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FINAL AUDIT REPORT

AUDITED ORGANISATION:	
AUDIT REFERENCES	

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1. EXECUTIVE SUMMARY AND AUDIT OPINION

1.1 SCOPE AND RESPONSIBILITIES

This audit is based on the results of (i) an on-the-spot check carried out by OLAF according to Council Regulation (Euratom, EC) N° 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities¹, in the week of 9th of December 2008, to which DG INFSO staff participated as experts, (ii) our meeting hold with _____ and _____ as of January 30, 2009 and (iii) the electronic projects' related supporting documentation provided as of February 9, 2009.

We have performed an audit on the financial statements submitted to the Commission of the European Communities by _____ (or the "Contractor") and the project documentation related to the following projects:

This audit was aimed at controlling

- the proper execution of the project and the contract as reflected in the Annex I to the contracts;
- whether the Contractor disposed of the adequate and needed resources, knowledge and technical competence to carry out the work as identified in the Annex I to the contract as foreseen in Article 8 of the Rules for the Participation of undertakings in the European Community Sixth Framework Programme and requested by Article 115 of the COUNCIL REGULATION (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities² and Article 176 of the Implementing Rules to the Financial Regulation³;
- whether the Contractor disposed of sufficient and appropriate supporting documentation to justify the costs claimed for funding towards the European Commission, as required by Article II.29 (II.22) of the FP6 contracts (FP7 grant agreements);
- the eligibility of the in-house consultants claimed for funding towards the European Commission, in conformity with Articles II.19 and II.20 (II.14 and II.15) of the FP6 contracts (FP7 grant agreements);
- the justification of the indirect costs claimed for funding towards the European Commission, in conformity with Articles II.19 and II.21 (II.14 and II.15) of the FP6 contracts (FP7 grant agreements).

Respective responsibilities of Contractors and Auditors

Pursuant to Article II.7 of the FP6 contracts and to Article II.4 of the FP7 grant agreements, it is the responsibility of the Contractor to prepare the financial statements and to maintain adequate accounting records and documentation to support and justify the costs reported. The Contractor by signing Form C "financial statements" annexed to the contracts has explicitly ascertained this.

¹ OJ L 292, 15.11.1996, p.2

² OJ L 248, 16.9.2002, p. 1

³ OJ L 357, 31.12.2002, p. 1

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Our responsibility is to carry out, in accordance with Article II.29 of the FP6 contracts and with Article II.22 of the FP7 grant agreements, the above mentioned audits on the financial statements submitted to the Commission of the European Communities to ascertain that the costs have been properly incurred and are eligible costs, as defined under the contracts (Articles II.19, 20 and 21 of the FP6 contracts and Articles II.14 and 15 of the FP7 grant agreements).

Basis of Conclusion

Our audit work was performed taking into account the provisions of the audited contracts under the 6th and 7th Research and Technological Development Framework Programme and in accordance with generally accepted auditing standards as applicable. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes making enquiries and the examination, on a test basis, of evidence relevant to the amounts claimed on the financial statements.

We have examined the financial statements and the project documentation and carried out such tests of the supporting documentation and accounting records of the Contractor as we considered necessary.

This normally implies verifying that costs when actually incurred are processed, validated and approved within an accounting system and related internal control structure that would meet or exceed the generally accepted international principles of sound financial management.

1.2 CONCLUSION

Our report is solely for the purposes set forth in connection with the ex-post controls related to the relevant Research Framework Programmes and for your information. It is not to be used for any other purpose or to be distributed to any other parties.

This report relates only to the financial statements submitted by _____ to the European Commission and the participation of _____ in European projects and does not extend to any financial statements of _____ taken as a whole.

We report our findings below:

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3. DG INFSO'S RESPONSE TO CONTRACTOR'S COMMENTS

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3.4 CONCLUSION

As a result of all the above, we maintain our position to disallow all the costs claimed by
towards the European Commission in the context of the Research Framework Programmes.

