



CERTIFICATES ISSUED BY EXTERNAL AUDITORS

FREQUENTLY ASKED QUESTIONS

VERSION JUNE 2012

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1. GENERAL ISSUES

#	TOPIC:	QUESTION:	ANSWER:
1	Qualifications of auditors	Who can deliver the Certificates (CFS, CoM and CoMAv)?	<ul style="list-style-type: none"> - The beneficiary is free to choose a qualified external auditor (including the statutory auditor) provided that the external auditor is independent from the beneficiary and qualified to carry out statutory audits of accounting documents in accordance with national legislation implementing the Directive on statutory audits of annual accounts and consolidated accounts.¹ - Competent Public Officer - please refer to question 3.
		Is it possible for an auditor (who is properly authorised to issue Certificates on the Financial Statements or on the Methodology in an EC country) to certify the costs of a beneficiary located in a different Member State?	<ul style="list-style-type: none"> - YES. - Auditors who are qualified to provide a Certificate on the Financial Statements or on the Methodology in one Member State are qualified to provide a Certificate on the Financial Statements in any other Member State.
2	Statutory Auditor	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. However, this is not an obligation and the beneficiary is free to choose the auditor.
		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 engages the same auditor does not affect the independence of the latter.
3	Competent Public Officer	How does a public body establish the legal capacity of the internal	<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

¹ 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 any Community legislation replacing this Directive

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		audit unit to act as competent Public Officer?	<p>Officer.</p> <ul style="list-style-type: none"> - Although it is 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 FCH JU.
		Can the competent Public Officer be a staff member of the audited organisation, as long as they are not involved in the Grant Agreement activity?	<ul style="list-style-type: none"> - YES, the competent Public Officer can be a member of staff but his/her 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 (Form C). Internal audit officers usually have this independence.
		Do we have to name the competent Public Officer to the FCH JU 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 ² 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 FCH JU Programme. Accordingly, such organisations can opt for an internal auditor. - An internal auditor for a public body must meet the criteria described in the FCH JU Guide to Financial Issues (see section on Article II.4.4 of FCH JU GA).
		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 means that the real costs (excluding any profit margin) 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 EU Grant Agreement
4	Certificate on the Financial Statements and on	Are the model Certificates on the Financial Statements (Form D) and on the	<ul style="list-style-type: none"> - YES, the model certificates (Form D and E) provided in the Annex VI of the Model Grant Agreement are mandatory.

² '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.

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	the Methodology templates	Methodology (Form E) provided in the FCH JU Model Grant Agreement mandatory?	
		What is the purpose of Section 1.8 of Annex VI of Form E?	<ul style="list-style-type: none"> - Sections 1.1 to 1.8 of Annex VI are part of the Agreed-Upon-Procedures defined by the Commission empowered by the FCH JU and constitute the minimum terms of reference to frame the works undertaken by the auditor. Article 1.8 of the Terms of Reference which makes reference to "Other Terms" is in itself an open point that allows beneficiaries and auditors to insert any specific terms such as auditor's fees, liability, applicable law, etc.
5	The Certificate on the Methodology (CoM) versus the Certificate on the Methodology for Average Personnel Costs (CoMAv)	Are the certificates optional or compulsory?	<ul style="list-style-type: none"> - Following the Commission Decision C (2011)174 on three measures for simplifying the implementation of FP7, which was adopted by the FCH JU, both certificates (CoM and CoMAv) are optional. Nevertheless, as described under point 2.1 below only certain beneficiaries of multiple grants are eligible to submit a CoM for personnel costs (actual or average) and indirect costs. The new criteria for the use of average personnel costs are defined in the Commission Decision C(2011)174 and in Art. II.14 of the FCH JU GA.
		When to submit a CoM or CoMAv?	<ul style="list-style-type: none"> - A CoM or CoMAv can be submitted at any time during the implementation of the FCH JU Programme as well as FP7 and at the earliest on the start date of the project of the first Grant Agreement signed by the beneficiary under the FCH JU Programme or FP7.
		What information needs to be provided when submitting a CoM/CoMAv?	<ul style="list-style-type: none"> - The Certificate on the Methodology should be composed of three separate documents to be found in Annex VI (Form E) of the Model Grant Agreement: <ol style="list-style-type: none"> (1) A list of the minimum terms (sections 1.1 to 1.8) required by the Commission empowered by the FCH JU to be included in the engagement letter between the beneficiary and the auditor. The engagement letter must be dated and signed by both parties. (2) The model auditor's Report of Factual Findings (section 1.9) to be issued on the auditor's letterhead and dated, stamped and signed by the auditor (or competent Public Officer). (3) A detailed description (table of Annex VI - Form E) including the statements

