

Annex 1 to
Order No 51/2020 of the Director of the
National Science Centre amending Order No
13/2020 of 18.06.2020, introducing guidelines
for entities auditing the implementation of
research projects funded by the National
Science Centre and under the Basic Research
Programme funded from the EEA Financial
Mechanism 2014-2021 and Norwegian
Financial Mechanism 2014 – 2021

**Guidelines for entities auditing the implementation of research projects funded by
the National Science Centre and under the Basic Research Programme funded
under the EEA Financial Mechanism 2014-2021 and Norwegian Financial
Mechanism 2014 – 2021**

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I. Introduction

The aim of these *Guidelines* is to specify the detailed terms applicable in preparing and conducting external audits of the implementation of research projects funded by the National Science Centre and under the Basic Research Programme funded under the EEA Financial Mechanism 2014 - 2021 (hereinafter: “EEA FM”) and Norwegian Financial Mechanism 2014 – 2021 (hereinafter: “NFM”).

The *Guidelines* specify the minimum requirements regarding the manner and procedure of preparing and conducting external audits.

II. Legal basis

The legal basis for external audits:

- Act on the National Science Centre of 30 April 2010 (consolidated text in Journal of Laws of 2019, item 1384);
- Regulation on the implementation of the Norwegian Financial Mechanism 2014- 2021 adopted by the Norwegian Ministry of Foreign Affairs on 23 September 2016 pursuant to Article 10(5) of the Agreement between the Kingdom of Norway and the European Union on a Norwegian Financial Mechanism for the period 2014- 2021 (hereinafter: „Regulation”);
- Regulation on the implementation of the European Economic Area (EEA) Financial Mechanism 2014-2021, adopted by the EEA Financial Mechanism Committee pursuant to Article 10.5 of Protocol 38c to the EEA Agreement on 8 September 2016 and confirmed by the Standing Committee of the EFTA States on 23 September 2016, establishing the Financial Mechanism of the European Economic Area 2014-2021 (hereinafter: “Regulation”);
- any guidelines adopted by the Financial Mechanism Committee (hereinafter: “FMC”) or Norwegian Ministry of Foreign Affairs (hereinafter: “NMFA”);
- any guidelines adopted by the Minister of Investment and Development concerning public procurements under the EEA FM and NFM;
- Basic Research Programme Agreement concluded by the Financial Mechanism Office, Norwegian Ministry of Foreign Affairs and the Ministry of Investment and Development on 7 June 2019;
- Agreement No 2/2019/Badania on the implementation of the Basic Research Programme under the EEA FM 2014-2021 and NFM 2014-2021 and on the Fund for

Bilateral Relations under the EEA FM 2014-2021 and NFM 2014-2021, concluded by the Minister of Investment and Development and the National Science Centre on 17 June 2019 (hereinafter: Agreement No 2/2019/Badania); and

- research project funding agreement.

III. Selection of the external auditor

In the case of research projects funded by the National Science Centre as well as projects funded under the EEA FM and NFM and implemented by the Beneficiary and partners from Poland, the audited party selects an auditor pursuant to the public procurement legislation, including guidelines adopted by the Minister of Investment and Development concerning public procurements under the EEA FM and NFM.

The audit must be carried out by an auditor that:

- meets the terms and conditions laid down in Article 286 of the Act on Public Finance of 27 August 2009 (consolidated text in Journal of Laws of 2019, item 869, as amended);
- is a legal person or organisational entity without legal personality that employs, for the purposes of performing an audit, persons who meet the terms and conditions laid down in Article 286 of the Act on Public Finances of 27 August 2009 (consolidated text in Journal of Laws of 2019, item 869, as amended);

An auditor cannot be:

- a subsidiary of the audited party;
- an entity that has audited the financial statement of the audited party within 3 years of the audit.

The external auditor and persons involved in the audit must be impartial and independent of the audited party. A written declaration stating whether there exist circumstances that may compromise the impartiality must be presented by both the external auditor and persons conducting the audit on their behalf.

The auditor is bound by the confidentiality obligation and must not breach secrecy of the audited parties arising under the unfair competition provisions

The auditor must provide the Director of the National Science Centre and persons authorised thereby with information within the scope of the audit.

The auditor stores the external audit documentation for 5 years of the end of the year in

which the audit has been conducted.

In the case of research projects funded under the EEA FM and NFM and implemented by the Beneficiary Countries, the audit is conducted by an independent auditor or competent and impartial public officer who is appropriately qualified to conduct audits as such. Pursuant to the guidelines concerning financial management and reporting under the EEA FM and NFM 2014-2021, such public officer must be confirmed by the competent national authorities as having the budget and ability to conduct a financial audit of the entity that bears the costs. Such public officer must be impartial, i.e. must not be involved in the drafting of financial statements (reports).

IV. Eligibility of external audit costs

In the case of projects funded by the National Science Centre, the external audit costs are borne by the audited party. For projects recommended for funding under calls 1 to 16, the audit costs do not constitute eligible costs (they cannot be financed as direct costs or indirect costs), whereas starting from the 17th edition of the calls, the external audit costs can be paid for from the pool allocated for indirect costs or from the audited party's funds.

In the case of research projects funded under the EEA FM and NFM, the external audit costs constitute eligible costs provided that they meet all terms concerning the eligibility of costs laid down in the research project funding agreement. The external audit costs should be paid for from the pool allocated for direct costs.