FINAL AUDIT REPORT

AUDITED ORGANISATION:	
PROJECTS AUDITED:	
AUDIT REFERENCE NUMBER:	

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Annex 5.2

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1 EXECUTIVE SUMMARY AND AUDIT OPINION

1.1 SCOPE AND RESPONSIBILITIES

We have audited the financial statements as set out in the table below submitted to the Commission of the European Communities by (the beneficiary or):

Grant agreement		Cost claimed
Period audited	01/09/08 – 31/08/09	Euro
	Total amount claimed	145.466

Grant agreement		Cost claimed
Period audited	01/01/08 – 31/12/08	Euro
	Total amount claimed	101.674

Grant agreement		Cost claimed
Period audited	01/09/08 – 31/08/09	Euro
	Total amount claimed	86.507

* financial statement not submitted yet

Grant agreement		Cost claimed
Period audited	01/01/08 – 31/12/08	Euro
	Total amount claimed	113.723,44

Respective responsibilities of Beneficiaries and Auditors

It is the responsibility of the beneficiary to prepare the financial statements and to maintain adequate accounting records and documentation to support and justify the costs reported.

Our responsibility is to carry out an audit on the financial statements of the below mentioned contracts to ascertain that the costs have been properly incurred and are eligible costs, as defined under the grant agreement..

Basis of Conclusion

Our audit work was performed taking into account the provisions of the audited grant agreement(s) under the 7th Research and Technological Development Framework Programme and in accordance with generally accepted auditing standards as applicable. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes making enquiries and the examination, on a test basis, of evidence relevant to the amounts claimed on the financial statements.

We have examined the attached financial statements and carried out such tests of the supporting documentation and accounting records of the beneficiary as we considered necessary.

Our work is not designed specifically to identify incidences of fraud. Accordingly, fraud may occur and not be detected. We have nevertheless obtained representations made by the beneficiary in relation to the authenticity and completeness of the supporting documentation provided to us.

Our audit work in assessing the necessity of costs incurred for the implementation of a project is limited to verifying, to the extent that we are qualified and able to, that those costs have been incurred solely for the intended purpose of the grant agreement. This normally implies verifying that specific costs are provided for in the budget proposals sent to the Commission prior to grant agreement signature and that those costs when actually incurred are processed, validated and approved within an accounting system and related internal control structure that would meet or exceed the generally accepted international principles of sound financial management.

Our audit work relating to the certification that costs are economic and reflect the Beneficiary's economic environment is limited to, to the extent that we are able and qualified to:

- verifying that claimed costs are incurred in line with the usual administrative and management practices of the Beneficiary and;
- assessing whether these costs, in pure monetary terms, are evidently extravagant or unreasonable as defined within the grant agreement terms and conditions.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

1.2 SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS FOR SYSTEMS IMPROVEMENT

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Freddy Dezeure
DG Information Society and Media

