



# 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

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

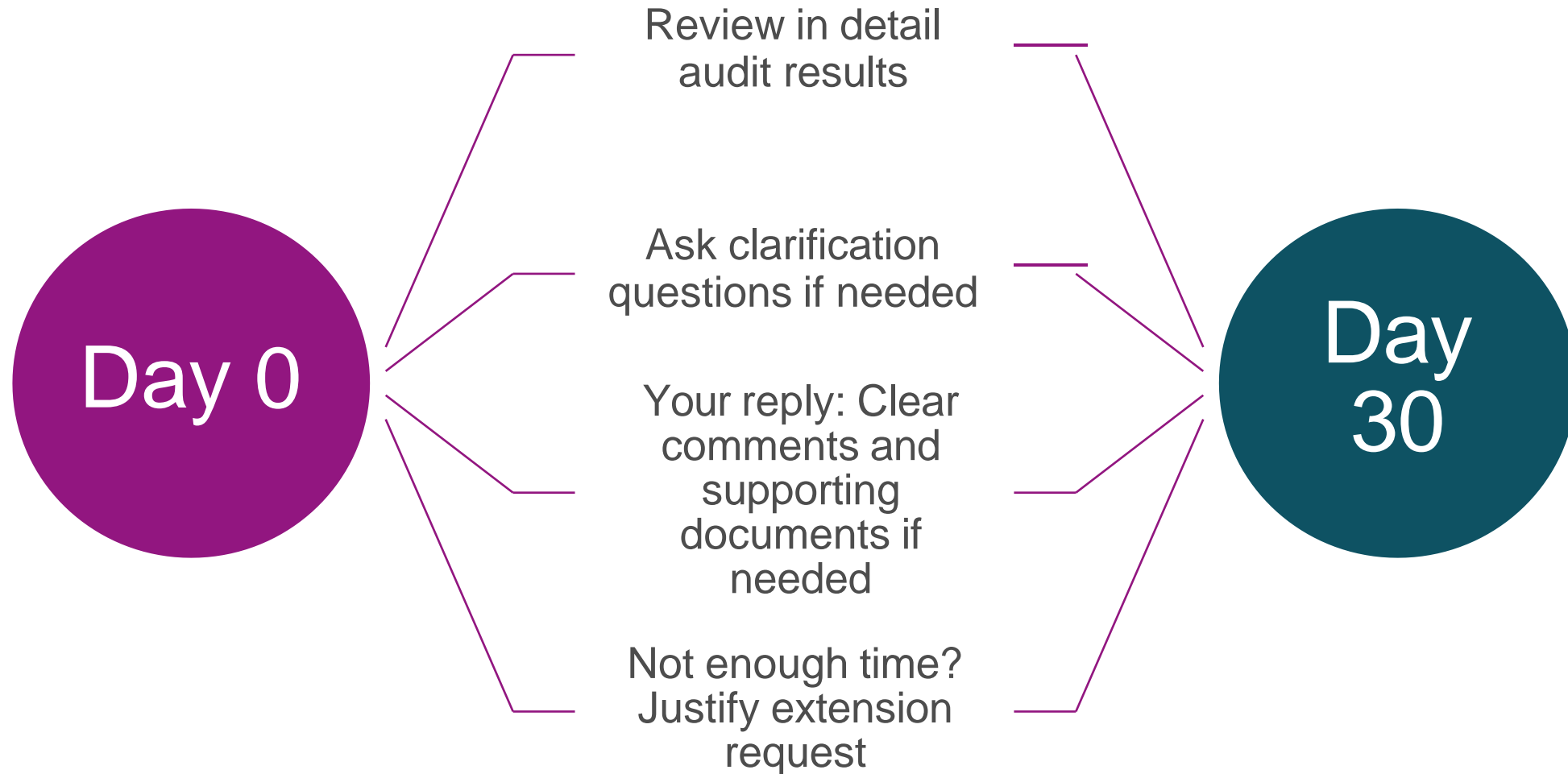




# Get ready...Go!



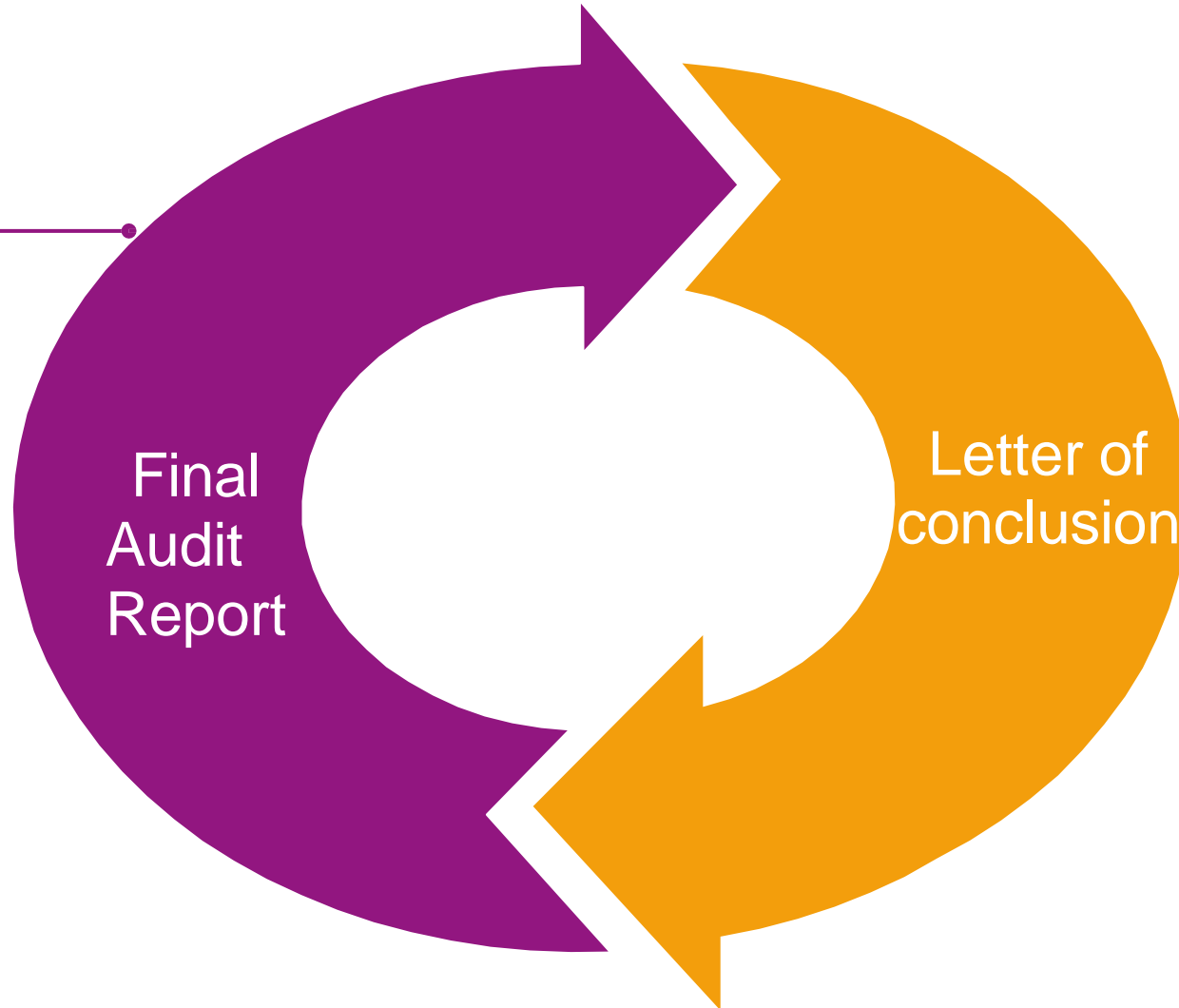
# Results are in!



