



EUROPEAN COMMISSION
Information Society and Media Directorate-General

General Affairs
External Audit
Head of Unit

Brussels, 08 NOV. 2011
INFSO-S.5/FD/MB/IsC D (2011)

REGISTERED A.R.

Subject:

Our reference:

Contact person: Mrs Magdalena Basheva, Auditor in charge
Phone: (+32-2) 29 69378. – Fax: (+32-2) 292 01 25
E-mail: Magdalena.Basheva@ec.europa.eu

Dear

This letter hereby confirms the findings of the financial audit on above mentioned contract, carried out by Magdalena Basheva and Freddy Dezeure, auditors of the European Commission. It furthermore informs you of the next steps in the process, i.e. the implementation of the results of the audit.

Audit report and closure of audit

The draft audit report was sent to you on 23/06/2011, and you were requested to provide the Commission with any comments thereon no later than 30 days from receipt of the notification letter. We note from your reply of 25/08/2011 that you do not entirely agree with the audit findings. We have therefore carefully reviewed the complementary explanations and justifications you have provided.

The auditors, however, maintained their position regarding the following:

- The awarding of the subcontracts of the project [REDACTED] to [REDACTED] was not concluded in accordance with the usual procedures of the participant and in accordance with market prices;

- There is no evidence of subsequent proper monitoring and management of performance by the contracting entity of the work of [REDACTED]
- There is no evidence regarding the reality of the execution of work by [REDACTED] in the projects under review,
- There is no evidence regarding the reality of costs incurred and the capacity of [REDACTED] to have done the work (lack of proof of costs being economic, necessary, real and recorded in accounting records),

Therefore, we have to conclude that the relevant eligibility requirements set out in Article II.6 of the FP5 contracts for Thematic networks, especially regarding the necessity of the subcontracts for the performance of the work, including the condition that the subcontracts were awarded and concluded in accordance with market prices (article 18.2 of FP5 contracts for Thematic networks), have not been properly satisfied.

As a result, we consider that the audit findings as they are presented in the attached final audit report are appropriate, and we now consider this audit as closed.

The audit report thus concludes that the following adjustments are necessary:

Contract	Costs claimed (A)	Costs accepted by the Commission's Operational Services (B)	Eligible Costs, as per Audit (C)	Gross adjustments to costs accepted (C-B)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

For further details we refer to the final audit report attached to this letter as Annex I.

Implementation of audit findings for audited periods

The final audit report will now be distributed to the relevant Commission services for implementation of the audit findings.

For the audited project where the identified audit adjustments at costs level are in favour of the Commission, you should not take any action in respect of the implementation of the adjustments in relation with the audited periods; the Commission services will make the necessary adjustments to the costs over-claimed. These adjustments could affect future payments due on this contract and/or result in the issuing of a recovery order for the amounts overpaid.

Final considerations

In future, you should ensure that the cost statements submitted comply with the relevant contractually agreed financial provisions and conform to the principles stemming from these audit results.

We would like to take this opportunity to thank you for your assistance and collaboration during this audit.

Yours sincerely,

A black rectangular redaction box covering the signature of Freddy DEZEURE.

Freddy DEZEURE

Enclosure: Annex I: Audit Report



EUROPEAN COMMISSION
Information Society and Media Directorate-General

External Audit
Head of Unit

Brussels, 10 MAI 2011
INFSO-O2/FD/RB/MB/IsC D (2011)

Mail to: [REDACTED]

REGISTERED A.R.

Subject: [REDACTED]

Projects audited: [REDACTED]

Contact person: Ms. Magdalena BASHEVA, Auditor in charge
Phone: (+32-2) 296 93 78 – Fax: (+32-2) 292 01 25
E-mail: Magdalena.BASHEVA@ec.europa.eu

Dear [REDACTED]

We refer to the audit regarding the services invoiced by [REDACTED] to the [REDACTED] and [REDACTED] under the terms of subcontracts on the above mentioned contracts, carried out by DG INFSO. We write to give effect to the audit conclusions.

Audit report and closure of audit

On December 17, 2010, the draft audit report has been communicated to you and you were invited to submit your comments within a delay of 30 days after receipt of this draft audit report. As no reply was received, the auditors, acting on instructions from the Commission, have considered that you implicitly agreed with the findings of the report. As such we now consider this audit as closed. The draft audit report sent to you is therefore considered now as the final report.

For further details we refer to the final audit report attached to this letter as Annex I.

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Implementation of audit conclusions for audited periods

The audit report will now be distributed to the relevant Commission services for information purposes only. Since you acted as subcontractor and not as contractor to the contracts signed with the European Commission, no financial follow-up will be initiated by the Commission services towards your organisation.

Nevertheless please be aware that we will now proceed to inform your Contractors of the results of the performed audit, in view of rejecting the subcontracting costs for the audited projects.

We would like to take this opportunity to thank you for your assistance during the above audit.

Yours sincerely,

A large, dark, rectangular redacted area covering the signature of Freddy DEZEURE.

Freddy DEZEURE

Enclosure: Final Audit Report