Date

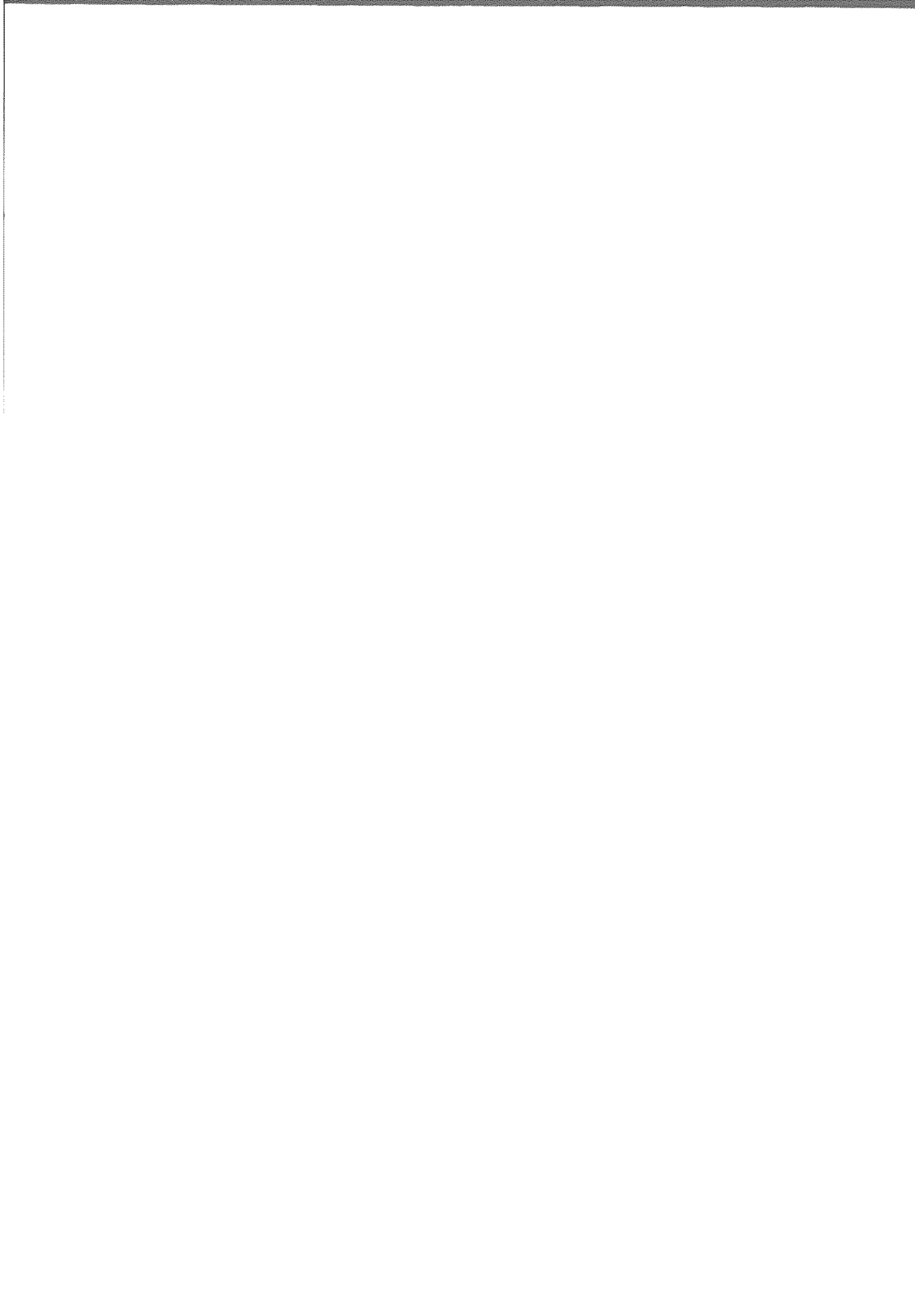
06 AOUT 2010

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13 ANSWER TO BENEFICIARY COMMENTS

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ANNEX 4 – BENEFICIARY COMMENTS





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ANNEX 5 – COMMISSION'S REQUEST FOR INFORMATION

ANNEX 5.1



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

Brussels, 09. 04. 2010
INFSO-02 FD/RB/mp D(2010)214300

REGISTERED A.R.

Subject: Financial audit – provision of documents

Dear ,

In continuation of the discussion we had in the course of the audit field work on 29-30/03/2010, I must reiterate my request regarding the provision of complete and detailed information regarding bank transfers (recipients, nature of transaction) relating to in the period 2008 and 2009 as well as a break down of sales in 2009 (organisation invoiced, underlying activity/service).

As already explained to you beneficiaries are under the terms of the grant agreements required to make available all information requested in order to verify the proper management and performance of the grant agreement in accordance with its provisions and that costs have been charged in compliance with it (see II.22 of Annex II of the grant agreement for detail). It has further been explained to you that such data is required to assess whether the obtained pre-financing dedicated to research has been used by for the intended purposes. Secondly, the substantial number of working hours in particular by yourself requires reconciliation with other business activities may have had.

Non-compliance with this request may be considered by the Commission as an irregularity in the contractual senses and breach of contract which implies that all funds provided to are considered unduly paid. Furthermore, I wish to draw your attention to your obligations as a liquidator of

I invite you to send us the requested information not later than 17/04/2010.