# 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 costly ...

## 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 costly ...

## 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

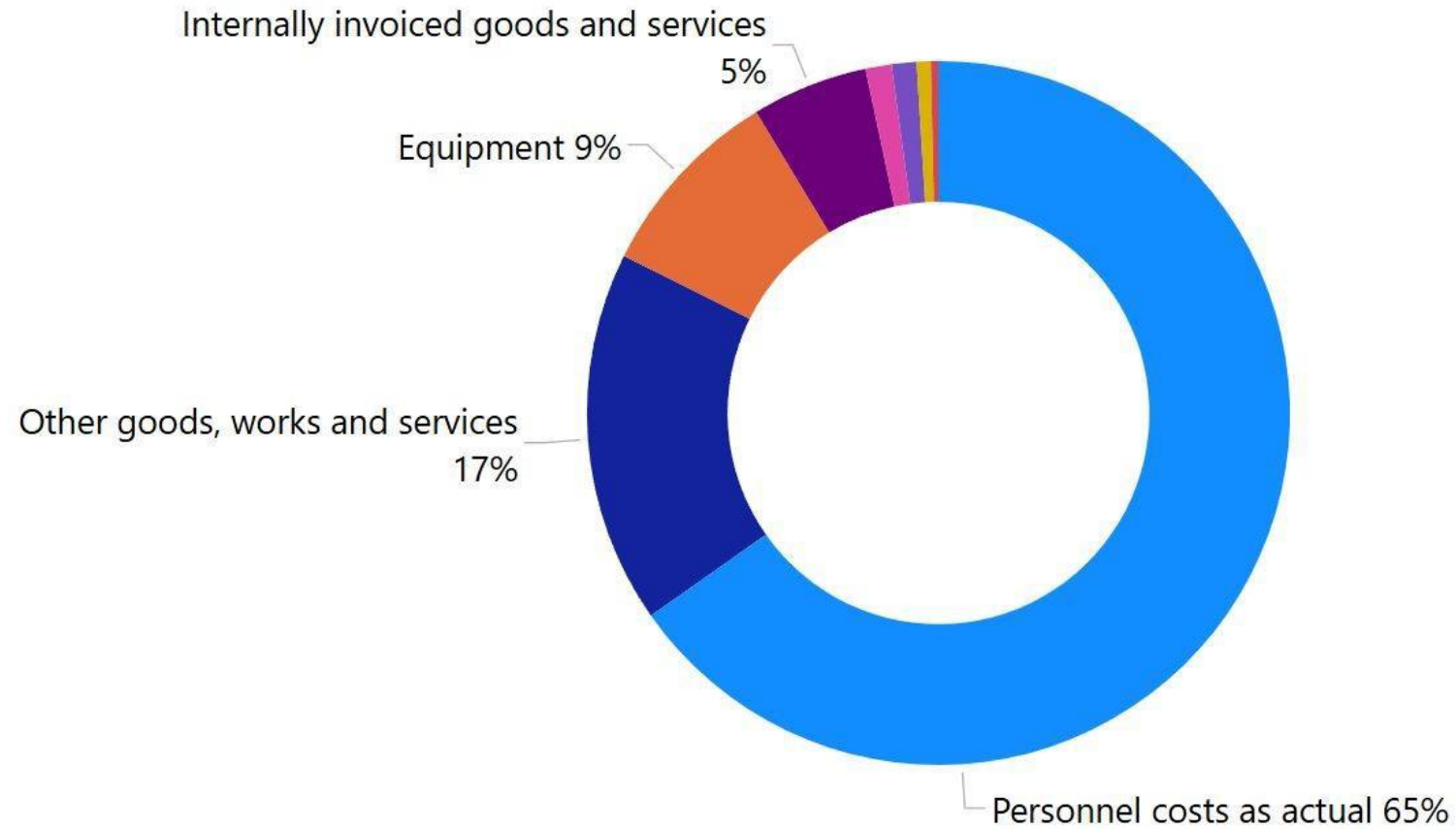
- VAT is ineligible if recoverable by the beneficiary (or the in-kind contributor).





## 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)

*2022 Maximum declarable day – equivalents*

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

Daily rate 2022 =

$$\frac{\text{Remuneration costs March 2022–December 2022}}{151 \text{ days}}$$

*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 2023 =

$$\frac{\text{Remuneration costs January 2023–March 2023}}{18 \text{ days}}$$

Rounded



# Conversion of hours to day-equivalents

Once per person per RP

*Hours worked by the person on the action during the RP*

*number of hours of a day – equivalent*

Rounding rule!

