIFIC ISSUES RELATED TO CERTIFICATES ON THE METHODOLOGY (COM)

1.	Validity of a certificate	What happens when the beneficiary changes his methodology?	<ul style="list-style-type: none"> - The beneficiary has to declare to the Commission any change in his methodology, including the date of the change. A new Certificate on the Methodology has to be submitted according to the procedure. Until the acceptance of this new certificate, the requirement to provide intermediate Certificate on the Financial Statements will not be waived.
		Does the beneficiary need a CoM for each of its companies that participate in EU project?	<ul style="list-style-type: none"> - The CoM is to be submitted at the level of the Legal Entity. Different departments or cost centres which are integrating part of one legal entity will be certified within the certificate of the entity. - However, affiliated companies which

			have an independent identity from a legal point a view will need to submit a separate certificate.
2.	Final certificate	What happens at the level of the final certificate on the Financial statements when the certificate on the Methodology has been accepted by the EC?	- This certificate on the Financial Statements has to cover all the eligible costs including personnel and indirect costs. However, for these costs (average personnel costs & indirect costs) the auditors will only check compliance with the certified methodology. Individual recalculations and adjustments will not be performed.
3.	Scope of the CoM	Does the CoM have to cover both personnel costs and indirect costs, even if an institution does not use average personnel costs?	- YES, for complete certification and waiving of interim Certificates on the Financial Statements (CFS)
		Can the CoM cover only the indirect costs?	- NO, the Certificate on the Methodology can NOT be submitted only for the indirect costs. - The CoM must cover both personnel and indirect costs or at least personnel costs (if the beneficiary uses a flat rate for the indirect costs)

3. SPECIFIC ISSUES RELATED TO CERTIFICATES ON AVERAGE PERSONNEL COSTS (COMAV)

1.	General question	The Guide for Applicants states: "Participants may opt to declare average personnel cost if certified in accordance with a methodology approved by the Commission..." Where can the beneficiary find the methodologies approved?	- There are no standard methodologies approved by the Commission concerning the average personnel costs. - The beneficiary's own accounting and cost charging methodology is to be certified by an independent auditor for compliance with the FP7 financial provisions.
2.	One person beneficiary	What method is to be used by physical persons and one person SME for declaring personnel costs?	- According to the Guide to Financial Issues relating to FP7 Indirect Actions, page 42, physical persons participating as beneficiaries in FP7 Grant Agreements should opt to declare average personnel costs. This rule also applies to owners of SMEs who do not receive a salary from the SME.

3.	Form E procedures	- Which procedure of the Form E does the beneficiary have to fill in when submitting a CoMAv?	- The sections related to the introduction of the Methodology and to "Personnel" (procedures 1,2 and 3) have to be filled in by the beneficiary when submitting a CoMAv
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4. SPECIFIC ISSUES RELATED TO CERTIFICATES ON THE FINANCIAL STATEMENTS (CFS)

1.	Eligibility of the costs	Is the cost of a CFS eligible if the EC contribution is below € 375,000 and the CFS is not otherwise required by the Commission?	- The cost of any CFS not explicitly requested by the provisions of the grant agreement is NOT an eligible cost. - Only those costs incurred to provide the mandatory CFS are eligible.
2.	Third parties (special clause 10 to the FP7 model GA)	In case of third parties, does the threshold of € 375,000 apply separately to the beneficiary and the third party or together?	- The threshold of €375,000 to submit the CFS includes the total EC contribution (beneficiary + third party (ies)). - According to the special clause 10 of the Grant Agreement, the third parties shall provide their individual CFS independently from those of the beneficiary. However, if the beneficiary and the third party have the same auditor, the Commission could accept one certificate comprising the costs of both but identifying clearly which costs relate to whom.