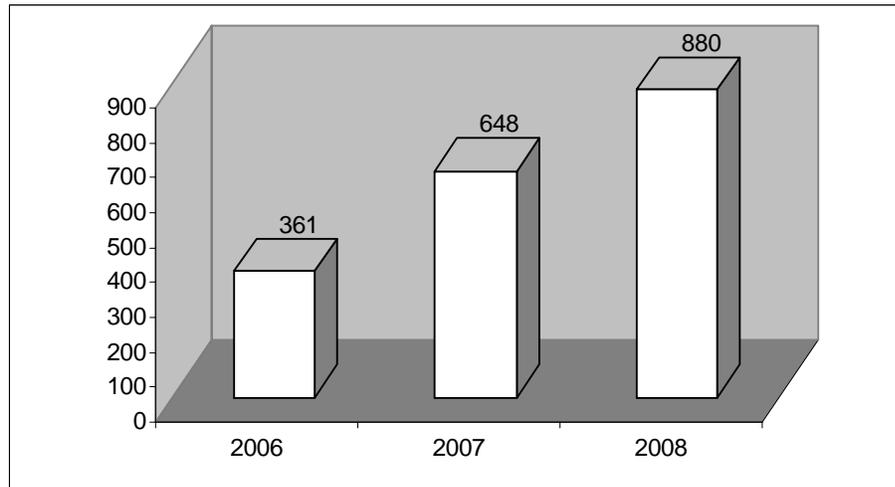


## The European Commission increases the number of audits of EU Research projects

*Participants in EU Research FP projects significantly more likely to be subjected to an on-the-spot audit*



The Commission's new audit strategy: increased audit coverage of Research FP participants (2006-2008)

Over the recent years, some 10% of the participants involved in research projects under the 5<sup>th</sup> Research Framework Programme have been targeted by an **on-the-spot audit** made on behalf of the Commission's services. The aim of these audits is to verify whether the participants' cost claims have been correct (*"legal and regular"*), i.e. based on eligible costs as stipulated in the FP grant agreement. The frequency of errors detected in the cost claims was considered to be too high.

### Be prepared

Consequently, the Commission decided to reinforce its audit strategy for FP6 and FP7 projects. The **number of audits and participants audited will increase significantly** (see graph) in order to cover about 40% of the budget spent in the research framework programme.

Most participating organisations are likely to become subject to such an on-the-spot audit during the framework programme: large organisations (*those participants receiving the largest amounts of grants*), any other organisation (*selected randomly, based on a representative sample*), and "high-risk" organisations (*selected on a risk-based approach*). In addition, the Commission's services will share and exchange any relevant information in order to fully coordinate any corrective actions. Moreover, the European Court of Auditors has announced that it will increase its own audits of participants in EU research projects.

Obviously, the detection of any ineligible cost claimed and reimbursed will lead to a recovery of the amount or compensation on the next payment. In addition, any error of a systemic nature (*e.g. a specific feature of the organisation's cost accounting method or system which*

*would not be compatible with the eligibility criteria for actual costs*) will give rise to an extrapolation of similar corrections in all cost claims related to all other projects of the organisation.

As well as these corrections, **sanctions** may also be applicable: (1) the Commission will claim liquidated damages proportionate to the overstated amounts, (2) any breach of contractual obligations may give rise to additional financial penalties, (3) any intentional overstatement of costs may lead to exclusion from future grants, administrative sanctions and even criminal court proceedings.

Therefore, it is important that participants in EU research projects pay the utmost attention to the **eligibility criteria** for reimbursement of costs incurred for their projects before submitting their cost claims. Furthermore, they should prepare themselves for an audit by making sure that they have the required **supporting data and documents** available at all times.

### Better safe than sorry

In order to better inform participants about the cost eligibility criteria, the supporting data and documents needed during an on-the-spot audit, the audit procedure and the potential consequences, a **dedicated website** is provided by CORDIS (please have a look at <http://cordis.europa.eu/audit-certification/>).

The information on how to avoid some frequently made errors in cost claims may especially add value. Furthermore, feedback regarding the audits carried out and related findings, conclusions and recommendations will also be made available through this channel on a regular basis.