ANNEX 5

**MODEL FOR THE CERTIFICATE ON THE FINANCIAL STATEMENT (CFS)**

This document sets out:

* the objectives and scope of the independent report of factual findings on costs declared under a EU grant agreement financed under the EU Civil Protection Mechanism and
* a model for the certificate on the financial statement (CFS).

**1. Background and subject matter**

Within 60 days of the end of the reporting period, the coordinator must submit to the Commission a **final report**, which should include (among other documents and unless otherwise specified in Article 15 of the Grant Agreement) a **certified financial statement** (CFS; see proposed model below) for each beneficiaryand (if applicable) each linked third party, if:

* it requests EUR 325 000 or more as reimbursement of actual costs and
* the maximum grant amount indicated for that beneficiary/linked third party in the estimated budget (see Annex 2) as reimbursement of actual costs is EUR 750 000 or more.

The beneficiarymust provide the CFS for itself and, if applicable, for its linked third party(ies).

The **purpose** of the audit on which the CFS is based is to give the Commission ‘reasonable assurance’[[1]](#footnote-1) that costs declared as eligible costs under the grant (and, if relevant, receipts generated in the course of the action) are being claimed by the beneficiary/linked third party in accordance with the relevant legal and financial provisions of the Grant Agreement.

The **scope** of the audit is limited to the verification of eligible costs included in the CFS. The audit must be conducted in line with point 3 below.

Certifying auditors must carry out the audits in compliance with generally accepted **audit standards** and indicate which standards they have applied. They must bear in mind that, to establish a CFS, they must carry out a compliance audit and not a normal statutory audit. The eligibility criteria in the Grant Agreement always override normal accounting practices.

The beneficiary/linked third party and the auditor are expected to address any **questions on factual data or detailed calculations** before the financial statement and the accompanying certificate are submitted. It is also recommended that the beneficiary/linked third party take into account the auditor’s preliminary comments and suggestions in order to avoid a qualified opinion or reduce the scope of the qualifications.

Since the certificate is the main source of assurance for cost claims and payments, it will be easier to consider amounts as eligible if a **non-qualified certificate** is provided.

The submission of a certificate does not affect the Commission’s right to carry out its **own assessment** or **audits**. Neither does the reimbursement of costs covered by a certificate preclude the Commission*,* the European Anti-Fraud Office or the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article 17 of the Grant Agreement. The CFS audit is not a full-fledged audit according to international auditing standards and does not give assurance about the legality and regularity of the costs declared.

The Commission expects the certificates to be issued by auditors according to the highest professional standards.

**2. Auditors who may deliver a certificate**

The beneficiary/linked third party is free to choose a **qualified external auditor**, including its usual external auditor, provided that:

* the external auditor is **independent** from the beneficiary/linked third party and
* the provisions of **Directive 2006/43/EC**[[2]](#footnote-2) are complied with.

Independence is one of the qualities that permit the auditor to apply unbiased judgement and objective consideration to established facts to arrive at an opinion or a decision. It also means that the auditor works without direction or interference of any kind from the beneficiary/linked third party.

Auditors are considered as providing services to the beneficiary/linked third party under a **purchase contract** within the meaning of Article 9of the Grant Agreement. This means that the costs of the CFS may normally be declared as costs incurred for the action, if the cost eligibility rules set out in Articles 6 and 9.1.1 of the Grant Agreement are fulfilled (especially: best value for money and no conflict of interests; see also below eligibility of costs of other goods and services). Where the beneficiary/linked third party uses its usual external auditor, it is presumed that they already have an agreement that complies with these provisions and there is no obligation to find new bids. Where the beneficiary/linked third party uses an external auditor who is not their usual external auditor, it must select an auditor following the rules set out in Article 9.1.1.

**Public bodies** can choose an external auditor or a competent public officer. In the latter case, the auditor’s independence is usually defined as independence from the audited beneficiary/linked third party ‘in fact and in appearance’. A preliminary condition is that this officer was not involved in any way in drawing up the financial statements. Relevant national authorities establish the legal capacity of the officer to carry out audits of that specific public body. The certificate should refer to this appointment.

**3. Audit methodology and expected results**

***3.1 Verification of eligibility of the costs declared***

The auditor must conduct its verification on the basis of inquiry and analysis, (re)computation, comparison, other accuracy checks, observation, inspection of records and documents and by interviewing the beneficiary/linked third party (and the persons working for it).

