



HE audits: How to prepare and avoid common errors



1. How to prepare for an audit

The auditors are coming, what to do?

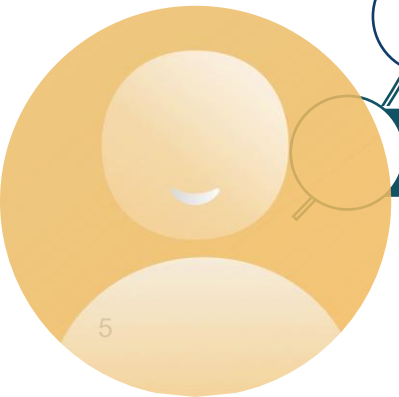


**DON'T
PANIC**



You've got mail

- 1 Understand audit scope and requirements
- 2 LEAR and Audit Contact Point
- 3 Questions? Contact the auditor
- 4 Calendar: Verification visit dates
- 5 Maths: Financial statements vs. Accounting records
- 6 Gather and upload requested documents (Annexes I, II, III), **on time**
- 7 No surprises: Indicative Audit Programme





Get ready...Go!



Results are in!



What next?



- ✓ Learn
- ✓ Improve



Next steps

- ✓ Findings implementation
- ✓ Extension process



Don't wait until the audit! Prepare during project implementation



Legal obligations

Grant Agreement and
its annotations



Project File

Make it part of
your project plan



Not ready?

It could be
costly...



2. The most expensive errors

And how to avoid them!

Errors can be expensive ...

No supporting documents

- Keep detailed documentation of the costs claimed (including personnel costs calculation). Required in case of an audit.

Costs incurred by entity not in the Grant Agreement (GA)

- Check carefully which legal entity incurred costs and whether it is specifically mentioned in the GA.

Equipment full purchase cost instead of depreciation

- Be careful: only depreciation costs based on your accounting records are eligible.



Errors can be expensive ...

Missing or unreliable TRS

- Make sure time spent on the project is recorded and basic requirements are met.

Wrong calculation of daily rate/maximum declarable day-equivalents

- Check the rules carefully.

Deductible VAT

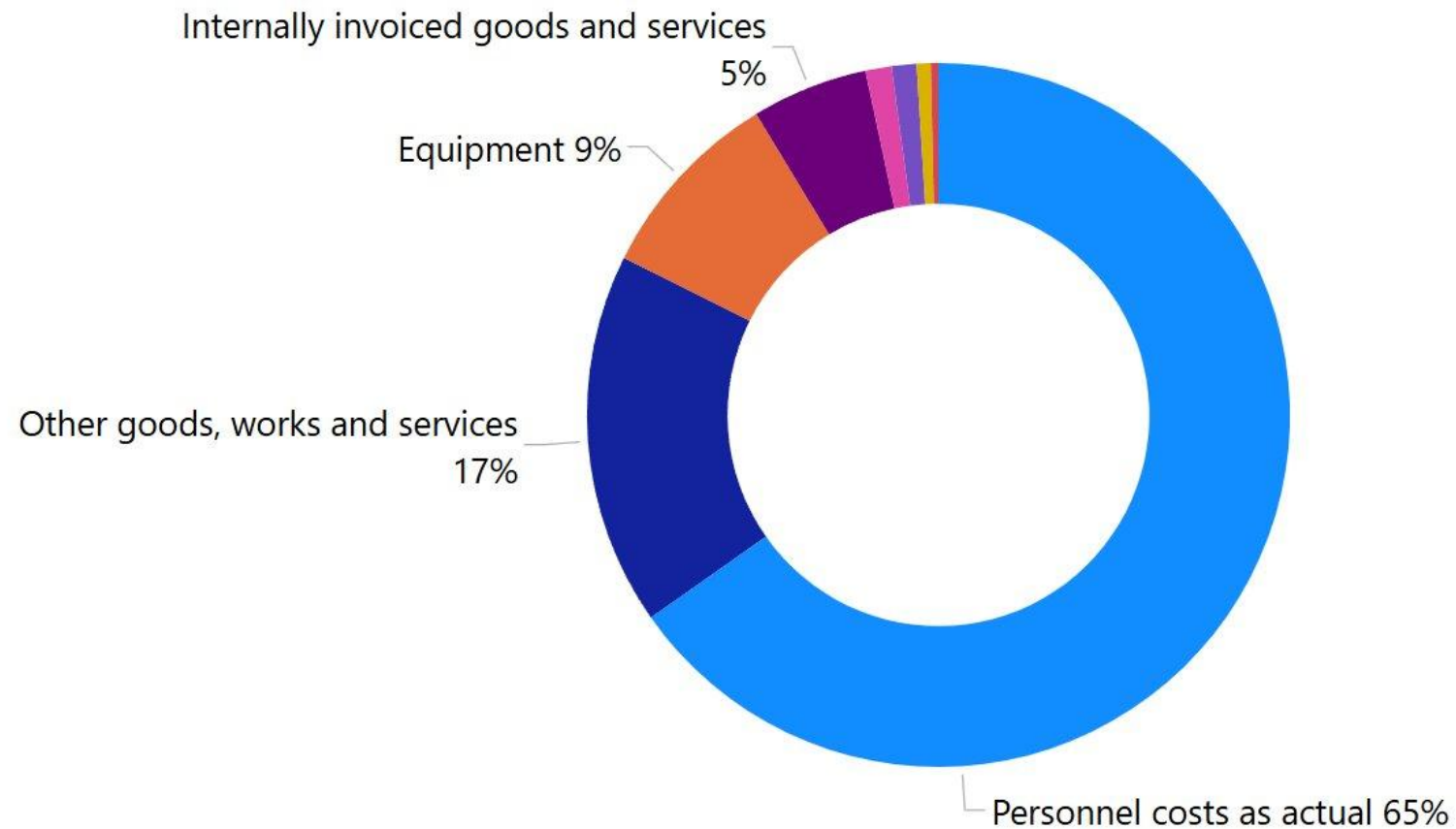
- VAT is ineligible if recoverable by the beneficiary (or the in-kind contributor).





