

EUROPEAN COMMISSION
Information Society and Media Directorate-General

External Audit
Head of Unit

Brussels, 29.03.2010
INFSO-02/FD/RR/mp D(2010)213227

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

REGISTERED A.R.

Subject: Financial audit of [REDACTED]

AUDIT ID: [REDACTED]

Dear Sir,

I hereby inform you that the European Commission has decided to carry out an audit on the cost statements presented by your organisation relating to a certain number of FP5 and FP6 contracts. As you are aware, the possibility of such audits is foreseen in accordance with Article II.21 of the general conditions of the 5th Framework Programme contracts and Article II.29 of the general conditions of the 6th Framework Programme contracts.

The main contracts to be audited are the following ones:

- [REDACTED]
- [REDACTED]
- [REDACTED]

The audit will be conducted by Commission officials of the Directorate General Information Society and Media. [REDACTED] is the responsible official in charge of the conduct of this audit. He will contact you in due course to arrange and confirm the start of the audit, its likely duration, and any other planning issues.

The audit field-work is initially scheduled for the period starting 26 April 2010 and ending 28 April 2010. It is intended to conclude the actual audit field-work within 3 working days.

Commission européenne, B-1049 Bruxelles / European Commission, B-1049 Brussel - Belgium. Telephone: (32-2) 299 11 11.
Office: BU25 6/122. Telephone: direct line (32-2) 295 98 05. Fax: (32-2) 292 01 25.

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

On receipt of this letter, you are kindly requested to provide immediately [redacted] (see contact address below):

- (1) The details of the contact person within your organisation – including her/his full name, e-mail, phone number and fax number;
- (2) The exhaustive list of EU funded research and non-research projects in which your organisation is involved;
- (3) An organisation chart including the key staff involved in the EU funded research projects.

In order to facilitate the performance of the audit, please ensure that the auditors have complete and unhindered access to all necessary data in order to efficiently complete their assignment. As a minimum requirement, the details contained in the attached annex should be made available at the beginning of the audit. The non-provision of such information would be regarded as a failure to substantiate costs and, consequently, as a potential breach of the contracts.

Commission officials who will carry out the audit work shall have access to all the documentation related to the proper management of the contracts where your organisation is involved, whether included or not in the current audit scope.

It would be helpful if arrangements could be made for the appropriate finance and other officers who deal with costing, accounting, internal control and recording systems, in particular in relation to the Commission research contracts, to be available for the duration of the audit.

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 this contract, or result in the issuance of a recovery order for all amounts overpaid. We draw your specific attention to the following: any financial audit finding in the audit report, once finalised, may lead, if appropriate, to extrapolation of such finding to any other research contract in which you are or have been participating. To this end, you may be requested to provide us with additional information on any of these contracts.

If you should have any questions concerning the nature, probable timing or any other matter relating to the audit, please contact directly:

[redacted]

Yours sincerely,

[redacted]
P.O. Freddy Dezeure

Enclosure: Annex – Information and documentation to be provided



EUROPEAN COMMISSION
Information Society and Media Directorate-General
General Affairs
External Audit

LIST OF INFORMATION TO BE ASKED FROM THE AUDITED ORGANISATION/ ANNEX TO LETTER OF ANNOUNCEMENT

As referred to in our letter of announcement dated 3 April 2009, the European Commission has decided to carry out a financial audit on specific costs statements presented by your organisation.

The primary objective of a financial audit is to verify that the costs declared to the Commission are in compliance with the contractual provisions as defined in each specific contract and, more specifically, are in line with the eligibility requirements (actual, economic and necessary for the project, incurred during the contractual period, identified in the contractor's accounting system and directly attributable to the project).

According to articles 2.2.j and 26 of the annex II of the FP5 contracts, 2.d and 29 of the annex II to the FP6 contracts and 3.c, 22 and 23 of the FP7 grant agreements, it is the contractor's responsibility to make available all data required for the verification that the contract is being properly managed and performed. In this sense, contractors are requested to ensure that all documentation requested is readily available at the time of the audit. Failure to do so may imply that the audit concludes with a limitation in the audit team's assurance on the regularity of the management of the contract.

You are therefore requested to prepare copies of the relevant supporting documents listed below prior to the start of the audit on your premises. The documentation should be provided separately for each project and for each period under review. As regards the specific cost categories, the request should be adapted to the particular categories used by you in line with the contractual requirements.

Documentation with the comment "no copy required" should be available for verification only. Copies might be requested during the audit when necessary.

Documents marked as "prior" should be sent in a digital format to the auditor before the fieldwork in order to enable us to prepare the audit in the best efficient manner.

Thank you for taking the time to complete this activity.

