



“Surviving the EC Audit” –

Pitfalls and Problems, Survival and Success Stories

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Contents

- The Legal Framework
- Sources of error
- Consequences following the Violation of the Rules
- How to Improve the Implementation of FP7-Rules?

Legal Framework

- Rules of Participation Regulation (EU) 1906/2006
- Grant Agreement
- Guide to Financial Issues
ftp://ftp.cordis.europa.eu/pub/fp7/docs/financialguide_en.pdf
- Standard Operating Procedures (SOPs)



Eligible costs

ACTUAL

INCURRED

DURATION of
the project

ACCOUNTING
PRINCIPLES

LINK to the
project

RECORDED in
the accounts

ANNEX I

- a) They must be **actual** (no estimated or budgeted)
- b) **Incurred** by the beneficiary (be careful about third party contributions!)
- c) Incurred during the **duration** of the project
- d) In accordance with the accounting principles of the beneficiary (**when compatible with the other eligibility principles**)
- e) Incurred « for or **in relation to the project** » and in accordance with the principles of economy, efficiency and effectiveness
- f) **Recorded** in the accounts of the beneficiary
- g) Indicated in the estimated budget (Annex I of the Grant Agreement)

Non-eligible costs

INDIRECT TAXES (VAT)

DUTIES

INTEREST owed

CHARGES

EXCHANGE LOSSES

COST declared or incurred, or reimbursed in respect of ANOTHER EU PROJECT

EXCESSIVE or reckless expenditure

Example

- Requested sum:
 - € 1.000.000
 - € 700.000 personnel costs ^(2/3)
 - € 166.000 Overhead
- Recoverable sum <-> eligibility of costs

Sources of error

- Time-recording: reliability and correctness
- Travel: documentation
- Indirect costs: inadequate apportionment of the actual indirect costs
- Potential double funding: Additional funding = receipts

Time-recording*

The personnel

- must be **directly hired** by the beneficiary in accordance with its national legislation.
- must work under the sole technical **supervision** and responsibility of the beneficiary.
- may include in its personnel costs "permanent employees", and "temporary employees",

Personnel costs should reflect the **total remuneration**: salaries plus social security charges (holiday pay, pension contribution, health insurance, etc.) and other statutory costs included in the remuneration. Personnel must be remunerated in accordance with the **normal practices** of the beneficiary.

Only the costs of the **actual hours worked** by the persons directly carrying out work under the project may be charged. Working time is the total number of hours, excluding holidays, personal time, sick leave, or other allowances.

* Financial Guide p.55 et seq

Time-recording

- Only the hours worked on the project can be charged.
- Working time to be charged must be recorded **throughout the duration of the project by timesheets**, adequately supported by evidence of their **reality and reliability**.
- In the absence of timesheets, the beneficiary must substantiate the cost claimed by reasonable means (**alternative evidence**) **giving an equivalent level of assurance**, to be assessed by the auditor.
- Employees have to record their time on a **daily, weekly, or monthly basis** using a paper or a computer-based system.
- The time-records have to be **authorised** by the project manager or other superior.

Timesheets: Basic requirements

- full name of beneficiary;
- full name and signature of the employee;
- title of project and project account number;
- periodicity of filling in the TS;

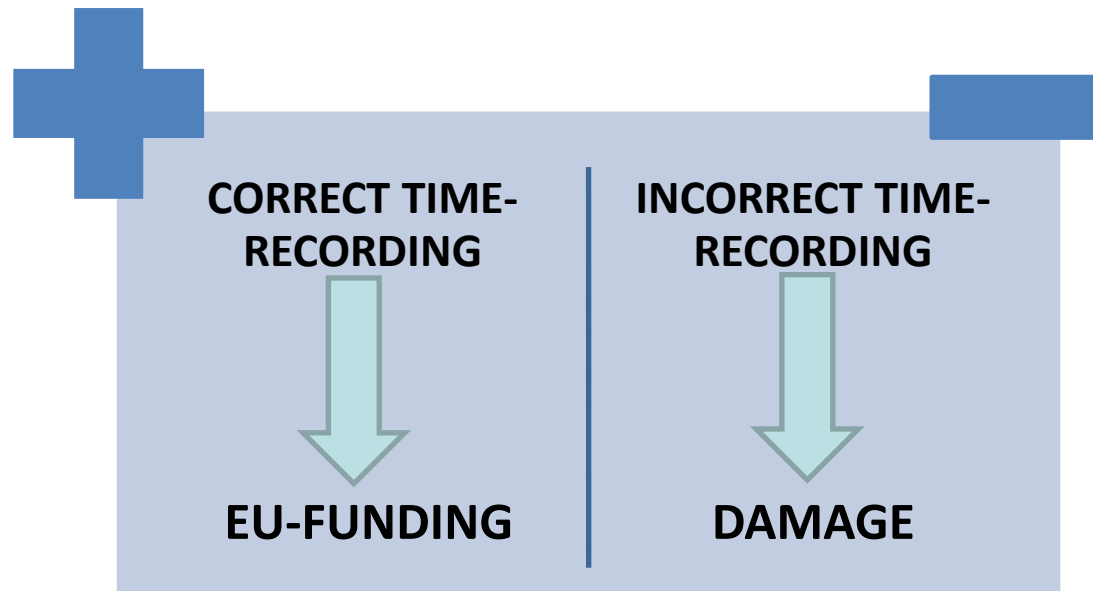
Timesheets: Basic requirements II

- amount of hours claimed on the RTD project;
- full name and a signature of a supervisor;
- TS must be reconcilable with the absences for holidays, illness, travels or others.