## Option 1

Day-equivalent is 8 hours

## Option 2

Average working hours per contract

## Option 3

Standard Productive Hours

**2a-** hours per day

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

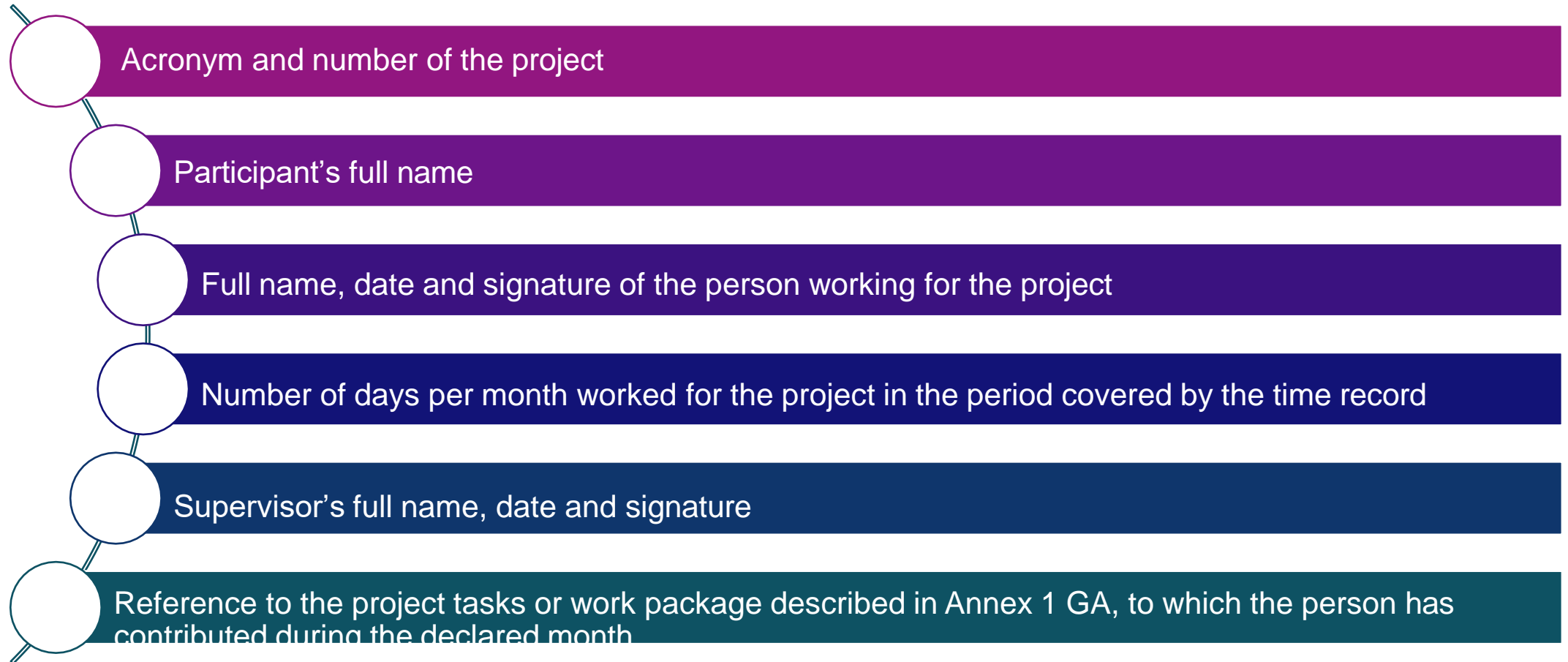
**2b-** hours per week or month

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

