

Workshop on ERIC's implementation and VAT issues

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ADMINISTRATIVE ACCOUNTING AND AUDIT ASPECTS

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Introduction

- A. Analysis of the relevant parts of the Community Regulations;
- B. Suggestion for the choice of the regulatory framework;
- C. Proposal adoption of the following principles and standards:
 - ✓ the IPSAS - as regards accounting matters;
 - ✓ the ISAs - as regards audit matters.
- D. Significant function to be entrusted to the Control Body of an ERIC:
 - ✓ supervisory function;
 - ✓ audit accounting function.

The Regulation

The Financial, Economic, reporting and Auditing aspects are referred to in the Regulation:

- In Article 13: Budgetary principles, accounts and audit
- In Article 17: Reporting and Control

Further references are in the “Practical Guidelines”, e.g. for the Liabilities.

In case of matters not, or only partly, regulated by the ERIC Regulation and by the ERIC Statutes and its implementing rules, the applicable law is the law of the host State.

The ERIC Activities and Resources

The principal task of an ERIC is non-economic. Limited economic activities may be carried out, provided they do not jeopardise the principal task to establish and operate a Research Infrastructure.

The basic resources are committed by the Members, part of which may be in kind. However there must be sufficient financial contributions (and/or income) to ensure the requirements.

The statutes should lay down the procedure to decide on in-kind contributions and to include them in the ERIC budget. They should also define the procedure for assessing the value of in-kind contributions.

The Accounting and Reporting

The possible mix of financial and in-kind resources, as well as the use of resources and the provision of access requires that quantifiable elements are used to assess each activity.

This, in particular for ERICs having activities distributed in different Countries, requires the capability to record the values (costs) of resources (cash and in-kind) acquired and activities performed in a coherent way.

If the ERIC Statute and/or its implementing rules do not define the preparation, filing, auditing and publication of budget and accounts, the law of the host State applies.

A proposed coherent approach

It seems relevant to try to find a common framework for harmonization of the Legislation, Regulation and Practices adopted by each Member State.

A common framework is being implemented at EU level with the participation of the large majority of EU States, both for the Accounting and for the Auditing.

For Entities, as the ERICs, who use mainly public resources, the accounting standards of choice are the IPSAS, and the Audit Standards are the ISAs.

IPSAS

- IPSAS is the acronym of International Public Sector Accounting Standards.
- IPSAS are a set of accounting standards issued at International level for use by public sector entities around the world in the preparation of financial statements.

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- ❖ Directive 2011/85/UE, November 8, 2011;
 - ❖ Report from the Commission to the Council and the European Parliament towards implementing harmonised Public Sector accounting standards in Member States, March 6, 2013.

Status of IPSAS in EU

IPSAS would be an adequate and suitable reference framework (starting point) for the development and approval/adoption of the European Public Sector Accounting Standards – EPSAS (implementation now in progress).

ISA

- ISA is the acronym of International Standards on Auditing.
- International Standards on Auditing (ISA) are professional standards for the performance of financial audit of financial information.

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- ❖ Directive 2014/56/EU – April 16, 2014;
 - ❖ Regulation (EU) No 537/2014 – April 16, 2014.

Status of ISA adoption in EU

Member States adopting: 25

Germany adoption: January 2018

Member States awaiting for: 2

IPSAS and ISA go together

The adoption of IPSAS and ISA are coherent and consistent each other might be adopted simultaneously and realizes:

- The aim of harmonization of the implementation reporting and auditing activity referred to any financial information related to ERIC within the EU;
- The aim of communication of any financial information in favour of the International Scientific and Government Authorities outside the EU.

The function entrusted to the Control Body of an ERIC

The functions reserved to the Control Body of an ERIC:

- ✓ might be included in the Statutes and in the regulatory arrangement of each ERIC
- ✓ might comprise two series of entrusted obligation:
 1. Supervisory function;
 2. Auditing function.

Supervisory function means:

the ex ante examination and the ongoing verification of the existence and adequacy of the organizational structure of the ERIC

Auditing function means:

the activity of accounting control and verification and analysis of any financial information aimed at checking the correct keeping of accounting records, following the accounting principles adopted, and providing the opinion on the financial statements and management reports using the work of a Qualified Professional Person (according to each national legislation and recognized by ISA requirements) and independent.

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Thank you