



## FCH2 JU Financial Workshop Brussels, 24 May 2016

### CASE STUDY - Audit

Ivana Hockova, FCH Internal Control & Audit Manager



# Case Study - Audit - Introduction

You are an EC auditor of the financial statements of the ABC Ltd. for an H2020 project submitted to the FCH2 JU for the period of 1/1/2015 - 31/12/2015.

During your audit field visit to the premises of ABC Ltd. you selected a transaction of EUR 200.000 from the general ledger of the company that was claimed under Personnel Costs in the Form C.



# Case Study - Audit - Supporting Documents

You asked the beneficiary for the supporting documents for the amount of EUR 200.000.

You were presented with the invoice and timesheets.



# Case Study - Audit - Requirements

Your tasks as an EC auditor are the following:

1. Gather the questions you would ask the beneficiary
2. Identify any potential issues with cost eligibility under H2020 rules - solely based on these two documents
3. How much costs would you allow as eligible for ABC Ltd?

**TIMEFRAME: 10 minutes**



# Case Study - Audit - Discussions

## 1. Questions you would ask the beneficiary (EXAMPLE):

- What is the link to the project?
- Was it part of the original GA? Or any of the Amendments?
- Why were these costs classified as personnel costs?
- Best value for money?
- Proof of payment?



## 2. Any potential issues with cost eligibility under H2020 rules?

- VAT
- Wrong classification of the costs
- Project timeframe/ project scope
- Lack of demonstration of best value for money
- Some services may not be linked to the project
- Unforeseen subcontracting
- Invoice addressed to another legal entity
- Proof of payment missing



## 3. How much costs would you allow as eligible for ABC Ltd?

- Due to lack of formal aspects/ requirements, even when services were incurred to fulfil the objectives of the project, the whole amount of EUR 200.000 would be most likely disallowed



### What can ABC Ltd do in case of negative audit adjustment?

- **PAST:** Dispute the audit report by providing more evidence during the “contradictory” procedure,
  - **Contact FCH2 JU;**
  - **provide proof of payment;**
  - **demonstrate best value for money;**
  - **Correct the invoice - re-invoiced costs from the parent company.**
- **FUTURE:** Discuss with FCH2 JU for the amendment to the GA / ensure that personnel are hired directly via employment contracts with ABC Ltd.

**FUTURE**