3. The most common errors

Errors per cost category



Disclaimer: information not legally binding



Frequent audit findings – Personnel costs

Daily rate – actual costs

Daily rate per full calendar year and not per RP months within the calendar year

Daily rate not based on maximum declarable day-equivalents

Calculation of day-equivalents

Rounding rule not followed

Wrong conversion hours to day-equivalents

Time claimed

TRS not or partially compliant

Differences between the time claimed and the TRS



Daily rate calculation – per reporting period

Recommended

Example 1:

Reporting Period: 01/01/2022 - 31/03/2023 (15 months)

Employment period: 05/03/2022 - 31/03/2023

Work pattern: First 3 months = 50%; From June 2022 = 100%; Parental leave= 2 months (Feb - Mar 2023)

Maximum declarable day – equivalents

$$= \left[\left(\frac{215}{12} \times 2.86 \times 0.5 \right) + \left(\frac{215}{12} \times 10 \times 1 \right) \right] - \left(\frac{215}{12} \times 2 \times 1 \right) = 169 \text{ days}$$

*1 month
= 30 days*

*Rounded
to nearest
half day-
equivalent*

$$\text{Daily rate} = \frac{\text{Remuneration costs March 2022–March 2023}}{169 \text{ days}}$$



Daily rate calculation – per calendar year

Example 2:

Reporting Period: 01/01/2022 - 31/03/2023 (15 months)

Employment period: 05/03/2022 - 31/03/2023

Work pattern: First 3 months = 50%; From June 2022 = 100%; Parental leave= 2 months (Feb - Mar 2023)

Rounded

2022 Maximum declarable day – equivalents

$$= \left(\frac{215}{12} \times 2.86 \times 0.5 \right) + \left(\frac{215}{12} \times 7 \times 1 \right)$$
$$= 151 \text{ days}$$

2023 Maximum declarable day – equivalents

$$= \left(\frac{215}{12} \times 3 \times 1 \right) - \left(\frac{215}{12} \times 2 \times 1 \right) = 18 \text{ days}$$

Daily rate 2022 =

Remuneration costs March 2022–December 2022

151 days

Daily rate 2023 =

Remuneration costs January 2023–March 2023

18 days



Conversion of hours to day-equivalents

Hours worked by the person on the action during the RP

Rounding rule!

