



HORIZON EUROPE

THE EU RESEARCH & INNOVATION PROGRAMME

2021 – 2027

System and Process Audit

Common Audit Service

SPA - Risk Assessment Model

16-06-2023

- HEU – Specific Provisions
- The Risk Assessment Model
- The SPA formula

HEU – Specific Provisions

Article 24 of the Grant Agreement

Who can apply?

Any beneficiary that:

- uses unit, flat rate or lump sum costs or contributions according to documented (i.e. formally approved and in writing) usual costs accounting practices (if any)

OR

- has formalised documentation on the systems and processes for calculating their costs and contributions
- has participated in at least 150 actions under H2020 or Euratom and,
- participates in at least 3 ongoing actions under HE or Euratom.

How?

Step 1 — The beneficiary submits the application in the system which will be assessed by the EC auditors

Step 2 — If application accepted, the EC auditors (directly or indirectly) will carry out the SPA

Step 3 — The audit result will take the form of a risk assessment classification: Low – Medium or High

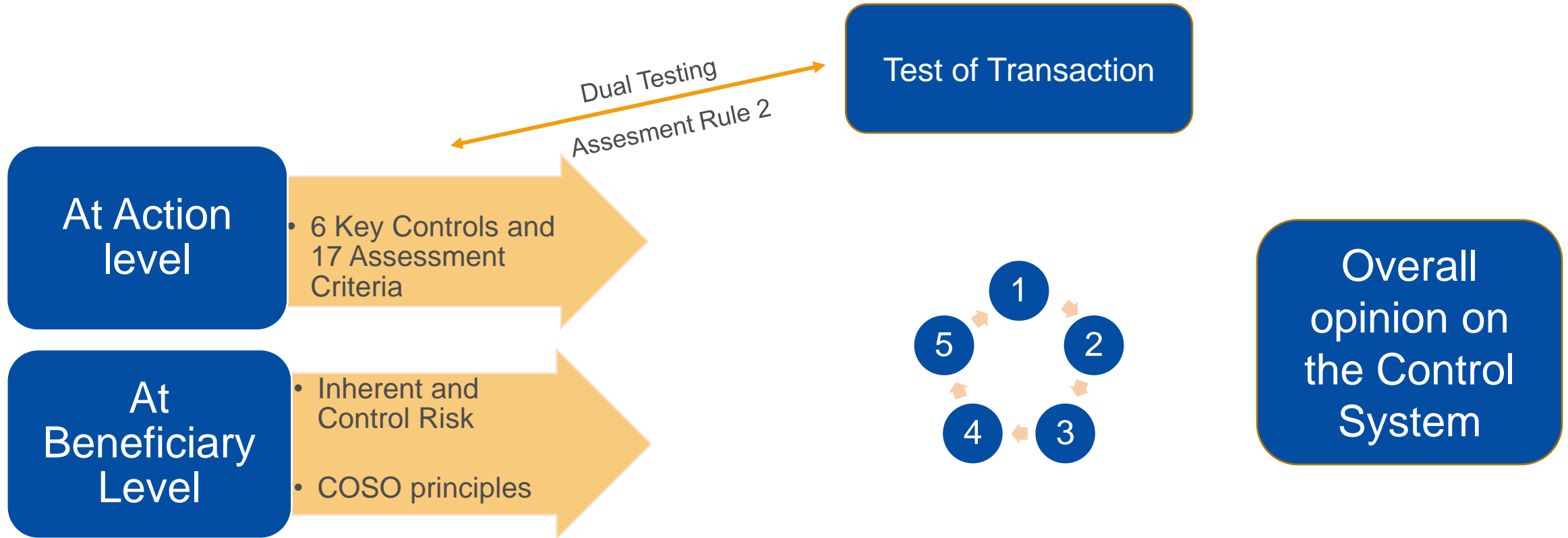
What benefits for beneficiaries classified as ‘low-risk’?

- less (or less in-depth) ex-post audits AND,
- a higher threshold for submitting CFS (i.e. 725.000 EUR instead of 430.000 EUR)

System and Process Audit

The risk assessment model

The Risk Assessment Model



Risk Category

At Key Control and General Control Risk

- **Category 1. Works well. No or only minor improvement(s) needed.**
- **Category 2. Works, but some improvement(s) are needed.**
- **Category 3. Works partially; substantial improvement(s) are needed.**
- **Category 4. Essentially does not work.**