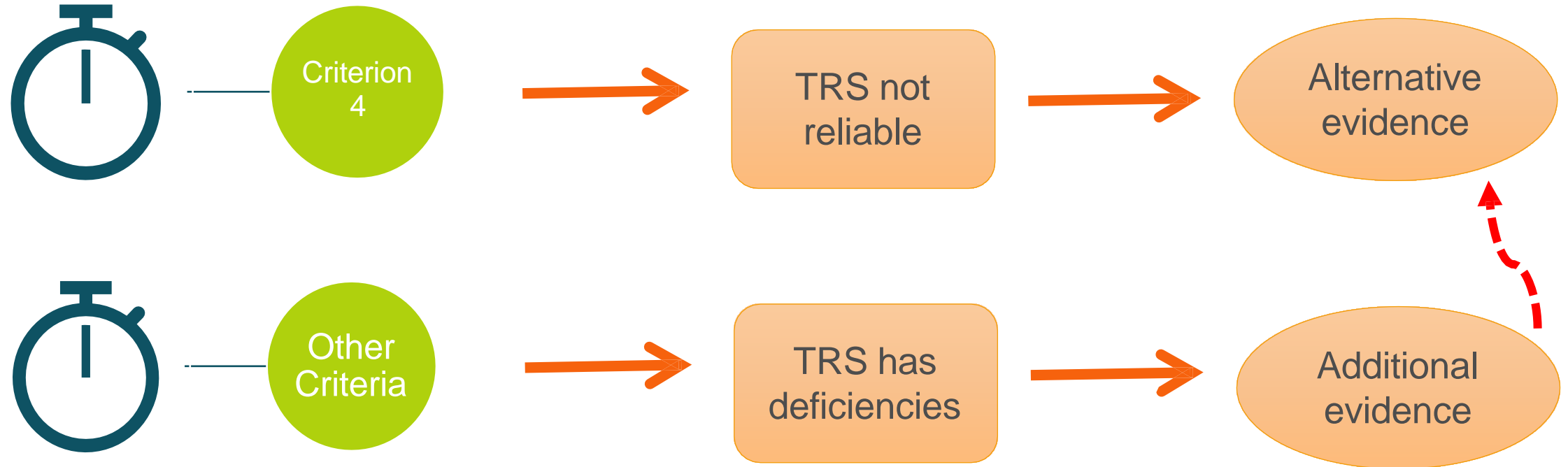
*Higher of*  
*annual SPH FTE*  
**and** 90% annual workable hours FTE  
215



# 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.

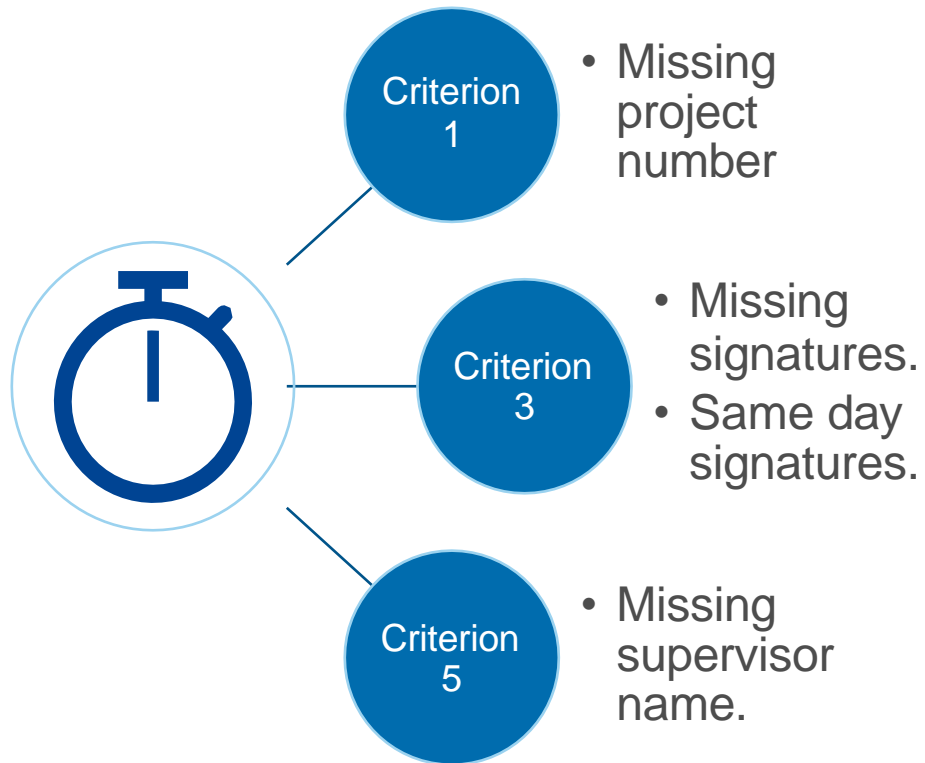
#### Annotations to Article 20 of the GA:

- 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)



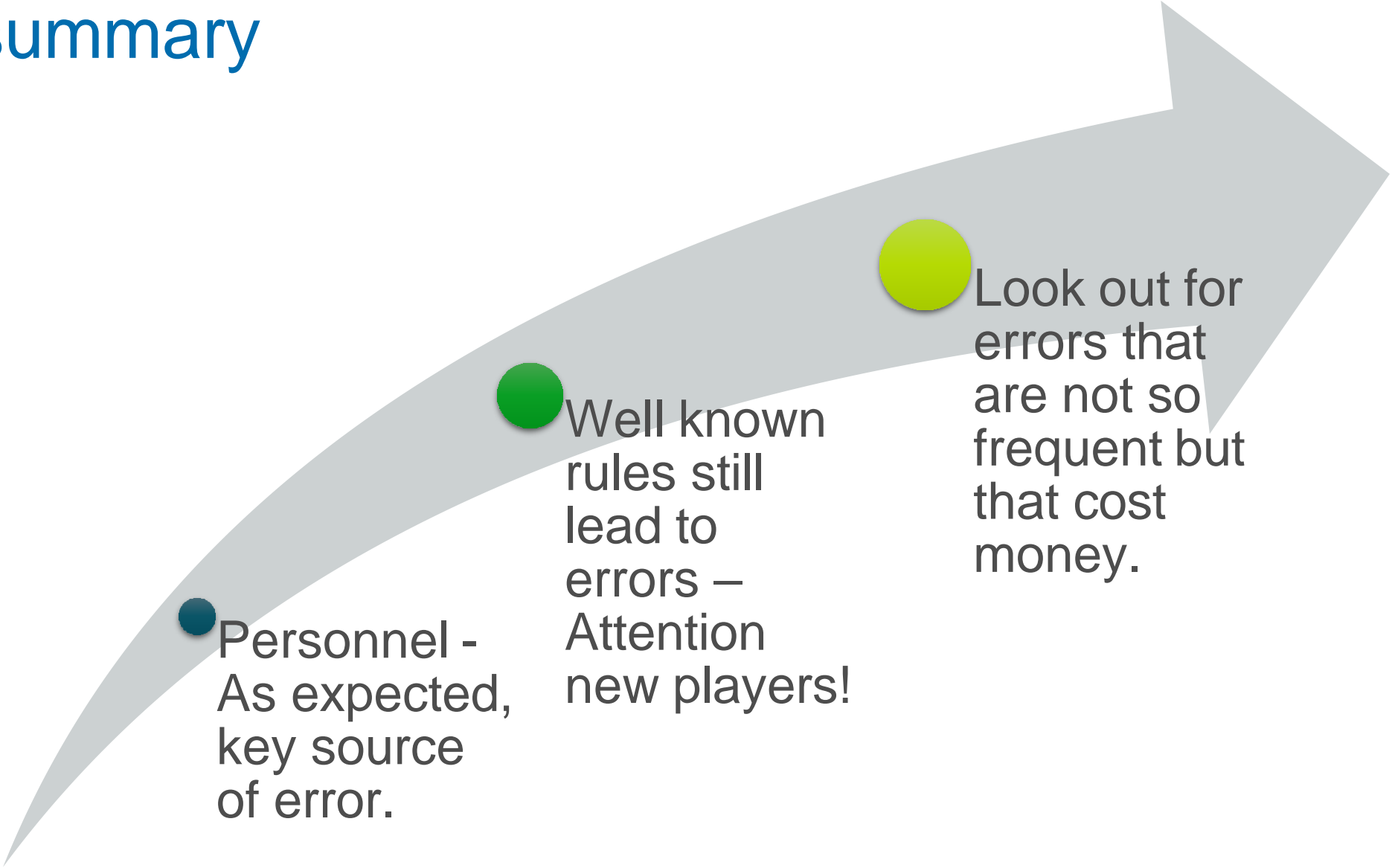
## Additional evidence

- 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



Personnel -  
As expected,  
key source  
of error.

Well known  
rules still  
lead to  
errors –  
Attention  
new players!

Look out for  
errors that  
are not so  
frequent but  
that cost  
money.

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# Questions? We are listening!





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