The auditor must examine the following documentation:

* the Grant Agreement and any amendments to it;
* the periodical and/or final report(s);
* *for personnel costs*
	+ salary slips;
	+ time sheets;
	+ contracts of employment;
	+ other documents (e.g. personnel accounts, social security legislation, invoices, receipts, etc.);
	+ proofs of payment;
* *for travel and subsistence costs*
	+ the beneficiary/linked third party’s internal rules on travel;
	+ transport invoices and tickets (— only for actual costs);
	+ declarations by the beneficiary/linked third party;
	+ other documents (proofs of attendance such as minutes of meetings, reports, etc.);
	+ proofs of payment (— only for actual costs);
* *for subcontracting*
	+ the call for tender (if any);
	+ tenders (if any);
	+ justification for the choice of subcontractor;
	+ contracts with subcontractors;
	+ invoices;
	+ declarations by the beneficiary/linked third party;
	+ proofs of payment;
	+ other documents: e.g. national rules on public tendering if applicable, EU Directives, etc.;
* *for equipment costs*
	+ invoices;
	+ delivery slips/certificates of first use;
	+ proofs of payment;
	+ depreciation method of calculation;
* *for costs of other goods and services*
	+ invoices;
	+ proofs of payment; and
	+ other relevant accounting documents.

***General eligibility rules***

The auditor must verify that the costs declared comply with the general eligibilityrules set out in Article 6.1 of the Grant Agreement.

In particular, the costs must:

* be actually incurred;
* be linked to the subject of the Grant Agreement and indicated in the beneficiary/linked third party's estimated budget (i.e. the latest version of Annex 2);
* be necessary to implement the action which is the subject of the grant;
* be reasonable and justified, and comply with the requirements of sound financial management, in particular as regards economy and efficiency;[[3]](#footnote-3)
* have been incurred during the action, as defined in Article 3 of the Grant Agreement (with the exception of costs of the kick-off meeting, if explicitly allowed and the invoice for the audit certificate and costs relating to the submission of the final report);
* not be covered by another EU grant (see below ineligible costs);
* be identifiable, verifiable and, in particular, recorded in the beneficiary/linked third party's accounting records and determined according to the applicable accounting standards of the country where it is established and its usual cost-accounting practices;
* comply with the requirements of applicable national laws on taxes, labour and social security;
* be in accordance with the provisions of the Grant Agreement (see, in particular, Articles 6 and 9-11a) and
* have been converted to euro at the rate laid down in Article 15.6 of the Grant Agreement:
* for beneficiaries/linked third parties with accounts established in a currency other than the euro:

Costs incurred in another currency must be converted into euros at the average of the daily euro exchange rates published in the C series of the [EU Official Journal](https://www.ecb.int/stats/exchange/eurofxref/html/index.en.html) determined over the corresponding reporting period.

If no daily euro exchange rate is published in the EU Official Journal for the currency in question, the rate used must be the average of the monthly accounting exchange rates established by the Commission and published on its [website](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm);

* for beneficiaries/linked third parties with accounts established in euro:

Costs incurred in another currency should be converted into euros applying the beneficiary’s usual accounting practice.

The auditor must verify that expenditure does NOT include **VAT**.

The auditor should base his/her audit approach on the **confidence level** following a review of the beneficiary/linked third party 's internal control system. When using sampling, the auditor should indicate and justify the sampling size*.*

***Specific eligibility rules***

In addition, the auditor must verify that the costs declared comply with the specific cost eligibility rules set out in Article 6.2 and Articles 9.1.1, 10.1.1 and 11.1.1 of the Grant Agreement.

*Personnel costs*

The auditor must verify that:

* personnel costs have been charged and paid in respect of the actual time devoted by the beneficiary/linked third party’s personnel to implementing the action (justified on the basis of time sheets or other relevant time-recording system);
* personnel costs were calculated on the basis of annual gross salary, wages or fees (plus obligatory social charges, but excluding any other costs) specified in an employment or other type of contract, not exceeding the average rates corresponding to the beneficiary/linked third party’s usual policy on remuneration;
	+ the work was carried out during the period of implementation of the action, as defined in Article 3 the Grant Agreement;
	+ the personnel costs are not covered by another EU grant (see below ineligible costs);
	+ for additional remuneration: the 2 conditions set out in Article 6.2.A.1 of the Grant Agreement are met (i.e. that it is part of the beneficiary/linked third party’s usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required and that the criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary/linked third party, regardless of the source of funding used);
	+ for in-house consultants: the 3 conditions set out in Article 6.2.A.2 of the Grant Agreement are met (i.e. that the in-house consultant works under conditions similar to those of an employee, that the result of the work carried out belongs to the beneficiary/linked third party, and that the costs are not significantly different from those for personnel performing similar tasks under an employment contract).