Supporting documentation	Prior	On the spot
I. General Information about the Contractor		
1. Contractor's legal registration (such as trade register abstract)	X	
2. Organisation chart with list of key officers	X	
3. Financial statements of the last five financial years together with the statutory auditors' report (if applicable) - Including general balance in Excel format	X	
4. Contractor's accounting policies	X	

	5. Description of cost/profit centre structure (with an indication where the action is carried out)	X	
	6. List of personnel associated to the cost/profit centres (where the RTD action is carried out) as referred to in point 5	X	
	7. Contractor's guidelines/procedures for the financial / scientific management of EC RTD Contracts (if available)	X	
	8. List of all other EC fundings received and all contracts (both closed and in progress) signed with the Commission (from 2000 to today)	X	
	9. List of systems used to manage the projects	X	
	10. List of Authorized signatures	X	
II. Receipt and distribution of Commission financial contribution			
	1. Bank statements showing amount and date of advance and/or interim and/or final payments received (from Commission or administrative co-ordinator)	X	
	2. Bank statements showing the interest yielded by the Community funds		X
	3. <i>Only for administrative/financial co-ordinator:</i> Contractor's bank statement showing amount and date of advance and/or interim and/or final payments forwarded to other members of the consortium		X
III. Project management information			
	1. Periodic activity and management reports (all instruments) – <u>no copy required</u>		X
	2. Report on the distribution of the Community financial contribution (all instruments) – <u>no copy required</u>		X
	3. Periodic/mid-term reviews (all instruments – where appropriate) – <u>no copy required</u>		X

	4. Specifically for each instrument (<i>no copy required</i>): - the annual update of the joint programme of activities for <u>Networks of Excellence</u> - the annual update of the implementation plan for <u>Integrated Projects</u> - the annual update of the initial database report and the section in the periodic activity reports reporting on the access activity for <u>Integrated Infrastructures Initiatives</u> - the annual update of the database report for <u>Marie Curie Research Training Networks</u>		X
	5. Other non-financial deliverables specified in the <u>Annex I</u> to the contract (with date of submission to the Commission and of Commission's approval) – <i>no copy required</i>		X
	6. Contract amendments (with date of request to the Commission) – <i>no copy required</i>		X
IV. General financial documents			
	1. Detailed breakdown of costs supporting the Financial Statement (Form C) submitted to the Commission per cost categories, specifying the type of activity to which they relate to and, where applicable, the resources provided by a third party – (Note: this breakdown should include the relevant accounting codes/reference numbers to allow for reconciliation between the statements sent to the Commission and the contractor's financial records as extracted from the accounting system. Should the contractor identify an eventual discrepancy between the amounts declared and supported, the breakdown to be provided should identify the elements motivating the difference)	X	
	2. General ledger as extracted from the accounting system to be used for reconciliation purposes as referred to in point 1.	X	
	3. For contractors operating under the AC cost reporting model, breakdown of costs or basis for the calculation supporting the estimate communicated to the Commission	X	
	4. Breakdown of receipts of the project (where applicable) as defined in Annex II to the contract (Art.23)	X	
	5. For third party resources as identified in Annex I to the contract, the agreement established between the contractor and the third party prior to its contribution to the project	X	
V. Supporting documents for personnel costs			
	1. Contractor's internal guidelines/procedures for time recording follow-up (if available)	X	

2. List of all personnel involved in the RTD action indicating period(s) they worked for the project as well as position classification/category	X	
3. Employment contracts for all (permanent and temporary) project personnel – <i>no copy required</i>		X
4. Payroll/Salary slips for all project personnel (whole period of project duration) – <i>no copy required</i>		X
5. Calculation of related charges (social charges such as pension, sickness, unemployment, etc.) according to national legislation		X
6. Bank statements showing amount and date of bank transfer/payment receipts – <i>no copy required</i>		X
7. Calculation of hourly rates (i.e. gross remuneration plus related charges) for all personnel categories/project personnel	X	
8. Certified time records (or any other control document directly attributing personnel costs to the audit project) for all project personnel involved in the RTD action	X	
9. (Standard) Productive hours calculation (if applicable)	X	
VI. Supporting documents for durable equipment		
1. Contractor's internal guidelines/procedures for procurement of durable equipment (if available)	X	
2. Contractor's valuation rules for accounting treatment of durable equipment	X	
3. List of all acquisitions and retirements of durable equipment per period.	X	
4. Purchase orders for durable equipment – <i>no copy required</i>		X
5. Original invoices for purchase of equipment		X
6. Voucher/Expense account of accounting entries		X
7. Bank statements showing amount and date of payments		X
8. Inventory register or fixed asset register/ledger for the durable equipment related to the project		X
9. Depreciation table showing the gross book value of the durable equipment, the additions and retirements, the depreciation rate and the depreciation charge per period	X	
10. In case of rented equipment: rental contract, inventory list of rented equipment, and calculation of leasing and/or rental charges		X