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			made by the beneficiary and the procedures to be performed by the auditor and the findings expected to result there from. This table has to be dated, stamped and signed on the one hand by the beneficiary for the statements in the left-column and on the other hand by the auditor (or competent Public Officer) for the procedures and the factual findings. Where options for verification methods are available, the auditor shall indicate the option/procedure performed.
6	Language of certificates	In what language should the certificates be provided?	- The certificates shall be in the language indicated in Art. 4 of the Grant Agreement.
7	Costs	Costs of audits services regarding certificates (CFS/CoM/CoMAv)	<ul style="list-style-type: none"> - Costs incurred for the Certificates on the Methodology issued by the external auditors are eligible direct costs charged under the "Management" activity in the "Subcontracting" category. They are therefore subject to the requirements of best value for money (Article II.7 of the FCH JU Model Grant Agreement). - However the costs for the Certificates on the Methodology established by the Competent Public Officers can be treated as "Other direct costs" under the "Management" activity. Where it is the usual practice of the beneficiary to consider these costs as indirect costs, they cannot be charged as direct eligible costs.
		Cost incurred for the CFS	- The cost of the CFS is an eligible cost in the Grant Agreement for which the certificate is submitted. The cost is linked to a specific project.
		Cost incurred for a CoM/CoMAv	- The cost of the CoM/CoMAv approved by the Commission empowered by the FCH JU is an eligible cost in any of the financial statement submitted in any FCH JU Grant Agreement. Please note that costs are eligible after the acceptance of the certificate. The cost of the certificate can be claimed only once in the lifetime of FCH JU Programme or/and FP7 unless the submission of a new certificate is required due to a change of the methodology.
		Should the cost for a CoM/CoMAv be claimed solely through one FCH JU or FP7 project or apportioned across them?	- The cost has to be claimed once in one single FCH JU or FP7 Grant Agreement. Therefore it is recommended that the consortium partners anticipate the submission and identify the estimated costs already at proposal/negotiation stage in order to avoid that this

#	TOPIC:	QUESTION:	ANSWER:
			cost disproportionately weigh a specific project.
8	Methodologies	Where can the beneficiary find information with regard to the establishment of the methodology? Is a record of approved methodologies available?	<ul style="list-style-type: none"> - All necessary information and practical hints for the establishment of the CoM and CoMAv (as well as CFS) are available in the Guidance Notes for Beneficiaries and Auditors on Certificates issued by external auditors available on FCH JU website. Since each beneficiary will establish the methodology in line with the usual accounting and management principles depending on the national legislative and financial frame, the approved methodology cannot be standardised.
9	Further questions	To whom can I address further questions?	<ul style="list-style-type: none"> - For questions related to CoM/CoMAv, the FP7 Helpdesk web service has been set up to ensure a better and quicker processing of the requests. It can be contacted at the following link http://ec.europa.eu/research/enquiries - For questions related to the CFS, you can contact FCH JU at <i>projects@fch.europa.eu</i>.

