

THE FIFTH FRAMEWORK PROGRAMME

The Fifth Framework Programme focuses on Community activities in the field of research, technological development and demonstration (RTD) for the period 1998 to 2002

INFORMATION SOCIETY TECHNOLOGIES IST PROGRAMME (USER-FRIENDLY INFORMATION SOCIETY)

FINANCIAL AUDITS CONCERNING EU RTD CONTRACTS UNDER THE V FRAMEWORK PROGRAMME.

WORKING NOTES FOR CONTRACTORS AND EXTERNAL AUDITORS



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1 INTRODUCTION

Audit Certificates are introduced, as a pilot action, to the Research and Development contracts (Research and Development, Demonstration, and Combined Research and Demonstration Contracts) for the IST programme arising from the 6th and subsequent calls. The purpose of audit certificates, which will be issued by independent and qualified auditors, is to give the Commission greater assurance that costs charged under RTD contracts are calculated and claimed by the contractors in accordance with the legal and financial provisions of FP5 legal texts and contractual dispositions.

The auditor making the Audit Certificates is chosen by the contracting organisation, but this auditor must be independent from the contracting organisation concerned and must be qualified to carry out statutory audits of accounting documents, in accordance with the Eight Council Directive 84/253/EEC of 10 April 1984 or similar national regulations.

Each contractor will remain responsible to the Commission for the costs it has claimed. The audit certificate is only an additional insurance for the Commission that these costs claimed are calculated in accordance with the provision of FP5 regulations and contractual dispositions. The Commission maintains the right to conduct its own financial audits.

Auditors have a contractual relationship only with the contractors. They do not have a contractual relationship with the Commission, and the Commission will not intervene in any dispute between auditors and contractors.

The costs of the Audit Certificate is paid by the contractor and is a cost eligible for reimbursement by the Commission according to the financial provisions of the contract and the cost model of the contractor.

This document provides guidelines for the auditors on the contractual requirements in the context of audit certification. It also provides explicit reference to guidelines prepared by the Commission on major financial provisions for cost reimbursement research contracts (RTD, demonstration and combined projects) which is made available to contractors. Finally, a list of examples of irregularities that were found during the audits performed by the Commission is added. This list, which is not exhaustive, may be useful to auditors in support of their assessment of eligibility of individual cost items in accordance with contractual dispositions.

2 WHO SHOULD SUBMIT AUDIT CERTIFICATES

Audit certificates will be asked from all contractors in Research, Demonstration and Combined Research and Demonstration projects in contracts following the 6th, 7th and 8th call for proposals in the IST programme that meet the following conditions:

- (a) for a 12 months reporting period : the contractor's first cost claim exceeds Euro 250.000;
or
for a 6 months reporting period : the contractor's first cost claim exceeds Euro 125.000.
- (b) the contractor's total project costs exceed Euro 250.000; in this case the audit certificate must be issued together with the final cost statement.

Audit certificates will be asked from all contractors, whether private and public organisations, that meet the above conditions. Organisations that meet both conditions will have to submit two audit certificates, one with the first cost statement of more than 250.000 Euro (or 125.000 Euro if the first reporting period is 6 months), and one with the final cost statement.

Public entities, which are normally audited by public bodies like governmental control departments or national courts of auditors, may have valid reasons for not complying with this contractual condition on mandatory audit certification by private auditors¹. Valid reasons may be statutory provisions or national legislation prohibiting auditing by private auditors. The Commission may allow for exemption of the obligation to provide audit certificates because of such obstacles linked to audit certification in order not to compromise participation to the programme. Contractors who would like to request such an exemption must inform their Commission Project Officer on such valid reasons at least two months before the date of submission of the cost claim concerned.

3 PRACTICAL HINTS FOR CONTRACTORS

In most cases the cost of the audit certificate for the first cost statement will have to be reported in the second cost statement. Costs for the audit certificates for the final cost statement must however be included in the final cost statement.

It is absolutely essential to avoid delays in the submission of cost statements with audit certificates that the **cost statement prepared by the contractor is correct** when it is submitted to the auditor. Therefore the contractors should **well before** the cost claim is due make sure that they fully understand the requirements for a cost statement and that they have a full understanding of the cost categories and how to report them in the cost statement. Contractors will find useful information on the cost statements and the eligible cost categories in the Annex II to the contract and in the Guidelines for the financial

¹ The term "private auditors" refers to independent and qualified auditors approved by the competent authorities of the country of legal residence of the contractor to carry out statutory financial audits in accordance with the relevant national legislation and, where applicable, in compliance with the Eighth Council Directive 84/253/EEC of 10 April 1984.

provisions of the cost reimbursement model contract for Shared Cost Actions mentioned in point 5.