	11. Equipment's usage diary/register (for equipment used by different projects)		X
<u>Note:</u> the existence and use for the project may be checked during the visit			
VII. Supporting documents for subcontracting			
	1. Contractor's internal guidelines/procedures for procurement of services (where applicable)	X	
	2. Brief description of services provided by subcontractors and/or third party resources in the context of the funded RTD action.	X	
	3. Signed original copies of agreements with subcontractors and/or third party resources (including technical annexes)	X	X
	4. Request and Commission approval of subcontracting (where required)	X	
	5. Original invoices for external assistance		X
	6. Evidence of delivery or services provided		X
	7. Voucher/Expense account of accounting entries		X
	8. Bank statements showing amount and date of payment		X
VIII. Supporting documents for travel and subsistence			
	1. Contractor's internal guidelines/procedures for reimbursement of travel expenses (where applicable)	X	
	2. List and dates of trips by project personnel	X	
	3. Authorised travel request forms, if applicable		X
	4. Commission approval for any destination outside the territory of the Member States, the Associated states or a third country where a contractor is established, unless such a destination is provided for in Annex I (where applicable)		X
	5. Original invoices for travel and accommodation expenses		X
	6. Voucher/Expense account of accounting entries		X
	7. Bank statements showing amount and date of payment		X

IX. Supporting documents for consumables			
	1. Contractor's internal guidelines/procedures for procurement of consumables (where applicable)		X
	2. Purchase orders for consumables		X
	3. Original invoices for purchase of consumables		X
	4. Voucher/Expense account of accounting entries		X
	5. Bank statements showing amount and date of payment		X
	6. Inventory register/ledger (where applicable)		X
X. Supporting documents for protection of knowledge			
	1. Contractor's internal guidelines/procedures for costs associated to protection of knowledge (where applicable)		X
	2. Calculation of the actual costs necessary for the protection of knowledge	X	
	3. Invoices for fees to the competent authorities and/or advisers		X
	4. Voucher/Expense account of accounting entries		X
	5. Bank statements showing the amount and date of payment		X
XI. Supporting documents for management of consortium activities			
	1. Description of the activities carried out in the context of the management of the consortium	X	
	2. Breakdown of the management costs declared, classified by activity	X	
	3. Original invoices for purchase of other direct costs		X
	4. Voucher/Expense account of accounting entries		X
	5. Bank statements showing amount and date of payment		X
XII. Supporting documents for other direct costs			
	1. Contractor's internal guidelines/procedures for purchase of other direct costs (where applicable)	X	
	2. Calculation of the actual costs (if applicable)	X	

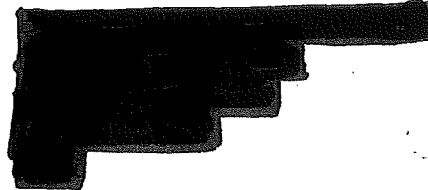
	3. Original invoices for purchase of other direct costs		X
	4. Voucher/Expense account of accounting entries		X
	5. Bank statements showing amount and date of payment		X
XIII. Supporting documents for indirect costs (only for "full cost" (FC) contractors)			
	1. Description of the methodology used for the calculation and allocation of indirect costs (including analysis of the cost categories included in the overheads)	X	
	2. Reconciliation of the overhead costs with the profit & loss accounts (P&L)/general ledger		X
	3. Calculation of (cost centre/project/personnel) overhead rates (including, where applicable, an analysis of the productive/non-productive hours on the basis of which indirect costs have been allocated)		X
XIV. External audit certificates			
	1. Original signed audit certificates indicating clearly the contractor, the related projects, period and amounts under reviews – <u>no copy required</u>		X
	2. Letter of audit engagement/appointment sent to external auditor		X
	3. External auditor's letter of acceptance/engagement confirmation		X
	4. External auditor's invoice		X
	5. Bank statements showing amount and date of payment		X



EUROPEAN COMMISSION
Information Society and Media Directorate-General

External Audit
Head of Unit

Brussels, 03 SEP. 2010
INFSO-DDG2.02/FD/VN/mvh Ares
(2010)



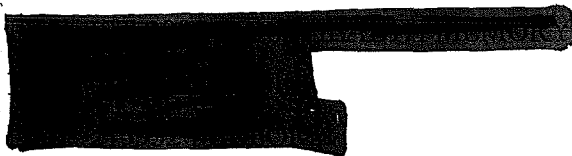
BY REGISTERED MAIL

Ref: [REDACTED]
Subject: Financial audit

Dear [REDACTED]

I write to advise you that the European Commission has decided to carry out a financial audit on the financial statements presented by your organisation for the research contracts/grant agreement detailed below. As you are aware, the possibility of such audits is foreseen in the general conditions of the contracts/grant agreement and in particular in their provisions relating to controls. It is strongly recommended to carefully read these provisions as well as those relating to the recoveries, reimbursements and sanctions.

The relevant contracts/grant agreement to be audited are:



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/grant agreement. 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.

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/grant agreement or result in the issuing of a recovery order for all amounts overpaid. The audit findings might also be applicable to non-audited contracts/grant agreements 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]
 Freddy Dezeure

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

Copies: [REDACTED]

Summary of Polaris International Participating Firms

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

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

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

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:

<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 <u>rented</u> 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

	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.