The auditor should have assurance that the management and accounting system ensures proper allocation of the personnel costs to various activities carried out by the beneficiary/linked third party and funded by various donors.

*Travel and subsistence costs*

The auditor must verify that travel and subsistence costs:

* + have been charged and paid in accordance with the beneficiary/linked third party's internal rules or usual practices (or, in the absence of such rules or practices, that they do not exceed the scale normally accepted by the Commission[[4]](#footnote-4)) (— only for actual costs);
* are not covered by another EU grant (see below ineligible costs);
* were incurred for travels linked to action tasks set out in Annex 1 of the Grant Agreement.

*Subcontracting costs*

The auditor must verify that:

* the subcontracting complies with best value for money (or lowest price) and that there was no conflict of interests;
	+ the subcontracting was necessary to implement the action for which the grant is requested;
* the subcontracting was provided for in Annex 1 and Annex 2 or agreed to by the Commission at a later stage;
* the subcontracting is supported by accounting documents in accordance with national accounting law;
* public bodies have complied with the national rules on public procurement.

*Equipment costs*

The auditor must verify that:

* the equipment is purchased, rented or leased at normal market prices;
* public bodies have complied with the national rules on public procurement;
* the equipment is written off, depreciation has been calculated according to the tax and accounting rules applicable to the beneficiary/linked third party and only the portion of the depreciation corresponding to the duration of the action has been declared and
* the costs are not covered by another EU grant (see below ineligible costs).

*Costs of other goods and services*

The auditor must verify that:

* the purchase complies with best value for money (or lowest price) and that there was no conflict of interests;
* public bodies have complied with the national rules on public procurement;
* the costs are not covered by another EU grant (see below ineligible costs).

*Subcontracting costs*

The auditor must verify that:

* the subcontracting complies with best value for money (or lowest price) and that there was no conflict of interests;
	+ the subcontracting was necessary to implement the action for which the grant is requested;
* the subcontracting was provided for in Annex 1 and Annex 2 or agreed to by the [Commission][Agency] at a later stage;
* the subcontracting is supported by accounting documents in accordance with national accounting law;
* public bodies have complied with the national rules on public procurement.

***Ineligible costs***

The auditor must verify that the beneficiary/linked third party has not declared any costs that are ineligible under Article 6.4 of the Grant Agreement:

* costs relating to return on capital;
* debt and debt service charges;
* provisions for future losses or debts;
* interest owed;
* doubtful debts;
* currency exchange losses;
* bank costs charged by the beneficiary/linked third party’s bank for transfers from the Commission;
* excessive or reckless expenditure;
* VAT (deductible or not);
* costs incurred during suspension of the implementation of the action;
* in-kind contributions from third parties;
* costs declared under other EU grants (including those awarded by a Member State and financed by the EU budget or awarded by bodies other than the Commission for the purpose of implementing the EU budget); in particular, indirect costs if the beneficiary/linked third party is already receiving an EU operating grant in the same period, unless they can demonstrate that the operating grant does not cover any costs of the action;
* costs incurred for permanent staffof a national administration for activities that are part of its normal activities (i.e. not undertaken only because of the grant);
* costs incurred for staff or representatives of EU institutions, bodies or agencies;

For more information on cost eligibility, see the Guide for applicants.

***3.2 Verification of receipts***

The auditor must verify that the beneficiary/linked third party has declared receipts within the meaning of Article 5.3.3 of the Grant Agreement, i.e.:

* income generated by the action (e.g. from the sale of products, services and publications, conference fees) and
* financial contributions given by third parties*,* specifically to be used for costs that are eligible under the action.

***3.3 Verification of the beneficiary/linked third party’s accounting system***

The auditor must verify that:

* the accounting system (analytical or other suitable internal system) makes it possible to identify **sources of financing** for the action and related expenses incurred during the contractual period and
* expenses/income under the grant have been recorded systematically using a numbering system that **distinguishes** them from expenses/income for other projects.