In order to avoid delays in the issuing of the audit certificates, the contractors should also choose the auditor they intend to use well before an audit certificate is due. Many auditors may not be familiar with special requirements of the Commission's contracts and may therefore also need to prepare well in advance.

When a contractor has received the audit certificate for his cost statement from his auditor, the contractor submits the cost statement together with the audit certificate for that cost statement in the required number of originals and copies as defined in the contract to the project co-ordinator, who then sends the whole package to the Commission services as described in the contract.

3.1 Payment and control of cost statements

When the Commission services have received the cost statements from the co-ordinator they will be checked for completeness and correctness. These checks may result in requests for further information or clarifications. As soon as such extra information has been provided, the Commission services will proceed with the processing of the cost statement and if the information is complete and correct, a payment request will be made. The payment will then take place no later than 60 days after the complete information has been received².

4 BASIC PRINCIPLES FOR AUDIT CERTIFICATES

4.1 Scope of the audit certificate

The auditors should establish whether the costs claimed are eligible, necessary for the project, actually incurred during the project and recorded in the books of account of the contractor. The audit is a financial audit and should not reflect on the efficiency, effectiveness and economy in the allocation of resources by the contractor and should not cover the achievement of technical results and/or project objectives. The audit has to be performed in accordance with the requirements specified in the special condition on audit certificate in article 6 of the contract and in annex IV or V to the contract specifying the special conditions for audit certificates.

4.2 Contractual relations between the contractor and the auditor and auditors liability

Although contractors remain responsible towards the Commission for the costs they have claimed, auditors must be aware that they have a professional liability for the correctness of their certificates. The contract therefore requests contractors to sign a task assignment agreement with the auditor prior to the start of the audit work (Annex IV or V to the contract). The minimal requirements for such a task assignment agreement include:

² Assuming that all reports and deliverables for the period has been submitted to the Commission and has been accepted by the Commission.

- The requirement for auditors to document their audit procedures in accordance with generally accepted auditing standards;
- The possibility for the Commission to verify the working papers of the auditor on request.
- Reporting requirements for both the auditor and the contractor in case a qualified opinion is submitted by the auditor (see also below);
- The definition of minimal requirements on the auditor in respect of the execution of the audit (definition of reasonable assurance – level of confidence at 95%; materiality level – proposal to set materiality at 2.5%; minimal control steps in the form of a minimal audit programme);
- The obligation for the auditor to provide proof of his qualifications to carry out statutory financial audits and to provide copy of his registration with the competent authority of the country of legal residence of the contractor.

4.3 Qualified opinions

The contractor and the auditor are expected to clear any questions on factual data or detailed calculations prior to submission of the cost claim, and the accompanying audit certificate, to the Commission. It is also recommended that the contractor takes into account the auditors preliminary comments and suggestions in order to avoid a qualified opinion or to reduce the scope of the qualifications.

However, persisting disagreement on matters of principle of interpretation of contractual provisions can exceptionally lead to a qualification by the auditor. The model certificate provides for this possibility of qualified opinions.

Auditors need to substantiate their qualification in their audit certificate. In doing so they must highlight the assumptions made by the contractor and not accepted by the auditor. They must provide calculations demonstrating the impact of each of the assumptions rejected by the auditor on the amount of costs declared. For this purpose, the model audit certificate contains a table which clearly sets out the amounts declared, with a breakdown whereby distinction is made between costs for which the auditor expressed a qualification and the accepted costs.

In case of qualifications, the audit certificate must be accompanied by a report on the contradictory discussion between the auditor and the contractor listing arguments and counter arguments of both parties. This report should be signed by both parties and, as detailed above, should be limited to matters of principle or interpretations of contractual conditions.

4.4 Information necessary to make an Audit Certificate

As a basis for making the audit certificate, the auditor must have the following information at his/her disposal from the contractor:

1. Model contract for the RTD (download from CORDIS WebPages: <http://www.cordis.lu/fp5/mod-cont.htm>; version of 09.09.1999).