Yours sincerely,

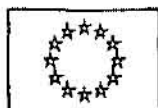
Freddy Dezeure

CC: RB, SVP

Commission européenne/Europese Commissie, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË - Tel. +32 22991111

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ANNEX 5.2



EUROPEAN COMMISSION
Information Society and Media Directorate-General

Head of Unit
External Audit

Brussels, 27.04.2010
INFSO-02 FD/RB/mp D(2010)217096

BY REGISTERED MAIL

Subject: , Financial Audit

Ref.: Your letter dated 21/04/2010

Commission européenne/Europese Commissie, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË - Tel. +32 22981111
Office: BU-25 6/122 - Tel. direct line +32 229-69806

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Yours sincerely,

Freddy Dezeure

Cc:

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AUDIT REPORT

AUDITED ORGANISATION:	
PROJECTS AUDITED:	<u>DG INFSO:</u> FP6 FP6 FP6 FP6 FP6 FP6 FP6 FP6 FP6 FP6 FP6 FP6 ETEN ETEN <u>DG RTD:</u> FP6 FP6
BATCH REFERENCE:	

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PART 1 – AUDIT REPORT

1 GENERAL INFORMATION

AUDIT DATE	29/06/2009-03/07/2009
AUDITED ORGANISATION	
Name:	
Address:	<u>At the time of the audit:</u> <u>At the time of the current audit report²:</u>
PERSONS PRESENT	
Audited organisation:	, Head of Administration as well as various other persons for discussion of specific topics
European Commission:	Alicia King, External Auditor DG INFSO Leonardo Di Francesco, External Auditor DG RTD Pierre-Yves Demoulin, External Auditor DG INFSO Pedro Calvo Perez, External Auditor DG INFSO Rasmus Riis, External Auditor DG INFSO

3 SCOPE AND RESPONSIBILITIES

We have audited the financial statements as set out in the table below submitted to the European Commission by

(hereafter: the "Contractor"):

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Integrated Project	
Cost model:	FC (Full costs)	
Period of entire contract:	01/12/03-31/05/06	
Audited periods and amounts claimed:	P1	245.699,88
	P2	141.852,22
	Total	387.552,10

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Integrated Project	
Cost model:	FC (Full costs)	
Period of entire contract:	01/09/04-31/05/09	
Audited periods and amounts claimed:	P1	110.462,14
	P2	125.069,44
	P3	116.206,48
	Total	351.738,06

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Support Action	
Cost model:	FC (Full costs)	
Period of entire contract:	01/03/04-31/10/05	
Audited periods and amounts claimed:	P1	38.421,49
	Total	38.421,49

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire contract:	01/10/04-31/03/07	
Audited periods and amounts claimed:	P1	140.639,18
	P2	361.716,72
	P3	245.438,58
	Total	747.794,48

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire contract:	01/03/06-29/02/08	
Audited periods and amounts claimed:	P1	135.726,60
	P2	173.246,63
	Total	308.973,23

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire contract:	01/01/06-31/10/08	
Audited periods and amounts claimed:	P1	96.480,45
	P2	147.943,07
	P3	66.566,44
	Total	310.989,96

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/01/06-31/05/09	
Audited periods and amounts claimed:	P1	200.327,22
	P2	138.182,38
	Total	338.509,60

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/09/06-31/08/09	
Audited periods and amounts claimed:	P1	134.885,58
	P2	264.132,26
	Total	399.017,84

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/09/06-30/11/09	
Audited periods and amounts claimed:	P1	106.212,87
	P2	144.665,23
	Total	250.878,10

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/09/06-30/06/09	
Audited periods and amounts claimed:	P1	112.905,83
	P2	217.024,10
	Total	329.929,93

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Integrated Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/02/04-30/04/06	
Audited periods and amounts claimed:	P2	613.246,10
	Total	613.246,10

