

## Reporting and Audits

### *Experiences and Stories*

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 2007-2013.eu

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# Reporting

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## Reporting

- All **deliverables** in the DoW (Annex I) must be submitted (*uploaded*) according to the deadlines in DoW
- **Periodic reports** (generally every 12/18 months - defined in the GA – in 60 days after the period), even for the LAST period
- **Final Report**, dealing with horizontal issues
- Report on EC contribution distribution – *by the coordinator only*
- **All reports must be submitted electronically** (except the signed Form C)

## Periodic Reports include:

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- Publishable summary (max 4 pages) – use laymen's terms
- Project objectives for the period
- Work progress and achievements during the period
- Deliverables and milestones tables
- Project management issues (including problems)
- Use of resources tables + short explanation
- FORM Cs must be attached
- Certificates – if needed

## Final Report should include:

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The periodic report for the LAST project period, plus:

- Publishable summary– use laymen's terms
- A detailed plan from the use and the dissemination of the project's foreground (e.g. results) in the next years (public and confidential parts)
- Report on societal implication of the project (based on an EC questionnaire)

## How to report the problems?

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- Minor problems should never be reported – find the solution „in-house“!
- Major problems (serious delays, exclusion of a beneficiary, etc.) have to be reported – but there will be consequences.....
- All other problems – try to balance!

## Financial reporting - Cost Statements

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- in-line with the financial chapters of the periodic report – **Be consistent!**
- Reallocations/deviation between the cost categories/partners shall be mentioned and justified!



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## When it turns to a nightmare: Financial audits

### Obligation after the project closure (and during the project)

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Residual obligations:

- to provide data to the Commission (up to 5 years from the official closure date):
  - databases
  - statistics
  - Evaluations
  - Invoices, reports
- Audits may cover:
  - Scientific/technological/ethical/financial/any other aspects – FULL PROJECT AUDIT
  - **Financial aspects – FINANCIAL AUDIT**

## Factors leading to a project financial audit

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- The institution/partner is involved in many projects (*just like the lottery*)
- The institution/partner has very large budget(s)
- The institution/partner has noticeable administrative difficulties
- There are severe scientific/technical difficulties
- The institution/partner is selected 'out of the pot' (*blind chance*)

## How it happens?

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- You receive a letter from the Commission (*Why me????*)
- Arranging a meeting with the auditors (in a month)
- Preparation for the audit (1-2 months maximum!)
- Audit to be done at your premises (1-5 days)
- The Auditors prepare the Draft Audit Reports (2-5 months)
- Your comments to be included in the DAR (30 days)
- The Commission receives the Audit Report (?)
- The Commission closes the Audit procedure with/without consequences (?)

The five stage of collapse by Kübler-Ross:  
**Denial – anger – bargaining – depression - acceptance**

## List of Requested documents

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- **Personnel costs:** employment contracts (or other independent/legal justification of personnel costs claimed), Ledgers/Accounts, payroll records (salary slips), time sheets, *detailed breakdown and justification of the productive hours denominators used for the calculation of hourly rates*, proof of payment
- **Overheads:** in case of *actual overhead model* was used: full documentation concerning the calculation of the overhead costs and the back-up documentation thereto, analysis, reconciliation and summary of the final breakdown of overhead costs (by category of expense) charged to the project(s) subject to audit)
- **Consumables/equipment/other:** invoices, proof of payments, in case of rented equipment – rental contract, records concerning the computer usage, if applicable

## List of Requested documents

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- **Third party assistance:** Sub-contracts, invoices, verification of payments, original deliverables from the subcontractors, evidence of own internal management and supervision procedures to confirm completion of work required to specification needed and reasonableness costs claimed in connection herewith
- **Travel and subsistence:** invoices, mission approval forms, report, minutes of the meetings, participants of the meetings, e-mail documentation, etc.
- **Bank statements** – in case one is the coordinator of the GA, bank statements relating to the payments of EC contribution and the distribution to the contract partners
- **General Ledger/management:** Salient extract and reconciliations of cost claimed back to underlying accounting records/general ledger to facilitate easy and swift verification of costs claimed and their eligibility
- **Auditor certificate:** copies of any auditor certification statements issued with a claim for cost reimbursement.



## Typical mistakes – 1

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- Absence of detailed calculation of direct costs.
- **Costs claimed for people not directly employed nor paid by the beneficiary.**
- **Personnel costs claimed based on a budgeted, standard, estimated rates.**
- Average hourly rates used which differs significantly from actual ones.
- **Billable hours are used instead of number of workable hours.**
- For the calculation of the number of productive hours on the project, including time spent related to maintaining general expertise, administration and/or sales.
- **Absence of timesheets.**
- Timesheets not approved by a project leader.
- For the calculation of the hourly personnel rate, by dividing the payroll costs by the number of productive hours on the project (only) instead of by the total number of productive hours. *Source – EC*

## Typical mistakes – 2

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- **Personnel costs claimed include overtime hours for which staff have not been paid.**
- Personnel costs claimed include the remuneration of an in-house consultant hired through a contract with a consultancy firm (no labour contract, no direct instructions, not 100% on the premises, commercial rate, etc).
- **Overhead costs included in the personnel cost calculation.**
- Incorrect conversion in EUR.
- Costs claimed include elements not incurred and recorded during eligibility period.
- Costs include excessive costs and uneconomical expenditure (travel).
- Costs not relevant to the project (hospitality costs, entertainment costs).
- **Costs cannot be substantiated by proper audit trail and full supporting documentation (Invoices, tickets, timesheets).**

*Source – EC*

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## Consequences if financial rules have not been fully complied with:

- recovery of the amount paid
- compensation on the next payment (if any)
  - sanctions

*Source – EC*

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## Thank You for Your Attention!