2. The general part of the original contract (Art.1 to 9). Any change to the model contract is under Art. 6 Special conditions;
3. The summary sheet of the Annex 1, Description of Work of the contract (Brief technical Summary and the Financial Budget);
4. Cost statements including annexes;
5. Information concerning events during the course of the project, of technical or financial nature, which could be relevant to the costs claimed;
6. Communications between the Commission and the contractor, or with the coordinator, with regard to the cost statements concerned;
7. The Special conditions for to Art. 6 for an audit certificate (herewith included as **Annex 1**).
8. The Annex IV or V to the contract - Special conditions on Audit Certificates (herewith included as **Annex 2**)
9. The Model Audit Certificate (herewith included as **Annex 3**)
10. A model for an Audit Programme (herewith included as **Annex 4**).

4.5 Helpdesk and Frequently asked questions

Auditors that require further guidance on eligibility of costs can contact the IST Information and helpdesk:

*European Commission
The IST Information Desk
Directorate General Information Society, Unit F7
Rue de la Loi/Wetstraat 200, BU31 01/19
B-1049 Brussels, Belgium*

*Email: ist@cec.eu.int
Fax: +32-2-296.8388
Web: www.cordis.lu/ist*

The desk is manned 09h00 - 17h00 (Brussels), Monday to Friday.

Auditors may also consider to consult the FAQ (Frequently Asked Questions) web site at the following address: <http://www.cordis.lu/ist/manage.htm>.

5 GUIDELINES ON MAJOR FINANCIAL PROVISIONS FOR COST REIMBURSEMENT RESEARCH CONTRACTS (RTD, DEMONSTRATION AND COMBINED PROJECTS)

A set of guidelines have been prepared to help contractors and auditors to understand the financial provisions of the cost reimbursement model contract for Shared Cost Actions in the field of Research and Technological Development. Auditors should read the guidelines carefully together with the contract and its annex II.

These guidelines are available on www.cordis.lu/fp5/financial-guides.html

6 NON EXHAUSTIVE LIST OF IRREGULARITIES FOUND BY THE COMMISSION ON RECURRING OCCASIONS DURING AUDITS

This list provides some examples of irregularities that have been found previously during audits performed by the Commission. Such examples can be useful to auditors in support of their assessment of eligibility of individual cost items in accordance with contractual dispositions.

6.1 Problems encountered in the past in respect of personnel costs

During audits the following irregularities are found:

- Trail to the general ledger:
 - ‘Black’ payments or notional fringe benefits were claimed as part of the personnel costs.
- Hours charged:
 - The determination of the average hourly labour rate was based on the standard working hours (e.g. 7 hrs/day), but the hours charged to the project exceeded the standard working hours due to regular overtime worked.
 - Hours worked on the preparation of proposals were included in the costs claimed.
- Calculation of hourly labour rates:
 - For the determination of average labour rates, only the highest paid individuals of a given category were included. The average labour rates must reflect the salaries of all the individuals in a given category.
 - The determination of the average hourly rates was based on a very low number of “total productive hours”, because hours worked on general administrative matters or other commercial/productive activities of the contractor were deducted. In other cases, the total productive hours were too low due to excessive deductions for holidays, statutory holidays and illness which did not correspond to the actual situation.
- Unallowable expenses:
 - Provisions for future losses or liabilities, such as non-compulsory compensations, costs of closure or employee dismissals, accidents, legal actions were included in the costs.
 - “Commercial” rates as charged to clients were claimed instead of actual costs.
 - The costs of managers working part-time on the project were included both in direct costs and overheads (double-counting).
 - Salaries to company owners, which were entered into the accounts, were not paid but transformed into loans.

- Excessive training hours and costs not related to and not necessary for the project were charged.
- Bonuses paid only to staff working on EU-projects were claimed. They had to be considered as not necessary for the project or as unnecessarily high costs.