AUDITED CONTRACT	FP6	
Directorate General:	DG INFSO	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/09/04-29/02/08	
Audited periods and amounts claimed:	P1	176.729,20
	P2	132.442,29
	P3	210.730,31
	Total	519.901,80

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AUDITED GRANT AGREEMENT	ETEN	
Directorate General:	DG INFSO	
Framework Programme:	eTEN	
Type of instrument:	Market Validation Grant Agreement	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/06/06-30/11/07	
Audited periods and amounts claimed:	P1	411.981,99
	P2	313.922,40
	Total	725.904,39

AUDITED GRANT AGREEMENT	ETEN	
Directorate General:	DG INFSO	
Framework Programme:	eTEN	
Type of instrument:	Market Validation Grant Agreement	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/05/04-31/01/06	
Audited periods and amounts claimed:	P1	323.874,58
	P2	260.703,36
	P3	291.419,58
	Total	875.997,52

AUDITED CONTRACT	FP6	
Directorate General:	DG RTD	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Specific Targeted Research Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/03/05-31/10/07	
Audited periods and amounts claimed:	P1	145.214,88
	P2	75.447,07
	P3	45.854,96
	Total	266.516,91

AUDITED CONTRACT	FP6	
Directorate General:	DG RTD	
Framework Programme:	FP6 (6 th Framework Programme)	
Type of instrument:	Co-operative Research Project	
Cost model:	FC (Full costs)	
Period of entire grant agreement:	01/12/04-30/11/06	
Audited periods and amounts claimed:	P1	182.827,88
	P2	115.873,53
	Total	298.701,41

Respective responsibilities of Contractors and Auditors

Pursuant to Article II.7.2 of the FP6 contracts and Article II.2.1 of the eTEN grant agreements it is the responsibility of the Contractor to submit the financial statements. Pursuant to Article II.19.1 of the FP6 contracts and Articles II.13.1 and II.16 of the eTEN grant agreements, it is the responsibility of the contractor to record his eligible incurred costs in his accounts, respecting the national accounting rules. Pursuant to Article II.19.1 of the FP6 contracts, the accounting procedures must permit conciliation between the incurred costs and the overall statement of accounts; pursuant to Article II.16 of the eTEN grant agreements, the accounts shall support and justify in particular the costs and time reported in the financial statements.

Pursuant to Article II.29.3 of the FP6 contract, the Contractor should keep all documents relating to the contract, which should be put at the Commission's disposal where requested during the execution of any audit under the contract; pursuant to Article II.16 of the eTEN grant agreements, the participant should maintain appropriate documentation to support and justify the costs and the time reported in his financial statements.

Moreover, the contractor, by signing the forms "financial statement" annexed to the FP6 contracts and eTEN grant agreements, has explicitly ascertained that there is full supporting documentation to justify the eligibility of costs that will be made available at the request of the Commission in the event of an audit.

Our responsibility is to carry out, in accordance with Article II.29 of the FP6 contract and Articles II.17 of the eTEN grant agreements, the above mentioned audit on the financial aspects relating to the proper execution of the projects and the contracts in order to ascertain that the costs have been properly incurred and are eligible costs, according to the contracts (Articles II.19, II.20, II.21 and II.22 of the FP6 contracts and Articles II.13, II.14, II.15 and II.16 of the eTEN grant agreements).

This report is prepared for the European Commission and remains the property of the European Commission. Our audit work has been undertaken in order to provide information to the European Commission on the systems of internal controls placed on the use of EU funds and on eligibility of the costs claimed.

Our audit work has been undertaken so that we might state to the European Commission those matters we are required to state in our audit report and for no other purpose. We are thus responsible solely to the European Commission for our audit work and the audit opinions we have formed.

Basis of Opinion

Our audit work was performed taking into account the provisions of respectively the audited contracts under the 6th Research and Technological Development Framework Programme and the audited eTEN grant agreements and in accordance with international and national standards on auditing as applicable. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes making enquiries and the examination, on a test basis, of evidence relevant to the amounts claimed on the financial statements.

