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EUROPEAN COMMISSION
Information Society and Media Directorate-General

External Audit
Head of Unit

Brussels, 08. 04. 2010
INFSO-02/FD/Isc D(2010) 213404

[REDACTED]

BY REGISTERED MAIL

Ref: [REDACTED]

Subject: Financial audit

Dear Sir,

I write to advise you that the European Commission has decided to carry out an audit regarding the services invoiced by [REDACTED] as a subcontractor under the terms of subcontracts relating to the projects:

[REDACTED]

The audit will cover scientific, financial, technological and other aspects of concern regarding the services provided by [REDACTED]. The audit will be conducted on your premises.

This request is based on the provisions of Article II.5.2 / II.3.2.e of Annex II of the FP5 / FP6 contracts concluded between the European Commission and the participating contractor concerning in the here above mentioned projects. This article extends the Commission's right for audits and controls (Article II.26 / II.29 of Annex II) to subcontractors.

The European Commission has appointed Blömer Accountants en Adviseurs and their colleagues in Polaris International to co-ordinate and conduct the audit assignment on its behalf and hence they are to be regarded as the authorised representative of the European Commission for the duration of this assignment, as foreseen under the contracts. Blömer Accountants en Adviseurs may be accompanied by Commission officials who shall conduct part of the audit assignment.

The involvement and allocation of work to the Commission officials will be confirmed prior to commencement of fieldwork.

Commission européenne, B-1049 Bruxelles / European Commission, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11. Office: BU25 6/118. Telephone: direct line (32-2) 295 98 05. Fax: (32-2) 292 01 25.

E-mail: Freddy.Dezeure@ec.europa.eu

To facilitate the execution and completion of the audit, you are requested to ensure that representatives of Polaris International have complete and unhindered access to all necessary data and information to carry out their assignment.

You are also requested on receipt of this letter, **within one calendar week**, to provide [redacted] (email: [redacted]), in his capacity of [redacted] the details of the relevant contact person within your organization for the completion of the assignment – including her/his full name, e-mail, phone number and fax number.

Either [redacted] or a member of personnel from one of the participating Polaris International firms will then contact you in due course to confirm the start date for the audit, its likely duration and all necessary planning and documentation issues.

Details of the participating Polaris International firms in the respective EU member states and the names and contact details of the responsible officials within those firms are set out in Annex I to this letter.

As an initial indication of the nature and breadth of documentation that may be requested, an indicative list is included as Annex II to this letter.

Please note that the final results of the audit will be distributed to the relevant Commission services in order for these to make the necessary adjustments to the costs claimed. These adjustments, if in favour of the Commission, could affect future payments due on these contracts or result in the issuing of a recovery order for all amounts overpaid. The audit findings might also be applicable to non-audited contracts and periods, where appropriate.

Should you have any question concerning the nature, the probable timing or any other matter relating to the audit, please contact [redacted] at the Polaris International RTD Co-ordination Office in Wemmel, Belgium; telephone: [redacted] facsimile: [redacted] or email: rtd@polariscoordination.com.

[redacted]
[redacted] Dezeure

Enclosures: Annex 1: Summary of Polaris International Participating Firms
 Annex 2: Required supporting documents during the audit

Copies: [redacted]

ANNEX 1

Summary of Polaris International Participating Firms

| Country | Name of Firm | | | |
|-------------------|---|--|--|--|
| Austria | Halpern & Prinz | | | |
| Belgium | DRT & Partners (Robrechts & Partners) | | | |
| Belgium | VGD Bedrijfsrevisoren | | | |
| Czech Republic | Interexpert Bohemia spol sro. | | | |
| Denmark | A. Rolf Larsen | | | |
| Finland & Estonia | Rantalainen Oy IA International | | | |
| France | Auditec Aquitaine | | | |
| Germany | BTU Treuhand Union München GmbH | | | |
| Germany | TRINAVIS GmbH & Co. KG (formerly Corporate Treuhand GmbH) | | | |
| Germany | Dr Ehlers, Gruttke, Dr Volkmann und Partner | | | |
| Greece | Kypris & Associates S.A. | | | |
| Hungary | Adatkontroll Interexpert Business Consulting and Administration Service Ltd | | | |
| Ireland | Noone Casey | | | |
| Italy | GDA Revisori Indipendenti spa | | | |
| Netherlands | Blömer accountants en adviseurs (Lead partner Hans Odijk) | | | |
| Portugal | Eugénio Branco & Associados - Auditores Independentes, Sroc, Lda. | | | |