number of hours of a day – equivalent

Option 1

Day-equivalent is
8 hours

Option 2

Average working hours
per contract

Option 3

Standard Productive
Hours

2a- hours per day

$$\frac{\text{working hours per day}}{\text{working time factor}}$$

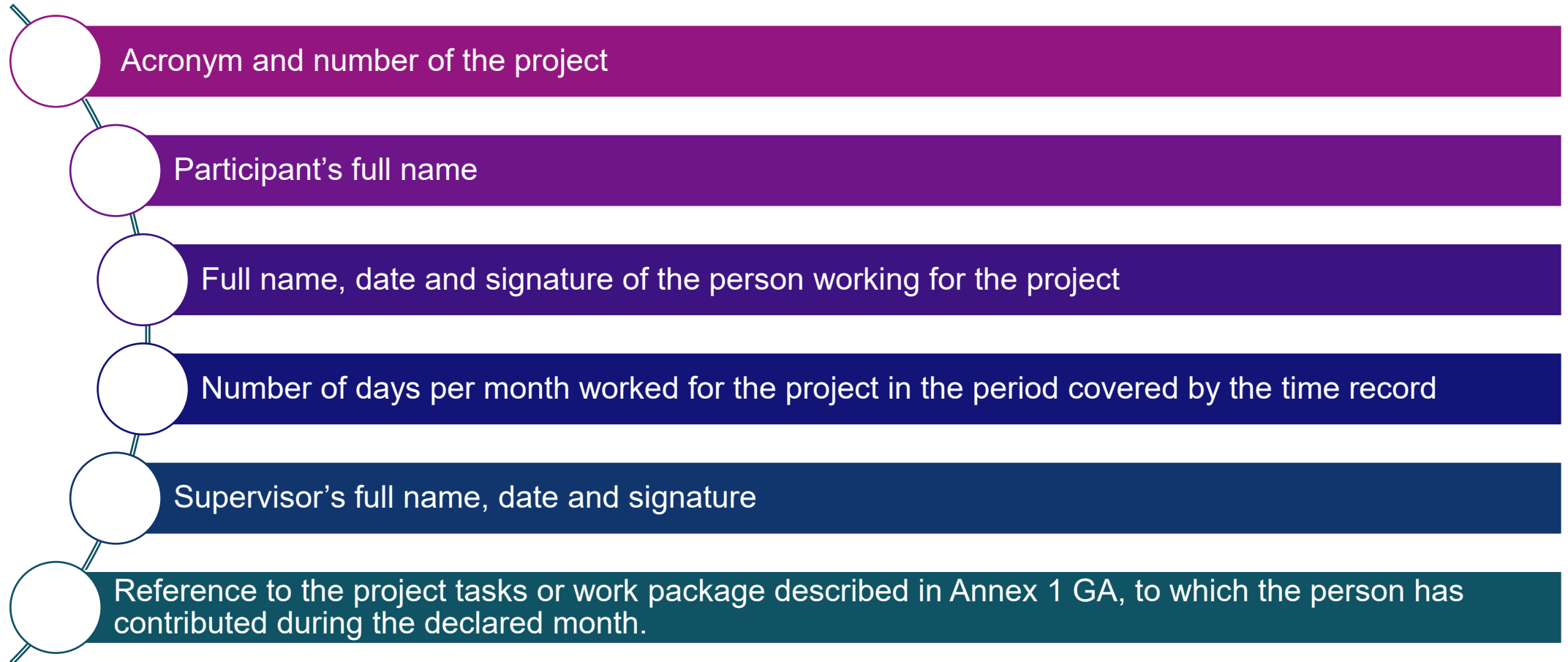
2b- hours per week or month

$$\left(\frac{\text{working hours per week [or month]}}{\text{working time factor}} \right) / \text{working days per week [or month]}$$

