

Die Perspektive des Europäischen Rechnungshofs

The European Court of Auditor's perspective

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The role of the ECA

- The Court of Auditors provides its stakeholders (the budgetary authorities as well as the European citizens) with an annual statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.
- For Research, the Commission is operating the policy area under a central direct and indirect management mode:
 - Central direct: research budget is managed directly by the Research DGs.
 - Central indirect: research budget is managed by the Executive Agencies or other organisations and decentralised bodies.
- In order to provide assurance as to whether the payments comply with legal and regulatory frameworks, the Court draws on the results both of its examination of supervisory and control systems (Commission's level), intended to prevent or detect and correct errors of legality and regularity, and of a sample of the payments (beneficiaries' level).

The Risk approach of research expenditure

- complexity of programmes;
- projects involving numerous partners (coordination problems, weaknesses in management and communications structures);
- activities which imply several levels, making the identification of eligible beneficiaries difficult (subcontracting, third-parties, sub-beneficiaries);
- activities that are starting up or coming to an end;
- beneficiaries highly dependent on Community funds;
- beneficiaries' accounting systems and/or policies incompatible with the Community systems;
- beneficiaries or industries subject to a high failure rate or are subject to rapid technological change (e.g. new technologies);
- budgetary pressures.



The annual report

- The Court of Auditors is publishing an annual report giving:
 - the Court's statement of assurance (DAS) on the reliability of the annual accounts of the EU and on the legality and regularity of the underlying transactions.
 - an analysis of the supervisory and control systems (ex-ante/ex-post)
 - specific assessments on the EU revenue and expenditure:
Chapter 5 - Research, Energy and Transport and Chapter 8 – Economic and Financial Affairs for the financial year 2009
Chapter 6 – Research and other Internal Policies for the financial year 2010 (to be released on 10 November 2011)

- For more info consult www.eca.europa.eu

The findings

Ex-ante controls

- What is it?
 - Ex-ante controls mainly consists of accounting and arithmetical verification of costs statements by the Commission before making payments.
 - In some cases, the checks may also include individual cost items based on supplementary information requested from beneficiary.

- Assessment:
 - Partly effective but could do better!
 - An adequate balance should be found between efficient monitoring and controls.

The findings

Audit certification

- What is it?
 - Audit certificate for FP6
 - Certificate on Financial Statements (CFS) for FP7

- Assessment:
 - Not effective – in the majority of the cases (>50%) the audit certification did not detect either material errors or methodology not compatible with the applicable rules!
 - Additional risk: number of cost statements subject to audit certification has been reduced.

The findings

Ex-ante certification of beneficiaries costing methodology

- What is it?
 - COM – methodology for calculating personnel and indirect costs
 - COMAV - methodology for average personnel costs

- Assessment:
 - Very low response and acceptability rate!
 - Additional risk: number of cost statements subject to audit certification has been reduced but ex-ante certification of methodology is not operating as intended.
 - Simplification.

The findings

Ex-post audit strategy

- Where does it come from?
 - Recognition by the Commission in 2006 : “Insufficient evidence from audit coverage (ex post audit) to provide the necessary assurance regarding FP6”

- Action plan:
 - widening of the objectives of ex-post audit process,
 - improving the reliability of the audit certificates,
 - reinforcing the integration and efficiency of the ex post activities.

- Assessment:
 - FP6 strategy is pointing in the good direction (except for audit certificate).
 - FP7 strategy: too early (or too late?)

The findings

At beneficiaries' level

- Overstatement of costs
- Activities/costs not budgeted
- Double funding
- Incorrect funding rate/activities
- Issues concerning the duties of the coordinator
- Non-declaration of interest
- Non-declaration of receipts
- Recharges



Some tips

- Awareness!
- Keep it simple!
- Make your own SWOT analysis.
- Rely on your 1st level auditor (but challenge them as well).
- In case of question, ask!
- In case of error, do not hide!



What's next?

- For 2011, assessment of the ex-post strategy:
 - Commission's level
 - 2nd auditors' level
- Performance audit on the implementation of FP7 by the Commission
 - Strengths and weaknesses of FP7
 - Impact on Horizon 2020



Questions



Thank you!

Overstatement of costs: Personnel

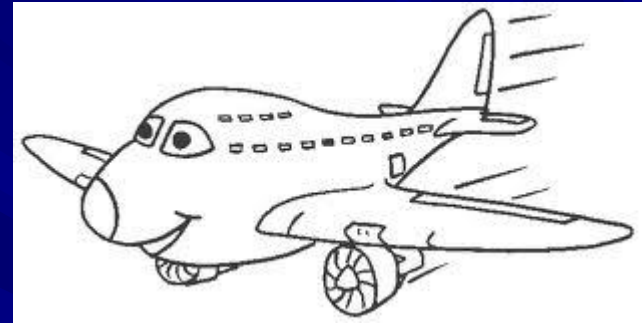
Problems encountered:

- the absence of reliable time records;
- methodology for the calculation of the productive time and of the hourly rate;
- use of outdated/budgeted figures;
- consultant/external staff.

Overstatement of costs: Travel costs

Problems encountered:

- VAT being claimed;
- no invoice/receipt;
- extra days claimed;
- travel not relevant to the project;
- “entertainment” expenses;
- costs claimed jointly for the whole consortium.



Overstatement of costs: Consumables

Problems encountered:

- VAT being claimed;
- no invoice/receipt;
- internal invoicing;
- rebates or discounts not disclosed;
- consumables not relevant to the project.



Overstatement of costs: Equipment

Problems encountered:

- VAT being claimed;
- rebates or discounts not disclosed;
- depreciation policy incorrectly applied (100% charge to the start of the project);
- depreciation calculated from incorrect date;
- equipment partly/not relevant to the project;
- procurement policy not applied.

Overstatement of costs: Sub-contracting

Problems encountered:

- sub-contracting included in other cost categories;
- VAT being claimed;
- procurement policy not applied;
- preselected sub-contractor;
- inter-company transactions;
- major sub-contracting not mentioned in Annex I.

Overstatement of costs: Indirect costs

Problems encountered:

- non-eligible costs included;
- inclusion of direct costs;
- use of outdated/budgeted figures;
- incorrect methodology applied.