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E-mail: Freddy.Dezeure@ec.europa.eu

| Country | Name of Firm | Principal contact | Email | Phone |
|---|--|-------------------|------------|------------|
| Romania | TPA Horwath Quintus Audit SRL | [REDACTED] | [REDACTED] | [REDACTED] |
| Slovakia | Interexpert Slovakia s.r.o./Top Audit s.r.o. | [REDACTED] | [REDACTED] | [REDACTED] |
| Spain | MAF Auditores S.L. | [REDACTED] | [REDACTED] | [REDACTED] |
| Spain | Spasa Auditoria, S.A. | [REDACTED] | [REDACTED] | [REDACTED] |
| Sweden & Norway | R3 Revisionsbyrå KB | [REDACTED] | [REDACTED] | [REDACTED] |
| Switzerland | Treureva AG | [REDACTED] | [REDACTED] | [REDACTED] |
| United Kingdom | Clement Keys | [REDACTED] / | [REDACTED] | [REDACTED] |
| United Kingdom | FPM Accountants LLP | [REDACTED] | [REDACTED] | [REDACTED] |
| United Kingdom | French Duncan LLP | [REDACTED] | [REDACTED] | [REDACTED] |
| United Kingdom | Littlejohn | [REDACTED] | [REDACTED] | [REDACTED] |
| All other countries, including: Bulgaria, Croatia, Cyprus, Iceland, Israel, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Poland, Slovenia and Turkey | Office of the Audit Coordinator | [REDACTED] / | [REDACTED] | [REDACTED] |

Annex 2

Required supporting documents during the audit

The objective of this audit will be to verify the financial statements submitted to the Commission. All documentation concerning costs charged should be available in full detail.

In cases where the following cost categories have been charged to the project, the documentation listed below should be presented in particular:

| | |
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| <u>Personnel costs</u> | <ul style="list-style-type: none"> ▪ Employment contracts (or other independent / legal justification of personnel costs claimed), ▪ Ledgers / accounts, payroll records (including those summaries sent to the relevant national income tax authorities for each member of personnel engaged on the selected projects), ▪ Time sheets or other supporting evidence to validate the actual time costs claimed for each person engaged on the projects under audit. ▪ Detailed breakdown and justification of the productive hours denominator used for calculation of hourly rates (personnel and overhead). ▪ Detailed CVs of all key research / scientific personnel, such as appointed Project or Team Leaders, for the assignments under audit and an explanation of the rationale for their selection. ▪ Where an average costing system is used, a detailed analysis comparing the average labour rate as charged in compiling the relevant project Form Cs compared to the actual individual hourly labour rates, based on the actual levels of remuneration paid in the same time frame to those same personnel. |
| <u>Indirect costs</u> | <ul style="list-style-type: none"> ▪ Full documentation concerning the calculation of the indirect costs and the back-up documentation thereto. ▪ Analysis, reconciliation and summary of final breakdown of indirect costs (by category of expenses) charged to the project(s) subject to audit. |
| <u>Equipment / Consumables</u> | <ul style="list-style-type: none"> ▪ Invoices, ▪ Proofs of payment, ▪ In case of rented equipment: rental contract, inventory list of the rented equipment; proofs of the investment values of the rented equipment, ▪ Records concerning computer usage, if applicable. |
| <u>Subcontracting / Third Party Assistance</u> | <ul style="list-style-type: none"> ▪ Explanations as to how and why the use of a subcontractor / third party was necessary for the project and where such is highlighted in Annex I to the project contract. ▪ Copies of any and all Contracts entered into in this respect for the project period, ▪ Invoices and other supporting documents received in support of final amounts claimed, ▪ Proofs of payment, ▪ Original deliverables from the third parties ▪ Evidence of own internal management and supervision procedures to confirm completion of work required to specifications needed and reasonableness of the costs claimed in connection therewith. ▪ In the case of Third Party Assistance, a copy of the relevant |

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| | independent auditor's certificate submitted with the Third Party's own Form C to your organisation. |
| <u>Travel expenses</u> | <ul style="list-style-type: none"> ▪ Invoices, ▪ Mission approval forms, ▪ A report, records, minutes etc. indicating purpose and participants of the meetings / events. |
| <u>Bank Statements</u> | <ul style="list-style-type: none"> ▪ Copies of all bank statements covering the relevant time periods under audit to help validate the actual settlement of liabilities for all direct costs incurred and charged and to confirm the value of any receipts or co-funding received. ▪ In case you are co-ordinator of the contract(s) / grant agreement(s), bank statements relating to the payments of EC contribution, and the distribution to the other contractors / beneficiaries. |
| <u>General Ledger / Management accounts</u> | <ul style="list-style-type: none"> ▪ Salient extracts and reconciliations of costs claimed back to underlying accounting records/general ledger to facilitate easy and swift verification of costs claimed and their eligibility ▪ A reconciliation of the details of project inputs contained in the Project management reports (PMR) previously submitted to the EC with the actual costs / inputs claimed as set out in the relevant project Form Cs selected for audit. Any discrepancies should be explained. |
| <u>Auditor certificates / Certificates on the Financial Statements or on the Methodology</u> | <ul style="list-style-type: none"> ▪ Copies of any auditor certification statements received. |