



Fédération des Experts-comptables Européens
Federation of European Accountants

An auditor's angle on Horizon 2020

IAASB meeting, 19 March 2015

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About FEE



47 institutes



800,000 professionals



36 countries



28 EU member states

About FEE



Agreed-upon procedures (AUP)

- Increasingly important
 - ▶ Significant project for the IAASB
- Not just a replacement for audit of financial statements
 - ▶ Provide level of comfort for non-financial information
- EU directive 2014/95/EU (22 October 2014) regarding disclosure of non-financial and diversity information by certain large undertakings and groups
- **Horizon 2020...**

H2020: development and importance

Previous framework programmes (FPs): 6, 5, 4...

- ISA audit and report on certificate on financial statement
 - ▶ Check whether declared costs eligible
- Difficult for auditors to meet EC objectives

Since FP7, H2020

- Agreed-upon procedures (AUP) for:
 - ▶ Certificate on financial statement (CFS)
 - ▶ Certificate on methodology (CoMUC)

H2020: €70bn funding for research and innovation (2014–2020)

- Important inspiration for other FP funding

Issues

EC's **PRACTICAL** expectations v IAASB's **TECHNICAL** standards:

- **Tripartite engagement**
 - ▶ Duty of care and liability
 - ▶ Access to working papers
- **Assurance v agreed-upon procedures (AUP)**
 - ▶ EC Procedures and report embedded in legislation: can auditor deviate to comply with own standards?
 - ▶ Responsibilities of beneficiary: represent facts (rep. letter)
- **Terminology**
 - ▶ 'Review' ≠ review

Parties involved

**EUROPEAN
COMMISSION**

- Sets procedures / factual findings to be reported
- Not a party to engagement letter
- Receives and relies on report on factual findings
- Assesses the findings reported by the auditor
- Draws own conclusions regarding eligibility of costs and adequacy of methodology

AUDITOR

- Not involved in setting procedures
- Party to the engagement letter
- Performs specific procedures // terms of reference
- Reports on factual findings
- Does not express any assurance or audit opinion

BENEFICIARY

- Not involved in setting procedures
- Party to the engagement letter
- Provides complete & accurate information to auditor
- Sends auditor's report to the European Commission

**Contractual relationship
(agreed-upon procedures)**

ISRS 4400 on agreed-upon procedures

- **Para 9:** auditor and entity parties to **engagement letter**
 - ▶ H2020: EC not a party, but **sets the procedures**
- **Para 6 and 12: report** restricted to parties that agreed to procedures (auditor and entity)
 - ▶ H2020: report also sent to EC
- **Para 16:** terminology **agreed-upon procedures (AUP):**
 - ▶ ‘*Check*’ versus ‘*review*’ = giving assurance?
 - ▶ ‘... *is reasonable*’ or ‘... *is major*’ = use of judgement?
 - ▶ ‘*check necessary/any document*’ = decision-making?

Resolution sought

- Difficult for auditor to follow the EC and IAASB rules
 - What takes precedence?
 - ▶ Limitations in the EC terms of reference
(no expression of assurance, restricted agreed-upon procedures (AUP) and report on factual findings)
- or**
- ▶ Terminology in prescribed AUP/factual finding report
 - Auditor forced to raise exception or remark in report?
 - EC accepts different auditor reports to pay beneficiary?
 - IAASB and EC work together?

Any questions?



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