**Certificate on the financial statement (CFS)**

To

[Beneficiary/linked third party’s full name

address]

**We**, [**full name of the audit firm/organisation**], established in [full address/city/country], represented for signature of this audit certificate by [name and function of an authorised representative],

**hereby certify**

that:

1. Wehave **conducted an audit** relating to the costs declared in the financial statement of [name of beneficiary/linked third party] (the *[*‘beneficiary’*][*‘linked third party’*]*), to which this audit certificate is attached and which is to be presented to the European Commission under Grant Agreement No [insert number] — [insert acronym], covering costs for the following reporting period(s): [insert reporting period(s)].

2. Weconfirm that our audit was **carried out in accordance with generally accepted auditing standards** in compliance with ethical rules and on the basis of the provisions of the **Grant Agreement** and its Annexes (and in particular the audit methodology described in Annex 5).

3. The financial statement was examined and all necessary tests of *[*all*][*[X]%*]* of thesupporting documentation and accounting records were carried out in order to obtain **reasonable assurance** **that**, in our opinion and on the basis of our audit

* total **costs** of **EUR** [**insert number**] ([insert amount in words]) are eligible, i.e.:
	+ actual (— for actual costs);
	+ determined in accordance with the *[*beneficiary’s*][*linked third party’s*]* accounting principles (— for actual costs);
	+ incurred during the period referred to in Article 3 of the Grant Agreement;
	+ recorded in the *[*beneficiary’s*][*linked third party’s*]* accounts (at the date of this audit certificate);
	+ comply with the specific eligibility rules in Article 6.2 of the Grant Agreement;
	+ do not contain costs that are ineligible under Article 6.4 of the Grant Agreement, in particular:
* costs relating to return on capital;
* debt and debt service charges;
* provisions for future losses or debts;
* interest owed;
* doubtful debts;
* currency exchange losses;
* bank costs charged by the *[*beneficiary’s*][*linked third party’s*]* bank for transfers from the Commission;
* excessive or reckless expenditure;
* VAT (deductible or not);
* costs incurred during suspension of the implementation of the action;
* in-kind contributions provided by third parties;
* costs declared under other EU grants (including those awarded by a Member State and financed by the EU budget or awarded by bodies other than the Commission for the purpose of implementing the EU budget); in particular, indirect costs if the *[*beneficiary*][*linked third party*]* is already receiving an EU operating grant in the same period, unless they can demonstrate that the operating grant does not cover any costs of the action;
* costs incurred for permanent staffof a national administration, for activities that are part of its normal activities (i.e. not undertaken only because of the grant);
* costs incurred for staff or representatives of EU institutions, bodies or agencies;
* ***[***are claimed according to the euro conversion rate referred to in Article 15.6 of the Grant Agreement (— for actual costs);***]***
* total **receipts** of **EUR** [**insert number**] ([insert amount in words]) have been declared under Article 5.3.3 of the Grant Agreement and
* the *[*beneficiary’s*][*linked third party’s*]* **accounting procedures** are in compliance with the accounting rules of the state in which it is established and permit direct reconciliation of the costs incurred for the implementation of the action covered by the EU grant with the overall statement of accounts relating to its overall activity.

***[***However, our audit opinion is **qualified** for:

* costs of EUR [**insert number**]
* receipts of EUR [**insert number**]

which in our opinion do not comply with the applicable rules.***]***

4. We are qualified/authorised to deliver this audit certificate *[*(for additional information, see appendix to this certificate)*]*.

5. The *[*beneficiary*][*linked third party*]* paid a **price** of EUR [insert number]) (excluding VAT) for this audit certificate. *[OPTION 1:*These costs are eligible (i.e. incurred within 60 days of the end of the action referred to in Article 3 of the Grant Agreement) and included in the financial statement.*][OPTION 2:* These costs were not included in the financial statement.*]*

Date, signature and stamp

1. This means a high degree of confidence. [↑](#footnote-ref-1)
2. Directive [2006/43/EC](http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1447145828278&uri=CELEX:32006L0043) of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts or similar national regulations (OJ L 157, 9.6.2006, p. 87). [↑](#footnote-ref-2)
3. To be assessed in particular on the basis of the procurement and selection procedures for service providers. [↑](#footnote-ref-3)
4. See the Guide for applicants. [↑](#footnote-ref-4)