

ROAD TO
SUCCESS



AMBITION



DEVELOPMENT



FUNDING



IMPACT

ARE YOU (REALLY) READY FOR AN EC-AUDIT?

EU AUDIT READINESS & SUPPORT SERVICES





Are you 100% sure that all your reported costs are consistent with the EU eligibility criteria?



Do you know exactly how to calculate your personnel costs and which hours to include?



Are your accounting policy and internal procedures fully in line with the funding rules?

Questions, questions and even more questions. When European grants are involved, that is the first thing we get back from most organisations. This is triggered by uncertainty on the exact do's and don'ts in relation to EU grants. Sure, an EU project can give a significant boost to your organisation's performance and international visibility. However, at the same time, the rules set by the funding authority can also deeply intervene in your usual operating methods and established internal procedures. This is not only a 'process-thing': these rules and obligations will also impact your procurement policies, personnel costs, subcontracting, contingencies and many other financial issues. Carefully aligning your internal procedures to the grant agreement rules is crucial in order to avoid cost rejections or even grant reductions.

When receiving EU grants, your organisation must be fully prepared to comply with a considerable number of EU cost eligibility and financial management rules.

Grant agreements can include far-reaching obligations with regard to the following domains:

- procurement ('best value for money')
- internal accounting procedures
- project administration
- required supporting documents
- time registration and effort allocation
- personnel cost calculations
- generated revenues within the project
- non-eligible cost items
- correct cost categories
- cost calculation and identification of the type of costs (CAPEX vs OPEX)
- co-funding requirements
- unforeseen changes and amendments
- funding visibility and acknowledgements

Our compliance experts offer unique expertise in a broad range of EU funding channels, including:

- Horizon 2020 & Horizon Europe (including EIT KICs, ERC, EIC and MSCA)
- LIFE Programme
- Connecting Europe Facility (CEF)

EXTERNAL AND EC AUDITS

To ensure that an EU granted action is carried out in line with the applicable rules, the EU has the right to perform certain controls. In addition to periodic project checks and reviews, your organisation can also be subject to the following audits:

• **External audit (first-level audit):** Mandatory audit on financial statements when a threshold is met. A Certificate on the Financial Statement (CFS) is obligatory in H2020 when a minimum total direct cost contribution of €325.000 is requested. For Horizon Europe, the threshold is a total requested EU contribution (incl. indirect costs) of €430.000.

• **EC audit (second-level audit):** The EC can decide to carry out an audit at any moment up until several years after the final payment. Organisations are selected randomly, yet certain risk factors increase the odds of being selected (e.g. new beneficiaries or projects with high amounts of funding). These audits mainly concern the financial implementation of the action, but may also cover technical aspects or compliance checks with other obligations. Each audit usually includes an intensive 'on-the-spot visit' and in-depth desk review, giving the EC a detailed insight into your organisation's projects, financial administration, internal control systems and all other aspects related to the implementation of your EU project.

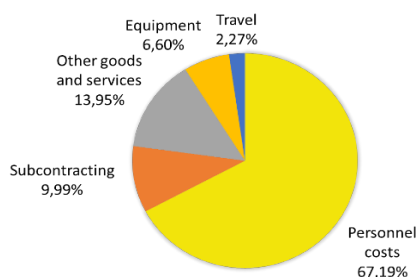
1. AUDIT READINESS ASSESSMENT

FIND OUT HOW AUDIT-PROOF YOUR ORGANISATION IS AND WHICH ACTIONS TO TAKE

Correctly implementing all grant eligibility rules can be challenging for an organisation, yet the effects of an audit going wrong can be severe. Did you know that systemic or recurrent errors identified during an audit can even have a significant impact on projects outside the audit scope? It is therefore essential to make sure that your organisation is completely ready to meet all its financial obligations and to take corrective actions where necessary - before the errors occur or have already been reported.

Wondering how audit-proof your organisation actually is? You can rely on our unique audit readiness assessment! During this in-depth assessment, our compliance experts execute an 'audit stress test' and provide the following services:

- **Information:** We give a detailed explanation on the types of audits, the EC audit methodology, the formal procedures and implementation timeline.
- **Analysis:** Based on a representative sample, we perform an thorough test of your EU project administration, internal control processes, cost reporting and accounting.
- **Risk detection:** You'll receive an Audit Readiness Report, which highlights potentials risks.
- **Optimisation:** We deliver concrete recommendations to improve your project administration. expertise and capacity, we can offer you this approach as well.