2. SPECIFIC ISSUES RELATED TO CERTIFICATES ON THE METHODOLOGY FOR PERSONNEL AND INDIRECT COSTS (COM)

#	TOPIC:	QUESTION:	ANSWER:
1	Eligibility	Who is eligible for the CoM?	<ul style="list-style-type: none"> - Beneficiaries who fulfil the following eligibility criteria are eligible: ✓ Either at least 8 participations in FP6 contracts with an EU contribution equal or above EUR 375,000; ✓ Or at least 4 participations in FCH JU and/or FP7 Grant Agreements signed before the 1st January 2010 with an EU contribution equal or above EUR 375,000; ✓ Or, at least 8 participations in FCH JU and/or FP7 Grant Agreements with an EU contribution equal or above EUR 375,000 at anytime during the implementation of the FCH JU Programme or FP7.
2	Advantages of an approved Certificate on the methodology for personnel costs and indirect costs (CoM)	What are the advantages of the CoM?	<ul style="list-style-type: none"> - An approved CoM brings the following advantages: ✓ Early assessment of compliance to provisions of the Grant Agreement when calculating personnel and indirect costs; ✓ Waiving the requirement for interim CFS; ✓ Valid throughout all FCH JU as well as FP7 projects; ✓ Reduced costs for the whole certification system.
3	Scope of the CoM	Can I submit a CoM even if I charge individual actual costs?	<ul style="list-style-type: none"> - YES
		Does the CoM have to cover both personnel costs and indirect costs?	<ul style="list-style-type: none"> - YES, the CoM covers both personnel and indirect costs. An approved CoM waives the obligation for beneficiaries to submit interim Certificates on the Financial Statements (CFS). - The Certificate on the Methodology for personnel and indirect costs (CoM) can cover the following cost combinations: <ul style="list-style-type: none"> ✓ Actual or average personnel costs and actual indirect costs (full analytical accounting or simplified method) ✓ Actual or average personnel costs and flat-rate for indirect costs.
		Can the CoM cover only the indirect costs?	<ul style="list-style-type: none"> - NO, the Certificate on the Methodology can NOT be submitted only for the indirect costs. - The CoM must cover both personnel and

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			indirect costs.
		Which possibilities do I have to claim indirect costs?	<ul style="list-style-type: none"> - Industry who has an analytical accounting system that can identify and group their indirect costs (pool of costs) in accordance with the eligibility criteria (e.g. exclude non-eligible costs) must report their real indirect costs. - Non-profit public bodies, secondary and higher education establishments, and research organisations who have an analytical accounting system must report their real indirect costs or choose the 20% flat rate option. - If the organisation does not have an accounting system with a detailed cost allocation (e.g centre, department), besides the 20% flat rate option, the simplified method can be used if the minimal requirements can be met. The simplified method does not require previous certification by the Commission empowered by the FCH JU.
4	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 empowered by the FCH JU any fundamental change in its cost accounting methodology, including the date of the change (e.g. the yearly updates of costing rates to the most recent financial data are not considered as fundamental changes). 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.
5	Submission	Does the beneficiary need a CoM for each of its companies that participate in a European research 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 legal entity. Please note that a CoM may indeed cover different practices used by various departments of the legal entity. In such a case the methodologies should be described in detail in the table of Form E (and in annexes if necessary).³ - Companies (including affiliates) which have an independent identity from a legal point of

³ With regard to different practices concerning indirect costs this includes the case when a beneficiary opts for the use of a flat rate, but request to insert in the Grant Agreements where an specific department with a more advance accounting system participates the special clause for "departments within a legal entity that can identify their real indirect cost when the whole legal entity cannot" (special clause 13).

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			view will need to submit a separate certificate.
		When can I apply for a CoM?	- Anytime during the lifetime of FCH JU Programme as well as FP7, but at the earliest on the start date of the project of the first FCH JU or FP7 Grant Agreement signed with the EU.
		Is it compulsory to ask for eligibility if I intend to submit a CoM?	- YES.
		How to submit a request for a CoM?	- Beneficiaries who consider to meet the eligibility criteria may send a request any time during the lifetime of FCH JU Programme or FP7 to the following functional mailbox RTD-FP7-Cost-Methodology-Certification@ec.europa.eu - The mail should contain the Grant Agreement/contracts numbers (FCH JU GA or ECGA under FP7 and/or FP6) in which they participate/ed.