We have examined the attached financial statements and carried out such tests of the supporting documentation and accounting records of the Contractor as we considered necessary.

Our work is not designed specifically to identify incidences of fraud. Accordingly, fraud may occur and not be detected.

Our audit work in assessing the necessity of costs incurred for the implementation of a project is limited to verifying, to the extent that we are qualified and able to, that those costs have been incurred solely for the intended purpose of the contract. This normally implies verifying that specific costs are provided for in the budget proposals sent to the Commission prior to contract signature (or otherwise reflected and prescribed within the project technical specifications as set out in Annex I to the audited research contracts and grant agreements) and that those costs when actually incurred are processed, validated and approved within an accounting system and related internal control structure that would meet or exceed the generally accepted international principles of sound financial management.

Our audit work relating to the certification that costs are economic and reflect the contractor's economic environment is limited to, to the extent that we are able and qualified to:

- verifying that claimed costs are incurred in line with the usual administrative and management practices of the Contractor and;
- assessing whether these costs, in pure monetary terms, are evidently extravagant or unreasonable as defined within the contract terms and conditions.

It is not a value for money or performance audit.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

4 AUDIT FINDINGS

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Freddy Dezeure
HoU INFSO-02 "External Audit"

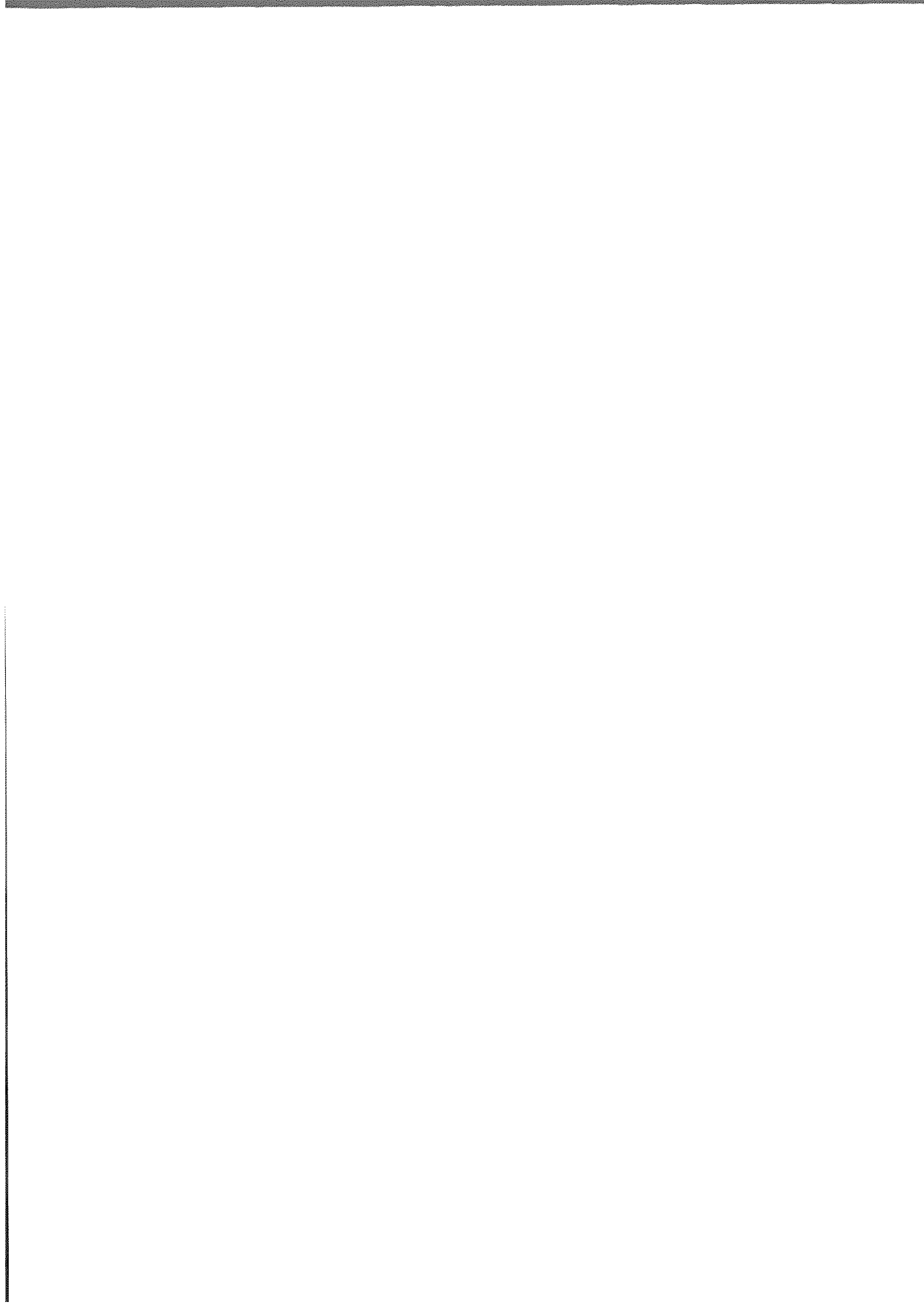
PART 2 – ANSWER TO CONTRACTOR's COMMENTS