Testing – Key Control Matrix

Annex 1 - Key Control Matrix

H2020 - Pilot SPA					
Legal References / GA Art	Key Controls	Assessment Criteria	Category	Preliminary Audit conclusion	Essential Controls
6.1; 6.2; 18	KC 1	KC 1 - Effective time reporting system		1	
	KC 1.1.	AC1 - Reliable time recording system	Cat 1 to 4	1	Y
	KC 1.2.	AC2 - Reliable time records	Cat 1 to 4	1	
6.1; 6.2; 6.5	KC 2	KC 2 - Effective personnel costs methodology		1	
	KC 2.1.	AC3 - Adequate Productive Hours Calculation	Cat 1 to 4	1	
	KC 2.2.	AC4 - Adequate Calculation of the PC	Cat 1 to 4	1	Y
	KC 2.3.	AC5 - Adequate Eligibility checks	Cat 1 to 4	1	
	KC 2.3.	AC6 - Adequate Double Ceiling checks	Cat 1 to 4	1	
6.1; 6.2; 6.5	KC 3	KC 3 - Effective average personnel costs methodology		1	
	KC 3.1.	AC7 - Adequate Hourly Rates for Average Personnel Costs	Cat 1 to 4	1	Y
	KC 3.2.	AC8 - Adequate Productive Hours for Average Personnel Costs	Cat 1 to 4	1	
13, 10 , 6	KC 4	KC 4 - Effective tendering procedure and assurance of value for money		1	
	AC 4.1.	AC9 - Adequate and legal tendering procedures	Cat 1 to 4	1	N/Y
	AC 4.2.	AC10 - Adequate value for the money (including in-kind contribution and travel)	Cat 1 to 4	1	Y
6.1; 6.2; 6.5	KC 5	KC 5 - Effective system for usual cost accounting practices		1	
	AC 5.1.	AC 11 - Unqualified statutory accounts and respect of the accounting standards	Cat 1 to 4	1	
	AC 5.2.	AC 12 - Reliable project accounting	Cat 1 to 4	1	Y
	AC 5.3.	AC 13 - Adequate eligibility checks on internally invoiced costs	Cat 1 to 4	1	
Art 6, 35	KC 6	KC 6 - Effective system for mitigating conflict of interest, systemic errors, double funding and receipts		1	
	AC 6.1.	AC 14 - Adequate procedure and controls on the double financing risk	Cat 1 to 4	1	
	AC 6.2.	AC 15 - Adequate procedure and controls on receipt and income generated	Cat 1 to 4	1	
	AC 6.3.	AC 16 - Adequate procedure and controls against conflict of interest	Cat 1 to 4	1	Y
	AC 6.4.	AC 17 - Necessary preventive and corrective action where systemic errors are detected	Cat 1 to 4	1	



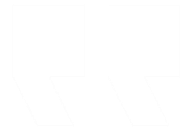
Testing – General Control Risk - Matrix

H2020 - Pilot SPA		
INHERENT RISK		
Assessment Criteria		Category
IR- AC1: Management turnover and reputation		Low
IR-AC2: The type of beneficiary (public or private)		Low
IR-AC3: The beneficiary's type of activity; nature of the business		Low
IR-AC4: The beneficiary's financial situation (i.e. going concern, dependence on EU funding etc.)		Low
IR-AC5: Result of previous audits		Low
IR-AC6: Decentralised activities (geographically) and by specialised research centers		Low
IR-AC7: Related parties - transactions between grant agreement participants		Low
IR-AC8: Management's experience and knowledge of H2020 / non-routine transaction		Low
<i>Overall Inherent Risk Assessment</i>		Low
CONTROL RISK: Management and Internal Controls Measures		
COSO principle	Assessment Criteria	Category
1	COSO 1: Excercises Board Risk Oversight	1
1,1	Does the beneficiary have an Audit Committee, or a different independent committee to oversee the functioning of the company and provide assurance to the stakeholders?	1
1,2	Does the Beneficiary have an independent internal audit function?	1
2	COSO 2: Establishes Operating Structures	1
2,1	Does the Organisational chart provide clear reporting lines?	1
2,2	Is there a formal delegation of authority?	1
2,3	Are duties segregated to reduce the risk of innapropriate conduct?	1
3	COSO 4: Demonstrates Commitment to Core Values	1
3,1	Do the board and management state their views on integrity and ethics in writing?	1
3,2	Are the written requirements on integrity and ethics shared with the employees?	1
3,3	Are the written requirements on integrity and ethics shared with contractors and suppliers?	1
3,4	Does the Beneficiary have a whistleblowing policy?	1
3,5	Is the whistleblowing policy shared with employees and available on the web page?	1
4	COSO 10: Identifies Risks	1
4,1	Does the Beneficiary have a risk management function?	1
4,2	Does the Beneficiary consider the risk of fraud during the risk assessment process?	1
5	COSO 13: Implements Risk Responses	1
5,1	The policies and procedures require that risk is mitigated to below the risk appetite?	1
5,2	The Beneficiary has written policies and procedures that cover the activities relevant to the action?	1
5,3	Management has identified key controls over their relevant risks?	1
<i>Overall Control Risk Assessment</i>		1
<i>General Control Risk</i>		1

SPA formula

Overall Assurance Risk At System Level

Art. 24 of the Grant	Risk Category	International Standard on Auditing
Low	Category 1	Unqualified opinion
Low	Category 2	Qualified opinion, moderate impact
Medium	Category 3	Qualified opinion, significant impact
High	Category 4	Adverse opinion



Thank you!

HorizonEU

<http://ec.europa.eu/horizon-europe>



© European Union 2021

Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.

Image credits: © ivector #235536634, #249868181, #251163013, #266009682, #273480523, #362422833, #241215668, #244690530, #245719946, #251163053, #252508849, 2020. Source: Stock.Adobe.com. Icons © Flaticon – all rights reserved.