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

#	TOPIC:	QUESTION:	ANSWER:
1	Use of average a personnel costs	Is it necessary to submit CoMAv in order to claim average personnel costs in FCH JU projects?	<p>Beneficiaries are no longer required to submit a Certificate on Average Personnel Costs (CoMAv) for approval as a prior condition for the eligibility of the costs. Nevertheless, the CoMAv remains as an option offering beneficiaries the possibility to obtain prior assurance on the compatibility of the methodology used to calculate average personnel costs in FP7.</p> <ul style="list-style-type: none"> - If a beneficiary would like to use average personnel costs in their financial statements under the FCH JU GA the following cumulative criteria for the acceptance of average personnel cost methodologies shall apply: <ul style="list-style-type: none"> (1) The average personnel cost methodology shall be the one declared by the beneficiary as its usual cost accounting practice; as such it shall be consistently applied to all indirect actions of the beneficiary under the FCH JU Programme as well as the EU Framework Programmes; (2) The methodology shall be based on the actual personnel costs of the beneficiary as registered in its statutory accounts, without estimated or budgeted elements; (3) The methodology shall exclude from the average personnel rates any ineligible cost item as defined in Regulations (EC) No 1906/2006 and (Euratom) No 1908/2006 and the Model Grant Agreements and any costs claimed under other costs categories in order to avoid double funding of the same costs; (4) The number of productive hours used to calculate the average hourly rates shall correspond to the usual management practice of the beneficiary provided that it reflects the actual working standards of the beneficiary, in compliance with applicable national legislation, collective labour agreements and contracts and that it is based on auditable data.
2	Submission Process / Form E	What information needs to be submitted?	<ul style="list-style-type: none"> - The entire Form E consisting of 3 parts should be submitted. However, with regard to the table of procedures in Form E only procedures 1, 2, and 3 (and not those

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			<p>relating to indirect costs) need to be completed.</p> <ul style="list-style-type: none"> - No changes should be made to the standard template. Any deviations should be reported under "exceptions". - This certificate can be introduced only by electronic mail to the following functional mailbox: RTD-FP7-Average-Personnel-Rate-Certification@ec.europa.eu
3	Consequences of the acceptance of a CoMAv	<p>Is the approved CoMAv valid for all FCH JU as well as FP7 Grant Agreements?</p> <p>If I have an approved CoMAv, are the intermediate CFS waived?</p>	<ul style="list-style-type: none"> - YES, an approved CoMAv is valid for all FCH JU as well as FP7 projects. - NO, the certificate on average personnel costs does not waive the obligation to provide an intermediate CFS (whenever the threshold of EUR 325,000 is reached). Nevertheless, the auditor will only have to focus on checking compliance with the certified methodology, omitting individual calculations.
	One person beneficiary	Is the CoMAv obligatory for physical persons?	<ul style="list-style-type: none"> - Further to the adoption of Commission Decision C(2011)174 on 24 January 2011, SME owners and natural persons who do not receive a salary are no longer required or allowed to submit a CoMAv. For these cases the CoMAv is no longer an option. According to the Commission Decision SME owners and natural persons who do not receive a salary will charge as personnel costs a flat rate based on the allowances used in the People Specific Programme ("Marie Curie" flat-rates). - For further details, please refer to the FCH JU Guide to Financial Issues.
		What method is to be used by physical persons and SME owners without a salary in the accounts for declaring personnel costs?	<ul style="list-style-type: none"> - The value of the personal work of those SME owners and natural persons shall be based on a flat rate to be determined by multiplying the hours worked in the project by the hourly rate to be calculated as follows: - {Annual living allowance corresponding to the appropriate research category published in the 'People' Work Programme of the year of the publication of the call to which the proposal has been submitted / standard number of annual productive hours} multiplied by {country correction coefficient published in the 'People' Work programme of the year of the publication of the call /100} - 'People' Work Programmes can be obtained at the following address: http://cordis.europa.eu/fp7/find-

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			<p>doc_en.html</p> <ul style="list-style-type: none"> - Please note that employees of SME and other natural persons who receive a salary cannot use this flat rate. - Further details are available in the FCH JU Guide to Financial Issues.
		<p>Is it possible to withdraw an approved CoMAv?</p> <p>If an SME-owner has already an approved CoMAv and decides to opt for the Marie Curie flat rates, can he use his approved CoMAv in a different FCH JU or FP7 project?</p>	<ul style="list-style-type: none"> - All SME owners and natural persons having received the approval of their methodology are entitled either to: <ul style="list-style-type: none"> ✓ Continue applying the approved methodology ✓ Apply the flat rate system - However, if the beneficiary chooses to apply the flat-rate system they will have to apply it for all cost statements in ongoing and future participations in FCH JU as well as FP7 projects. - It is recommended that beneficiaries in this situation inform the Commission empowered by the FCH JU on their choice via the functional mailbox: RTD-FP7-Average-Personnel-Rate-Certification@ec.europa.eu