Timesheets: further requirements

- the time records have to disclose the hours worked on a daily basis;
- reference to the tasks or WP (DoW)
- reference to the type of activity (RTD, management, ...);
- listing all activities (EU projects, internally funded research, administration, absences etc.).

Time-recording



Travel documentation

- Mission order
- Make sure the sole purpose of the travel is achieving the objectives of the project and its expected results.
- Make sure that all your travel documentation (conference programme, agenda, minutes of meetings, participant list, presentations, poster,) is collected and preserved.

Others...

- no retroactive booking
- no double funding
- no profit
- don't forget to mention all receipts

Gravity of errors

- Errors systematic in nature
- Irregularities

Legal consequences

- Extrapolation -> adjustments
- Rejection of costs
- Liquidated damages Article II.24 GA
- Administrative penalties: Article II.25 GA

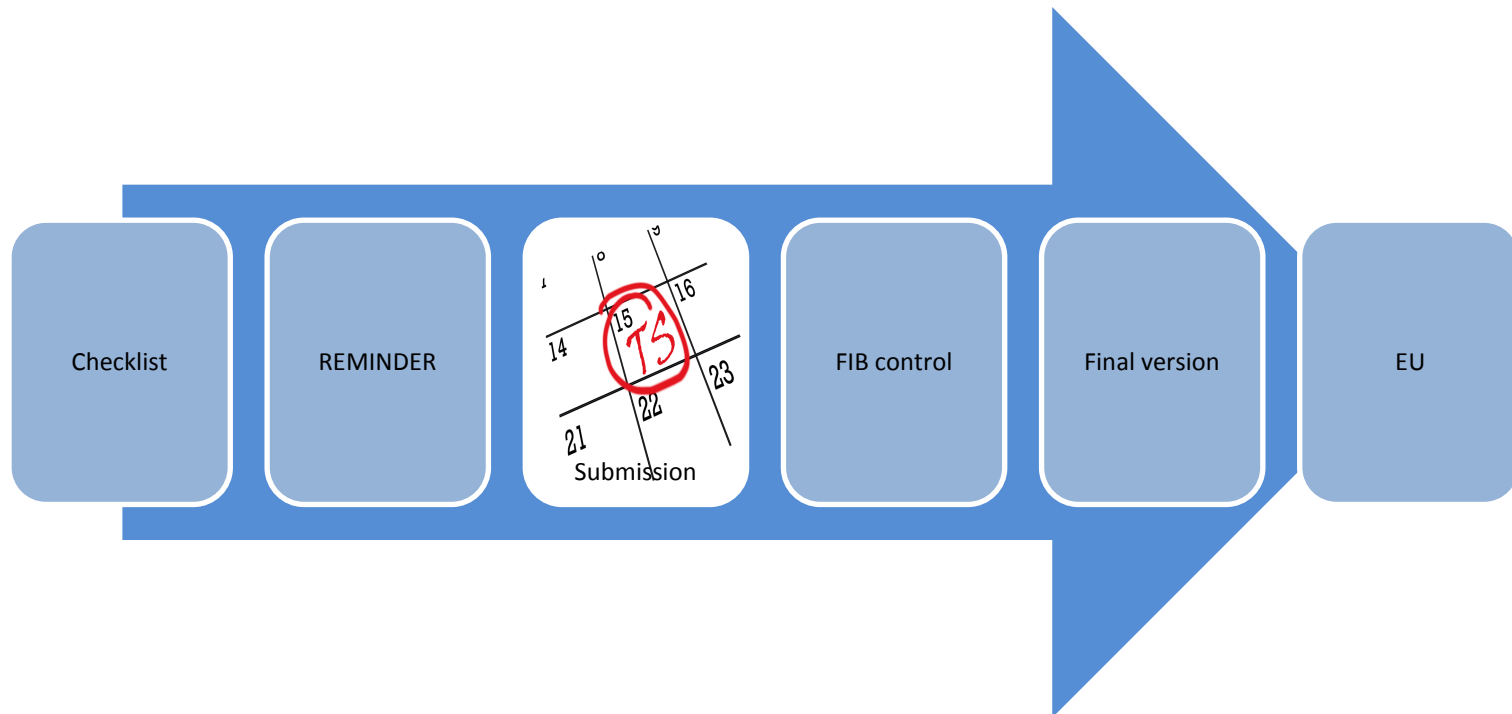
Legal consequences

- Administrative measures
- Criminal proceedings
- Reinforced monitoring
- Implications in future project + contract negotiations

How to Improve?

- Keep constantly informed about new Financial Guides and amendments
workshops, websites, continuous training...
- Standard Internal Procedures help a lot!
checklists, internal guidelines; „Who does what“, FAQs

Internal procedures: Time-recording



DIRECTOR of the Institute:

appoints the project leader, employment, control of time-recording, travel order, delegation of authority

PROJECT LEADER or deputy

responsible for the technical project implementation

initial training

Control of time-recording

PROJECT MANAGER:

know-how about financial rules for FP7 projects and responsible for their correct application

continuous training

Control of time-recording

TEAM MEMBER:

INITIAL TRAINING

TEAM MEMBER:

CORRECT TIME RECORDING

TEAM MEMBER:

TRAVEL documentation

How to Improve?

- Keep on asking questions!
FAQs, NCPs, FO, Coordinator,

http://ec.europa.eu/research/fp7/index_en.cfm?pg=faq

http://ec.europa.eu/research/fp6/mariecurie-actions/information/faq_en.html

<http://erc.europa.eu/faq>