



Horizon Europe

THE NEXT EU RESEARCH & INNOVATION
PROGRAMME (2021 – 2027)

Stakeholder workshop: Shaping how Horizon Europe is implemented

Session Title:

Ex-ante and ex-post control:
System and Process Audits

#HorizonEU

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General requirements (1/2)

- *Authorising Officers must put in place **internal control systems suited to the performance of their functions***
- *Authorising Officers must ensure **equal treatment for all Beneficiaries***

General requirements (2/2)

- Internal control systems must be **cost-effective**
- There must be ex-ante controls, but **frequency and intensity to be determined by Management**
- Especially important at a time of **reducing resources!**
- Ex-ante controls need a lot of **resources**

Ex-ante controls



Principles

- ✓ Balance between **trust** and **control**
- ✓ **Minimize burden** on beneficiaries
- ✓ **Equal treatment**

Methodology

- ✓ **Limited information requested ex-ante (Financial statements, use of resources)**
- ✓ **Risk considerations may justify asking the beneficiary for further information and/or evidence.**



Ex-ante controls are **trust-based**, focusing on whether:

- the **work has been done** (as described in the periodic reports);
- the reported effort and use of resources is **reasonable** and in **accordance with the plan**;
- sufficient **explanation** and **justification** are provided for any substantial deviations.

**A risk analysis is part of the standard checks.
Deeper ex-ante control is carried out for identified risk cases.**

Ex-post controls (1/2)

- ✓ Ex-post controls aim at verifying whether the **costs declared** in the financial statements have been properly incurred and are **eligible costs**.
- ✓ They confirm the **legality and regularity** of the underlying transactions.
- ✓ In depth analysis of the costs claimed by beneficiaries supported by **appropriate reliable and relevant evidence**.
- ✓ **Independent** from ex-ante controls

Ex-post Controls (2/2)

FP6/FP7/H2020/...

- ✓ At Beneficiary level
- ✓ Statistical Sample
- ✓ Risk Based sample
- ✓ Additional Sample (e.g. Joint Undertakings/ERCEA/...)
- ✓ Quality of audits

Horizon Europe Legal Basis (1/2)

Recital 52 of HE RfP

A wider cross-reliance on audits and assessments – including with other Union programmes – should be envisaged, in order to reduce administrative burden for beneficiaries of Union funds. Cross reliance should be explicitly provided for by considering also other elements of assurance such as systems and processes audits.

Horizon Europe Legal Basis 2/2

Article 48 proposal for Horizon Europe

*In addition, the Commission or funding body may rely on **combined systems reviews at beneficiary level**. These combined reviews shall be **optional** for certain types of beneficiaries and shall consist in a **systems and process audit, complemented by an audit of transactions**, carried out by a competent independent auditor qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC. **They may be used by the Commission or funding body to determine overall assurance on the sound financial management of expenditure and for reconsideration of the level of ex-post audits and certificates on financial statements***

System and Process Audit

□ What is an SPA ?

A risk assessment & an audit opinion

in 2 steps:

- Test of the systems / Tests of controls
- Substantive testings / Tests of Transactions

HE Rfp Article 48

assessing 3 types of risks:

- Inherent Risk at the level of the entity
- Control Risk at the entity level
- Budget Category Specific Control Risk and their project based accounting

providing 1 Output:

- One single report in two parts
- Combined review result ► flag as Low, Medium or High

System and Process audit

Objectives

- Reduced administrative burden;*
- Less but more focused audits;*
- Reliance on the internal control system of the beneficiary (prevent and detect error)*

Scope/consequences

- Timing of the SPA*
- Future audits*

Cross-reliance

Simplified audit and control system:

Key features

- Combined reviews
- Single audit principle for joint funding
- Possibility for enhanced cross-reliance

Combined review

Combines system and process audit with an audit of transactions
Optional for certain types of beneficiaries
May lead to less Certificates on Financial Statements

Single audit principle for joint funding

A single audit for actions that receive joint funding from different Union programmes

Possibility for enhanced cross-reliance

Possibility for the Commission to rely on audits on the use of Union contributions carried out by other persons or entities



reduced audit burden for beneficiaries

Cross-Reliance

Factors of success

- ❑ Having "conditions equivalent" between EU programmes irrespectively of the management mode,
- ❑ Enhancement of corporate IT tools:
 - Central repository at EC level of all Beneficiaries of EU funds
 - Audit documentation database accessible for the whole life of the Horizon Europe Audit Strategy
- ❑ Taking into account international benchmarks:
 - International Standard on Auditing (ISA)
 - INTOSAI
 - COSO

Points for Discussion (1/2)

- ✓ Scope of the SPA
- ✓ Timing for a SPA
- ✓ Validity of the SPA
- ✓ Benchmarks to use in SPA
- ✓ Other conditions/factors of success for SPAs?

Points for Discussion (2/2)

- ✓ Impact on the reduction of control burden
- ✓ Preference of the auditees
- ✓ Factors of success for Cross-Reliance on audits
- ✓ Other alternative ?

Thank you!

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**QUESTIONS & COMMENTS AFTER THE WORKSHOP:
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