4. SPECIFIC ISSUES RELATED TO CERTIFICATES ON THE FINANCIAL STATEMENTS (CFS)

#	TOPIC:	QUESTION:	ANSWER:
1	CFS	When do I need a CFS?	<ul style="list-style-type: none"> - Only when cumulative requested contribution is equal to or above EUR 325,000 in case of interim payment or more than EUR 50,000 in case of final payment - With an accepted CoM: CFS is only required at the end of the project (if requested contribution is > EUR 50,000)
		Which format does the external auditor have to use for the certificate?	<ul style="list-style-type: none"> - It is compulsory to use Annex VI Form D for the issue of CFS.
		Can the auditors perform different procedures from the ones in the table in annex VI?	<ul style="list-style-type: none"> - NO, but they can perform more procedures and provide more information if they wish to.
2	Cost	How much should a Certificate on the Financial Statements cost?	<ul style="list-style-type: none"> - The cost of a Certificate on the Financial Statements 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 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?	<ul style="list-style-type: none"> - 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 be charged?	<ul style="list-style-type: none"> - Costs incurred for the Certificates on the Financial Statements issued by the external auditors are eligible direct costs charged under the "Management" activity in the "Subcontracting" category. There are therefore subject to the requirements of best value for money (Article II.7 of the FCH JU Model Grant Agreement). - However the costs for the Certificates on the Financial Statements established by the competent Public Officers can be treated as "Other direct costs" under the "Management" activity. Where it is the usual practice of the beneficiary to

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			consider these costs as indirect costs, they cannot be charged as direct eligible costs.
3	Eligibility of the costs	Is the cost of a CFS eligible if the EC contribution is below EUR 325,000 in case of interim payment or EUR 50,000 in case of final payment and the CFS is not otherwise required by the FCH JU?	<ul style="list-style-type: none"> - Only those costs incurred to provide the mandatory CFS are eligible. The cost of the certificate on the Financial Statements is an eligible cost in the Grant Agreement for which the certificate is submitted (Art. II.16). - If the beneficiary decides to submit a certificate on the financial statements voluntarily (when it is not required by the Grant Agreement), the cost of the CFS will not be eligible. - However, the cost of a CFS sent before the threshold is reached may become eligible if such threshold is attained in a subsequent period; consequently these costs can be claimed by the beneficiary only once the EUR 325,000 or EUR 50,000 (respectively for interim and final payments) thresholds are reached.
4	Personnel costs - Sampling of staff	<p>Form D (Procedures performed by the Auditor), procedure 1 (Personnel Costs) reads:</p> <ul style="list-style-type: none"> - "For each employee in the sample of ____, the Auditor obtained the personnel costs" " <p>How should this section be completed when the full coverage refers to a sample smaller than 20?</p>	<ul style="list-style-type: none"> - The size of the sample proposed in this procedure is based on the population of researchers or research-related persons involved in the project. In this context, the size of the sample has to respect the following: <ul style="list-style-type: none"> ✓ if the population is less than 20 employees, full coverage: ✓ if the population is equal or greater than 20 employees : <ul style="list-style-type: none"> - a minimum of 20 employees - or 20 % of the employees (whichever is the greater). - It is not allowed to change the wording of the procedures - only in the case of exceptions where the standard wording cannot cover the case. E.g. If the population is less than 20 and full coverage is needed, the standard wording it would say for example "in the sample of 8" which is then not compliant with the conditions. For these cases the following temporary solution is to add "out of X". In the example one would read "in the sample of 8 out of 8" so it is clear that it was actually full coverage.
5	Third parties (special clause 11 to the FCH JU GA)	In case of third parties, does the thresholds of EUR 325,000 and EUR 50,000 apply separately to the	<ul style="list-style-type: none"> - The thresholds of EUR 325,000 or EUR 50,000 (respectively for interim and final payments) to submit the CFS includes the total FCH JU contribution (beneficiary +

#	TOPIC:	QUESTION:	ANSWER:
		beneficiary and the third party or together?	<p>third party (ies)).</p> <ul style="list-style-type: none"> - According to the special clause 11 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 FCH JU could accept one certificate comprising the costs of both but identifying clearly which costs relate to whom.