6.2 Problems encountered in the past in respect of overhead costs

- The following calculation methods are unacceptable to the Commission:
 - The charging of hours for research, commercial or productive staff to administrative expenditure (this leads to an unjustified increase of overheads).
 - The uneven distribution of overheads over all the productive staff
 - A system based on sold time or charged time (this is a way to recover losses – or maintaining profit – as rates decrease with more projects and increase with less).
 - Charging excessive training time (normal training is acceptable but high number of training hours could be related to re-qualification of staff).
 - The marking-up of costs for out-side consultants with the average overhead rate (only consultants working at the premises of the contractor should bear overheads and their time should therefore be included in the total chargeable time used for the distribution of the overheads).
- Costs that can not be charged to overheads:
 - Cost for unbilled time (which was removed from the annual billable hours)
 - Pre-commercial activities, such as preparation of offers, bids and tenders, considered as administrative time.
 - Marketing support costs (cars, travel, subsistence, etc.).
 - Help-Desk and other client support services (should be considered as commercial activity and bear overheads).
 - Bank charges for interests (bank charges for operation of accounts are allowed, however, interests camouflaged as and bank charges are not).
 - Excessive administration charges or “Management fees” paid to mother companies (such charges are only allowable if they relate to services effectively provided to the branch, if the fee is calculated on the actual cost of the service and does not include non-eligible costs referred to in Art. 22.3, e.g. interest).
 - Costs that have been subsequently recovered through administration charges or “Management fees” charged to subsidiaries or branch offices and costs that have been subsequently reduced by subsidies of tax relief received.
 - Unrecoverable VAT (VAT is not an eligible cost).
 - Undefined consultants' fees, often from outside the EU
 - Costs directly claimed on other EU or national/local government projects.
 - Accelerated depreciation charges for tax reasons.
 - Imputed or calculated interest (in Germany or “frais de financement” in France).
 - Calculated or provisioned exchange rate losses.

- The owner's private costs, even if they are in the books of the company, or any costs related to private accommodation (e.g. rental fees, utilities, telephone bills, school fees, car expenses other than the directors', holiday booked as business, pension and sickness schemes related to Director's family, salaries for relatives not working in the company).
- Consulting fees not related to the company's business.
- Entertainment allowances.
- Distribution of profits.

ANNEX 1: SPECIAL CONDITIONS FOR AUDIT CERTIFICATES INCLUDED IN ART. 6 OF THE CONTRACT.

The following special conditions shall be added to the contract:

Article 6 - Special conditions

6. (...) The following is added to Article 4 of Annex II to the contract :

“The first periodic cost statement shall be accompanied by an audit certificate in all cases where the eligible costs declared by the *contractor* exceed EUR 250,000 in the case of a cost statement covering a first period of 12 months, or EUR 125,000 in the case of a cost statement covering a first period of 6 months.

The cost statement for the final period shall be accompanied by an audit certificate covering all the periodic cost statements and the cost statement for the final period, in all cases where the total eligible costs declared by the *contractor* exceed EUR 250,000.

These audit certificates must be issued and certified by independent and qualified auditors approved by the competent authorities of the country of legal residence of the *contractor* to carry out statutory financial audits in accordance with the relevant national legislation and, where applicable, in compliance with the Eighth Council Directive 84/253/EEC of 10 April 1984.

In case a *contractor* is not in a position to provide an audit certificate by such an independent and qualified auditor as a result of restrictions in its statutes or under national legislation, no audit certificate will be required.

Where the audit certificate covering the first periodic cost statement is qualified, the Commission reserves the right to withhold part, or exceptionally, all of the payment of the Community's financial contribution until the period covered by the next cost statement in case of failure of the *contractor* to submit, within the time limits laid down in paragraph 3 of this Article, an unqualified audit certificate or an audit certificate incorporating qualifications acceptable to the Commission.

Where the audit certificate covering all periodic cost statements and the cost statement for the final period is qualified, the Commission may decide not to make the payment corresponding to the costs incurred during the final period or may require reimbursement of part, or exceptionally, all of the Community's financial contribution in case of failure of the *contractor* to submit, within the time limits laid down in paragraph 3 of this Article, an unqualified audit certificate or an audit certificate incorporating qualifications acceptable to the Commission, subject to two month's written notice of non-receipt of that document.

These audit certificates shall be drawn up in accordance with the provisions laid down in Annex [...] – “Special conditions for audit certificates” to this contract.”

6.(.....) The first subparagraph of Article 3(4) of Annex II to the contract shall be replaced by the following:

"Where the total financial contribution due from the Community, taking into account any adjustments, including as a result of a financial audit as referred to in Article 26 of this Annex or as a result of the absence of an audit certificate or as a result of an audit certificate incorporating qualifications non acceptable to the Commission as referred to in Articles 4 and 22 of this Annex, is less than the total amount of the payments referred to in paragraph 1, first subparagraph, of this Article, the *contractors* concerned shall reimburse the difference, in euro, within the time limit set by the Commission in its request sent by registered letter with acknowledgement of receipt."