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PART 3 – ANNEXES TO THE AUDIT REPORT

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ANNEX 2 – CONTRACTOR'S COMMENTS



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FINAL AUDIT REPORT

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1. SCOPE AND RESPONSIBILITIES

This audit report will only address the specific audit findings related to projects concluded with the Directorate-General Information Society and Media, which correspond to all the projects referred to here above except for

Due to the important weight of financial statements submitted for FP6 contracts in comparison with other (research) programmes (FP7, eTen) in which is involved, we decided to only make references to the contractual and legal basis related to the Sixth Research and Technological Development Framework Programme. Similar contractual and/or legal provisions are foreseen under the Seventh Research and Technological Development Framework Programme (including the grant agreement) and the eTen Programme (including the grant agreement).

This audit was aimed at controlling:

- the proper execution of the projects and the contracts as reflected in the Annex I to the contracts;
- whether the Contractor disposed of the adequate and needed resources, knowledge and technical competence to carry out the work as identified in the Annex I to the contracts as foreseen in Article 8 of the Rules for the Participation of undertakings in the European Community Sixth Framework Programme and requested by Article 115 of the COUNCIL REGULATION (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities² and Article 176 of the Implementing Rules to the Financial Regulation³;

¹ OJ L 292, 15.11.1996, p.2

² OJ L 248, 16.9.2002, p. 1

³ OJ L 357, 31.12.2002, p. 1

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- whether the Contractor disposed of sufficient and appropriate supporting documentation to justify the costs claimed for funding towards the European Commission, as required by Article II.29 of the FP6 contracts;
- the eligibility of the in-house consultants claimed for funding as personnel costs towards the European Commission, in conformity with Articles II.19 and II.20 of the FP6 contracts;
- the justification of the indirect costs claimed for funding towards the European Commission, in conformity with Articles II.19 and II.21 of the FP6 contracts.

Respective responsibilities of Contractors and Auditors

Pursuant to Article II.7 of the FP6 contracts, it is the responsibility of the Contractor to prepare the financial statements and to maintain adequate accounting records and documentation to support and justify the costs reported. The Contractor by signing form C "financial statement" annexed to the FP6 contracts has explicitly ascertained this.

Our responsibility is to carry out, in accordance with Article II.29 of the FP6 contract, the above mentioned audit on the financial statements submitted to the Commission of the European Communities to ascertain that the costs have been properly incurred and are eligible costs, as defined under the contracts (Articles II.19, 20 and 21 of the FP6 contracts).

Basis of Conclusion

Our audit work was performed taking into account the provisions of the audited contracts under the 7th, 6th Research and Technological Development Framework Programmes and the eTen Programme, in accordance with generally accepted auditing standards as applicable.