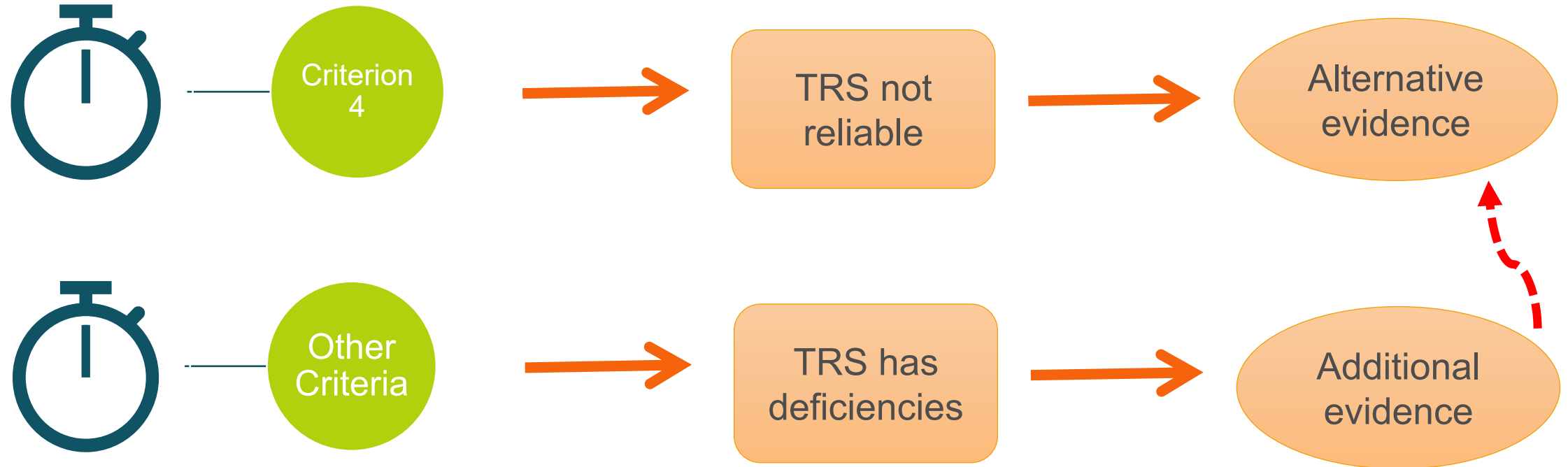
Higher of
annual SPH FTE
and 90% annual workable hours FTE
215



Time Recording system – Minimum requirements



Time Recording System not or partially compliant



Potentially systemic

Disclaimer: information not legally binding



Example: Time Recording system (1)



Merger with another company



Alternative evidence

What?

How was it assessed?

Result?

Email exchanges, calendars showing meetings scheduled, meeting agendas, presentations, deliverables and Beneficiary's calculation of time spent on these activities and explanation of how was the time calculated.

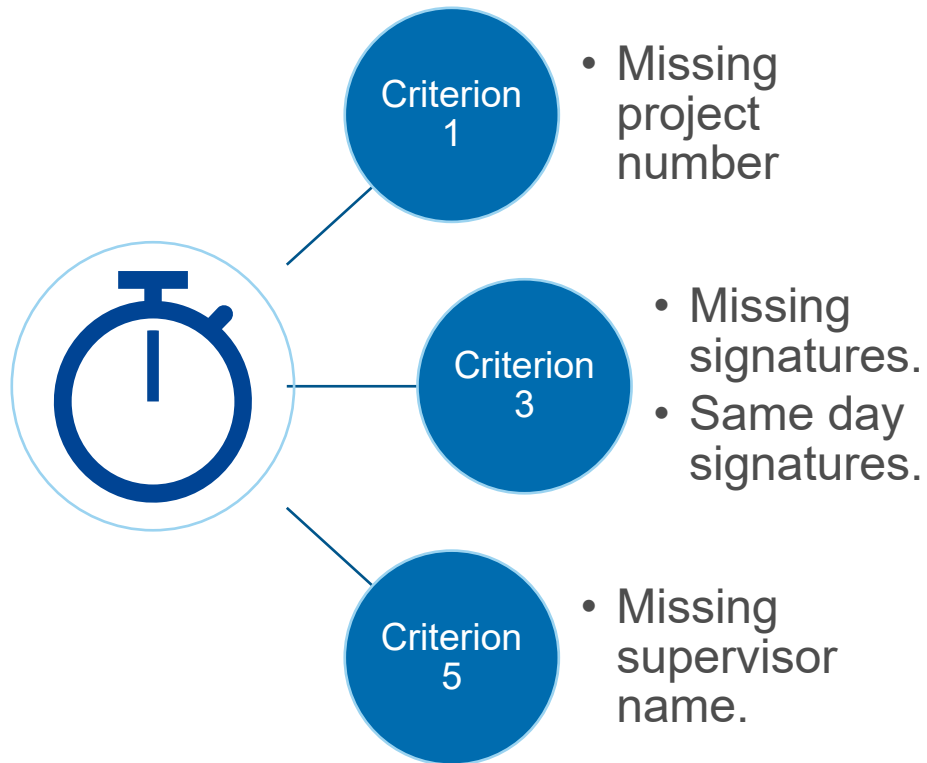
Annotations to Article 20 of the GA:

- identification of the person concerned;
- link to the project;
- Possibility to quantify time.