6.(.....) The following is added to Article 22 of Annex II to the contract :

"In all cases where a certification in an audit certificate is required under Article 4 of this Annex, costs for which there is no such certification shall not be considered as *eligible costs*."

6.(....) The following text is added to the end of the second sentence of the first subparagraph of Article 23(8) of Annex II to the contract : "....., or in providing the audit certificates required under the provisions of Article 4 of this Annex. The Community's financial contribution in respect of the costs incurred for the audit certificate shall not exceed EUR 4,000 per audit certificate."

6.(....) The final sentence of the third subparagraph of Article 3(3) of this contract shall be replaced by the following : "The guarantee retention shall be 20% of the maximum amount of that contribution."

6.(....) The following is added to the first paragraph of Article 8 of the contract :

"Annex [.....] - Special conditions for audit certificates"

6.(....) The third paragraph of Article 8 of the contract shall be replaced by the following:

"The special conditions set out in Article 6 of and Annex III – "Special conditions for the IST Programme" and Annex [.....] – "Special conditions for audit certificates" to this contract shall take precedence over any other provisions."

ANNEX 2: SPECIAL CONDITIONS FOR AUDIT CERTIFICATES ATTACHED AS A SEPARATE ANNEX TO THE CONTRACT

ANNEX [.....] - Special conditions for audit certificates

1. In concluding an appropriate agreement with the auditor issuing the audit certificates required under in Article 4 of Annex II to this contract, each *contractor* shall ensure that its auditor:
 - shall submit audit certificates in accordance with the model format, and incorporating the details, specified in Part A of this Annex. The audit certificates shall be based on audit work that provides reasonable assurance that, subject to a confidence level of 95%, the total *eligible costs* do not differ from more than 2.5% of total costs claimed (materiality level),
 - shall document his audit procedures in accordance with professional standards,
 - shall acknowledge the right for the Commission, or any representative authorised by it, to assess the audit work performed at any time during the contract and up to five years after each payment of the Community contribution, as referred to in Article 3(1), first subparagraph, of Annex II to this contract,
 - shall, without delay, supply the Commission with any information or appropriate documentation complying with the professional standards and reasonably requested by the Commission in support of the conclusions of the audit certificates.

The assessment procedure shall be carried out by the Commission on a confidential basis and with the appropriate assistance of the *contractors*.

In order to assist the auditors in the performance of their work, a copy of the document "Financial Audits concerning EU RTD Contracts under the V Framework Programme - Guidelines for External Auditors - version [*version id - date*]" shall be provided to them.

2. Instructions concerning qualifications :

- the auditors need to quantify the maximum expenditure they consider acceptable without qualification. The auditors need to substantiate their motivation for qualification. This qualification must highlight the assumptions made by the *contractor* and not accepted by the auditor; it should also provide calculations demonstrating the impact of each of the assumptions rejected by the auditor on the total amount of costs declared,
- auditors are requested to explore with the *contractor* the possibility to have cost statements corrected by the *contractor* prior to submission to the Commission in order to lift the qualification. The auditor and the *contractor* are expected to clear any questions on factual data or detailed calculations. However, persisting disagreement on matters of principle or interpretation of contractual provisions can ultimately lead to a qualification by the auditor. In those cases, a report on the contradictory discussion between the auditor and the *contractor* should be prepared, signed by both

parties and attached to the audit certificate. This report should list the arguments and counter arguments presented by both parties,

- auditors needing additional guidance on interpretation of contractual provisions and other legal requirements shall address the IST helpdesk. Auditors may also consider to consult the FAQ (Frequently Asked Questions) web site at the following address <http://www.cordis.lu/ist/manage.htm>.
3. Each of the *contractors* for which an audit certificate is required under Article 4 of Annex II to this contract has the responsibility to ensure that the agreement concluded with its auditor contains adequate provisions to protect the above rights of the Commission and the Commission shall only be deemed to have agreed to deviate from such rights if, and only to the extent, it has agreed explicitly in writing.

AUDIT CERTIFICATE

I/We....[*name(s) of auditor(s)*]....of[*name of audit firm*]...(copy of document of approval by the competent authorities attached herewith) hereby certify that:

I/We have conducted a financial audit of the cost statement(s) presented to the Commission, and summarised in Annex I to this audit certificate, under contract [*contract reference*] by....[*name of company/organisation audited*]....in respect of the project.... [*reference number and acronym of project*]....for the following period(s)....[*insert period(s) of cost statement(s) audited*].