This normally implies verifying that costs when actually incurred are processed, validated and approved within an accounting system and a related internal control structure that would meet or exceed the generally accepted international principles of sound financial management.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our report is solely for the purposes set forth in connection with the ex post controls related to the 7th, 6th Research Framework Programmes and the eTen Programme and for your information. It is not to be used for any other purpose or to be distributed to any other parties.

This report relates only to the financial statements submitted by . to the European Commission in connection with the above mentioned contract and does not extend to any financial statements of , taken as a whole.

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2. AUDIT FINDINGS

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3. AUDIT CONCLUSIONS

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As a result of all the audit conclusions reported above, we are of the opinion that has not respected the provisions of the European co-funded research contracts and eTen contracts. We therefore propose to reject all the costs claimed by towards the European Commission in the context of the Research Framework Programmes and the eTen Programme.

In addition, considering the severe irregularities noted according to Article II.1.11 of the contracts, the Commission has started the procedure to terminate the participation of in the ongoing projects in conformity with Article II.16 of the FP6 contracts and Article II.38 of the FP7 grant agreements.

Freddy Dezeure
Head of Unit External Audit
DG INFSO

June 15, 2009

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4. CONTRACTOR'S COMMENTS

No comments were provided by the Contractor within the time limit foreseen in our letter dated May 13, 2009.

FINAL AUDIT REPORT

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1. SCOPE AND RESPONSIBILITIES

This audit was aimed at controlling

- the proper implementation of the projects and the grant agreements as reflected in the Annex I to the grant agreements;
- whether the Contractor disposed of the adequate and needed resources, knowledge and technical competence to carry out the work as identified in the Annex I to the grant agreements as requested by Article 115 of the COUNCIL REGULATION (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities² and Article 176 of the Implementing Rules to the Financial Regulation³;
- whether the Contractor disposed of sufficient and appropriate supporting documentation to justify the costs claimed for funding towards the European Commission, as required by Article II.22 of the FP7 grant agreements;
- the eligibility of the in-house consultants aimed to be claimed for funding towards the European Commission, in conformity with Articles II.14 and II.15 of the FP7 grant agreements;
- the justification of the indirect costs aimed to be claimed for funding towards the European Commission, in conformity with Articles II.14 and II.15 of the FP7 grant agreements.

Respective responsibilities of Beneficiaries and Auditors

Pursuant to Article II.4 of the FP7 grant agreements, it is the responsibility of the Beneficiary to prepare the financial statements and to maintain adequate accounting records and documentation to support and justify the costs reported.

Our responsibility is to carry out, in accordance with Article II.22 of the FP7 grant agreements, the above mentioned audit to ascertain the proper execution of the grant agreements.

¹ OJ L 292, 15.11.1996, p.2

² OJ L 248, 16.9.2002, p. 1

³ OJ L 357, 31.12.2002, p. 1

Basis of Conclusion

Our audit work was performed taking into account the provisions of the audited grant agreements under the 7th Research and Technological Development Framework Programme and in accordance with generally accepted auditing standards as applicable.

We have examined the project documentation and carried out tests of the supporting documentation and accounting records of the Beneficiary as we considered necessary.

This normally implies verifying that costs when actually incurred are processed, validated and approved within an accounting system and related internal control structure that would meet or exceed the generally accepted international principles of sound financial management.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our report is solely for the purposes set forth in connection with the ex-post controls related to the 7th Research Framework Programme and for your information. It is not to be used for any other purpose or to be distributed to any other parties.

2. AUDIT FINDINGS

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3. AUDIT CONCLUSIONS

As a consequence of all the audit conclusions reported here above, we are of the opinion that [redacted] has not respected its contractual obligations in the implementation of the projects under the signed grant agreements and has committed irregularities according to Article II.1.10 of the signed grant agreements. We therefore propose to recover all the unjustified Community financial contributions paid to [redacted] on behalf of its participation in the above research projects, including advance payments.

Freddy Dezeure
Head of Unit External Audit
DG INFSO

October 20, 2009

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4. EC RESPONSE TO BENEFICIARY'S COMMENTS

ANNEX 1 CONTRACTOR COMMENTS

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