Only some of the time claimed was justified and accepted



Example: Time Recording system (2)



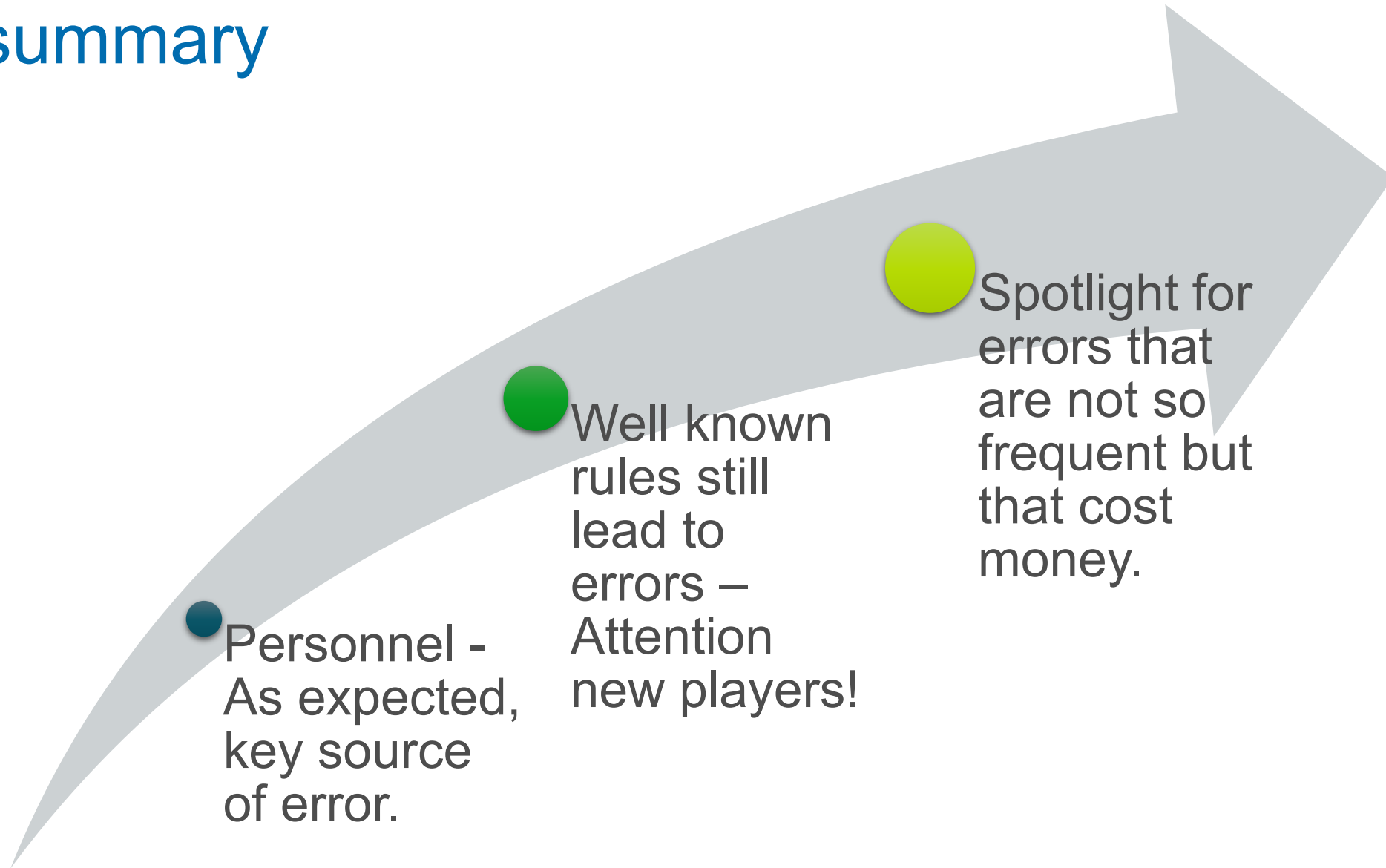
Additional evidence

- Interviews with project managers.
- Interviews with staff members.
- Procedure to create projects in the TRS and their internal codes.
- Project internal code list
- Emails with specific reference to project activities and deliverables.
- Review of project management tools monitoring deadlines, milestones, responsibilities and activities.

Result?

Time claimed was justified and accepted.

In summary



Questions? We are listening!





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