Percentage of errors identified in ex-post H2020 audits

Data source: European Commission (05/2020)

HORIZON 2020 AUDIT ERRORS

When analysing H2020 audit outcomes, several returning key mistakes leading to cost rejections can be identified:

- **Personnel costs (67%):** invalid timesheets, incorrectly calculated remuneration and incorrect productive hours
- **Subcontracting (10%):** no best value for money, procurement rules not followed, insufficient evidence of provided services
- **Other direct costs (23%):** no direct cost measurement, costs not related to the action, indirect costs claimed as direct costs, depreciation rules not followed, double funding of costs



2. AUDIT PREPERATION & SUPPORT

A PROVEN METHOD TO PREPARE FOR AND PASS AN EXTERNAL OR EC AUDIT

Facing an actual audit? You can count on our experts' hands-on support. Throughout the years, we have helped numerous organisations and consortia with their EU grant administrations, as well as the preparation for both external audits on financial statements and EC audits. Our proven methodology consists of a number of steps that help you to be fully prepared for the audit:

- **Face-to-face kick-off meeting** at your premises to understand and assess the accuracy and weaknesses in your grant management processes and procedures
- **Cross-matching assessment** between your own accounting principles and applicable grant agreement rules
- **Identification of potential pitfalls** in your system and definition of corresponding risk mitigation measures
- **Implementation of identified risk mitigation measures**
- **Assistance and advice** in setting up a proper supporting documentation system and creation of a solid audit file that meets the audit specifications, questionnaires and requirements
- **Internal administration and process sampling audit test**, using EC audit methodology and principles (simulation and validation)

- **Step by step support** from our experts during the preparation and the entire duration of the audit
- **Closing meeting with tailored recommendations** and lessons learnt to improve your internal processes and procedures.

Generally, these steps cover all the needs of an organisation that receives EU funding and has questions about how to correctly implement the corresponding regulations. At the same time, every client we have worked for represented a unique case, and therefore required a tailor-made solution. With our expertise and capacity, we can offer you a service tailored to your needs.



PNO INNOVATION – EXPERTS IN EU GRANTS AND FUNDING



GRANT APPLICATION SUPPORT

Facing challenges with coordinating the administrative and financial side of your grant application? Make use of our grant application support services to ensure a timely and reliable budget set-up, proposal administration and submission, thereby allowing you to fully focus on the scientific and technical development!



EU PROPOSAL DEVELOPMENT, WRITING AND PROOF-READING

Looking for suitable project partners or funding opportunities? Do you need assistance to develop a high-quality proposal and boost your chances of success? PNO Innovation has an excellent track record in securing Research & Innovation grants in many different sectors and funding instruments, including Horizon 2020, LIFE and Innovation Fund.



PROJECT MANAGEMENT SERVICES

With our project management services, we enable a smooth grant preparation, project administration, coordination, monitoring and reporting. Depending on your specific needs, different levels of support services are available, including grant preparation support, project management system optimisation, a project management helpdesk or a dedicated in-house project manager.



TRAINING SERVICES

As expert in EU R&I funding, PNO organises dedicated training courses. Each training module is fine-tuned to the needs of H2020 & Horizon Europe beneficiaries, allowing you to acquire essential know-how, tools and techniques. On request, in-house trainings, brokerage events or proposal writing trainings can be offered at your premises. Our trainings can be combined or tailored for your organisation.

**CONTACT US FOR MORE INFORMATION ON
OUR ADDITIONAL GRANT SERVICES.**

MAKE USE OF OVER 30 YEARS OF EXPERIENCE IN EU GRANT MANAGEMENT & COMPLIANCE


Based on over 30 years of experience in the fields of EU grants, projects and innovation, PNO Innovation offers you a wide range of expertise, including financial, legal, fiscal, administrative, innovation and project management advice. We work for SMEs, start-ups, large companies, universities, consortia, RTOs, NGOs and public bodies, and we serve all major sectors. Building on these attributes and experience, we have become a market leader in EU research & innovation grant management.


If you are in need of some personalised assistance to prepare you for an EC or external audit (or to help you with another challenge), do not hesitate to contact us!



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