V. Objective of external audits

In the case of research projects funded by the National Science Centre and under the EEA FM and NFM and implemented by the Beneficiary Country, partners from Poland and Donor States, the external audits are conducted in order to verify financial aspects of project implementation and secure an auditor's opinion¹, particularly with regard to:

1. conformity of project implementation with the funding proposal, decision and/or the funding agreement, primarily in terms of evaluation of the eligibility of costs incurred;
2. credibility of figures and descriptions in the documents related to the project; and
3. keeping proper accounting records of economic operations, separate for a given project.

¹ In the case of research projects funded under the EEA FM and NFM, a „certificate”.

VI. Scope of external audits

In the case of research projects funded by the National Science Centre as well as projects funded under the EEA FM and NFM and implemented by the Beneficiary Country, partners from Poland and Donor States, an external audit should primarily involve an analysis of the documentation and the procedures of internal control with regard to transfer and settlement of the funding received, the procedures of approving the eligible expenditures in terms of their eligibility and proper accounting, and with regard to the reporting on the project, with special reference to the implementation of the terms of the research project funding agreement. The audit should verify the expenditures that has been incurred according to a sample defined based on the auditor's professional judgement, allowing the party responsible for the external audit to issue a binding opinion² and draft a report within the scope.

An external audit should involve verification of the following areas:

1. conformity of the project with the funding agreement, including the eligibility of the expenditures incurred;
2. correct accounting of the expenditures incurred for project implemented project, their eligibility, manner of accounting and keeping accounting records separate for a given project;
3. payment of project expenditures;
4. credibility and timeliness of the project implementation reports;
5. manner of storing and securing the project documentation;
6. respect applicable national and EU law, including legislation on accounting, public procurement and public finances, including fiscal discipline;
7. functioning of the internal control system with regard to the project implementation, including the project implementation monitoring method; and
8. implementation of the conclusions and recommendations from earlier controls and audits.

VII. External audit date

In the case of research projects funded by the National Science Centre, an external audit begins before 70 per cent of the expenditures planned in the project have been incurred, and

² In the case of research projects funded under the EEA FM and NFM, a „certificate”

ends before the final report on project implementation is submitted. An external audit begins after 50 per cent of the expenditures (direct costs and indirect costs) planned in the project have been incurred and covers the period from the day of approval of the eligibility of expenditures to the final day of the closed reference period defined on a monthly basis, preceding the launch date of the audit.

In their reports from external audit, the auditors should include information on the percentage of the funding used in the project in the period covered by the audit.

In the case of research projects funded under the EEA FM and NFM, the external audit of research projects shall cover the period from the date the funding decision becomes final until the date of completion of the research project, subject to the funding agreement. The external audit of research projects shall be performed on the basis of a sample selected from 100 per cent of eligible costs that have been incurred.

VIII. External audit report

Based on the collected evidence, the auditor drafts an external audit report, including the opinion³ referred to in Point V of the *Guidelines*.

The external audit report must include:

1. date of report;
2. name and address of the audited party;
3. name and title of the project;
4. declaration, by the auditing party as well as persons conducting the external audit, stating that they are independent of the audited party;
5. names, surnames and powers of the auditors;
6. objectives of the audit;
7. personal and material scope of the audit;
8. dates on which the audit was conducted;
9. concise description of the audited party's actions within the scope of the audit;
10. evaluation of the adequacy and effectiveness of the management and control system used by the audited party within the scope of the audit;
11. information on the method of selection and size of the sample; and
12. presentation of the auditor's findings in the areas referred to in point VI hereof;
13. identification of the irregularities and/or shortcomings found in the implementation of

³ In the case of research projects funded under the EEA FM and NFM, a „certificate”.

- the audited project and analysis of its causes and effects;
14. recommendations regarding removal of the irregularities and/or shortcomings found in the implementation of the audited project; and
 15. auditors' signatures, and – should the auditor be a legal person or an organisational entity without legal personality – the entity's name.

IX. Duties of the audited party

It is a duty of the audited party to provide the auditors with conditions necessary for an efficient audit, in particular:

1. provide, without delay, documents as requested, certify their copies as "true copies," and provide extracts, collations and printouts from the same, to the extent necessary for the audit's objectives to be fulfilled.
2. provide timely written and spoken explanations in matters related to the audit, and
3. make available necessary technical devices, provide access to the Internet and, if possible, a separate room for work, with appropriate equipment.

X. Delivery dates of external audit report

In the case of research projects funded by the National Science Centre, the auditor delivers the external audit report to the audited party within 7 days of concluding the audit. The audited party delivers a copy of the report to the National Science Centre, optionally supported with a position paper on the findings included in the report, within 21 days of receiving the report. The report on the conducted audit should not be stored by the audited party until the end of the project implementation, to be sent in alongside the final report on project implementation: the document should be delivered to the National Science Centre immediately upon its receipt from the auditor.

In the case of research projects funded under the EEA FM and NFM and implemented by the Beneficiary Country and partners from Poland, the auditor delivers the external audit report to the audited party within 7 days of concluding the audit. In the case of research projects funded under the EEA FM and NFM and implemented by the Donor States, a partner from the Donor State delivers the external audit report to the Beneficiary immediately upon it has been drafted. The Beneficiary must deliver a full set, i.e. opinion⁴ and external audit report of the project drafted by the Beneficiary Country and the Polish partners as well as report on the

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external audit of a research project implemented by the partners from the Donor States, alongside the final report on project implementation.