The audit was carried out in accordance with generally accepted auditing standards respecting ethical rules and on the basis of the relevant provisions of the above-referenced contract and its Annexes. The above-mentioned cost statement(s) was(were) examined and such tests of the supporting documentation and accounting records deemed necessary were carried out in order to obtain reasonable assurance¹ that [, subject to the qualifications mentioned below]:

- only eligible costs are claimed in accordance with the financial provisions of the contract,
- the costs claimed are related to the project,
- the costs claimed are actual costs recorded in the official accounts of ...[*name of contractor*],
- the costs claimed have been incurred during the duration of the project or as otherwise specified in the contract,
- the actual hours worked by the persons directly undertaking the scientific and technical work for the project and charged to the contract are supported by time records maintained in accordance with the relevant article of Annex II to the contract,
- any necessary adjustments to costs previously reported have been made.

[Qualifications :]

Signature & date

Audit Company's Stamp

¹ In accordance with the requirements of Annex [V] to the contract (Special conditions on audit certificates) the audit has been designed as to provide reasonable assurance that, subject to a confidence level of 95%, the total eligible costs do not differ from more than 2.5% of total costs claimed (materiality level)

Annex I to the audit certificate

**Summarised data of eligible costs declared to the Commission by the contractor
..... for the period(s)..... to**

Cost categories	Costs declared (Euro / currency ...)		
	Unqualified	Qualified	Total
Direct costs			
1. Personnel			
2. Durable equipment			
3. Subcontracting			
4. Travel and subsistence			
5. Consumables			
6. Computing			
7. Protection of knowledge			
8. Other specific costs			
Indirect Costs			
9. Overheads			
Total			

The total cost incurred by the contractor for the audit certificate[s] relating to the [first][and][final] cost claim is Euro.....[amount to be specified³].

³ The total cost incurred for audit certification (relating to the first and/or final cost claim) is to be included under the Other specific costs, irrespective of the limitations of the EU contribution to Euro 4000 per audit certificate (Article 6 of the contract). The Commission will apply, where necessary, a reduction to the total amount payable in the context of its cost claim acceptance procedure.

ANNEX 4: INDICATIVE MODEL OF AUDIT PROGRAMME

Indicative Model of Audit Programme

This model audit programme is designed as a guideline to cover the main areas in need of attention during a complete audit. The prime objective of each audit will always be to verify that the costs incurred in performing research contracts, have been claimed in compliance with the contractual rules defined in each specific contract under audit.

- Review the contract to be audited
- Personnel costs
 - Verify compliance with the terms of the contract.
 - Verify correspondence with supporting documentation.
 - If applicable, review the labour contracts of the personnel involved in the research.
 - Verify that the amounts charged correspond with the amounts actually paid and recorded in the official books of the contractor.
 - If applicable, verify that the monthly/hourly labour rates have been correctly calculated, and that the number of chargeable hours used for the calculation of the hourly rate is reasonable.
 - If applicable, verify that the labour time claimed corresponds with the time actually spent.
 - Conclude on the eligibility of the labour costs claimed, and calculate the audit adjustment, in necessary.
- Overheads
 - Review system of overhead apportionment, calculation method and allocation to contracts.
 - Agree the figures considered for the calculation of overheads with the profit and loss accounts and review the accounting records.
 - Verify compliance with the terms of the contract.
 - Verify that the number of chargeable hours used for the distribution of overheads is reasonable. If overheads are distributed over salaries, verify that the percentage has been correctly calculated.

- Conclude on the eligibility of the overheads claimed, and calculate the audit adjustment.
- Other direct costs
 - Verify, per cost category, correspondence with supporting documentation.
 - Verify, per cost category, compliance with the terms of the contract.
 - Ensure that no VAT is included.
 - Conclude on the eligibility of the costs claimed, and calculate the audit adjustment, if necessary.
- Inter-company transactions: Enquire into any transactions of significance for the costs claimed from the Commission. Ensure that no profit element is included.
- Verify any adjustments to previous cost claims
- Write Audit Certificate and submit it to contractor. The Audit Certificate shall have qualifying remarks on the costs reported for the costs adjusted or disallowed.