

Agreed-upon Procedures – Background on “Horizon 2020”

Introduction

1. The following briefly explains what the “Horizon 2020” program (the program) is as context for the IAASB’s Agreed-upon Procedures initiative that has commenced its activities.

“Horizon 2020” Program

2. “Horizon 2020” is the financial instrument implementing the Innovation Union,¹ a Europe 2020² flagship initiative aimed at securing Europe’s global competitiveness. The program was established in 2013 and is the biggest European Union research and innovation program ever with nearly €80 billion of funding available over 7 years (2014 to 2020). The program is seen as a means to drive economic growth and create jobs and has the political backing of Europe’s leaders and the Members of the European Parliament.

The Auditor’s Role in “Horizon 2020” projects

General

3. “Horizon 2020” projects who receive EUR 325.000 or more from the program will need to submit to the European Commission (EC) a certificate, in a specific format and from an independent auditor, reporting the factual findings from an agreed-upon procedures engagement. It is expected that a maximum of 7% of “Horizon 2020” beneficiaries will need to submit a certificate over the whole programming period.
4. The following documents relating to the “Horizon 2020” project are relevant to the auditor:
 - Model Grant Agreement (MGA);³
 - Model for the certificate on the financial statements (Annex 5 to MGA); and
 - Model for the certificate on the methodology (Annex 6 to MGA).

Both Annexes 5 and 6 define the subject of the engagement, responsibilities of the beneficiary and the auditor, applicable standards, reporting requirements (including a template for the report of factual findings), timing, and the agreed-upon procedures to be performed by the auditor. The use of a particular Annex is specific to the circumstances of the engagement.

5. Annexes 5 and 6 require that the auditor must comply with the Terms of Reference to the program and with:

¹ “Innovation Union” is the EU strategy to create an innovation-friendly environment to facilitate economy growth and jobs.

² “Europe 2020” is the EU’s ten-year growth strategy, and sets out relevant priorities, targets and flagship initiatives.

³ http://ec.europa.eu/research/participants/data/ref/h2020/mga/gga/h2020-mga-gga-multi_en.pdf

- ISRS 4400⁴ as issued by the International Auditing and Assurance Standards Board; and
 - Even though ISRS 4400 states that independence is not a requirement for auditors’ to carry out agreed-upon procedures,⁵ the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.
6. Further information about the “Horizon 2020” program can be found at: <http://ec.europa.eu/programmes/horizon2020/>

⁴ International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

⁵ ISRS 4400, paragraph 7