

# ***Ex-post audit findings from IEE projects***



*In this note we summarise for you the most common errors that EASME found during recent audits in financial statements of completed Intelligent Energy Europe (IEE) projects.*

*As a result, we had to recover the wrongly paid amounts.*

*In some cases these avoidable errors represented a substantial part of the costs that beneficiaries had claimed from IEE.*

*For more guidance see also 'IEE Financial Guidelines':  
<http://ec.europa.eu/energy/intelligent/files/managing/2015/financial-guidelines-2015.pdf>*

# Main findings



- Lack of timesheets / errors in timesheets
- Incorrect calculation of hourly rates
- In-house consultants do not meet all eligibility criteria
- Procurement procedures are poorly documented



# General errors

- Costs claimed in the Financial Statement **do not reconcile** with the costs encoded in the accounting system;
- Lack of **supporting documents** to substantiate the costs incurred;
- Wrong **exchange rate** used for converting costs incurred in another currency;
- Ineligible **VAT included** in the Financial Statement;
- Costs were incurred outside the **eligibility period**.



## Errors related to staff costs (1)

- **Lack of timesheets** (or other evidence) to record the time worked on the project;
- Timesheets **did not comply** with the requirements of the EU (e.g. do not record all hours worked by a member of staff);
- Hourly rates were based on **budgeted rates or estimates**;
- Hourly rates of a specific year were used over the life of the project;
- **Average hourly rates** were materially different from individual rates of staff working on the project;

## Errors related to staff costs (2)



- **Wrong calculation** of standard productive hours (e.g. beneficiaries deduct time for administrative work or internal meetings or too many days for trainings);
- Use of standard productive hours when **actual hours** worked are significantly higher;
- **Discrepancies** between assumed yearly salary costs and actual payslips;
- **Ineligible elements** (such as bonuses and royalties) included in the salary cost;
- **Criteria** for in-house consultants were not met.



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# In-house consultants charged under staff costs



Requirements:

1. To have a **contract** (for work related to the project);
2. To work under direct **supervision** of the beneficiary;
3. To work in the **premises** of the beneficiary as member of the project team;
4. The **output** of the work **belongs** to the beneficiary;
5. The **costs do not significantly differ** from costs of the beneficiary's employee with similar expertise;
- 6. Travel and subsistence is paid** by the beneficiary;
7. The consultant must **use the infrastructure of the beneficiary.**



# Errors related to subcontracting

- Lack of evidence that the **procurement procedure** was sound (respecting in particular **best value for money**, transparency and equal treatment);
- Where competitive tendering was **not used**, this was not sufficiently documented and justified;
- Work is subcontracted to **a related party** (conflict of interest).

# Case study: Adjustments to costs claimed (1)



Period examined: 01/10/2008 - 31/03/2011	Grant Agreement Budget	Costs claimed by Beneficiary	Costs accepted by EASME	Eligible costs identified by the auditor	Adjustments to costs accepted by EASME
Cost category	(€)	(€)	(€)	(€)	(€)
<b>DIRECT COSTS</b>					
<b>1. Staff</b>	49.500,00	49.500,00	49.500,00	1.064,19	(48.435,81)
<b>2. Subcontracting</b>	14.000,00	14.000,00	14.000,00	-	(14.000,00)
<b>3. Travel and subsistence</b>	6.640,00	6.640,00	5.840,62	3.905,61	(1.935,01)
<b>4. Durable equipment</b>				-	0,00
<b>5. Other specific costs</b>	113.000,00	113.000,00	112.808,93	49.719,12	(63.089,81)
<b>INDIRECT COSTS</b>					
<b>6. Overheads at 60% on eligible Staff Costs</b>	29.700,00	29.700,00	29.700,00	638,51	(29.061,49)
<b>TOTAL costs</b>	<b>212.840,00</b>	<b>212.840,00</b>	<b>211.849,55</b>	<b>55.327,43</b>	<b>(156.522,12)</b>
<b>Sample size (%)</b>					<b>82,58%</b>
<b>EU contribution rate (%)</b>					<b>75,00%</b>
<b>Maximum EU contribution</b>					<b>41.495,57</b>
<b>Theoretical recovery</b>					
(= total adjustments to costs accepted by EASME * EU contribution rate)					117.391,59
<b>Adjustment to Interest yielded by pre-financing</b>					-
<b>Total theoretical recovery</b>					<b>117.391,59</b>



## Case study: Adjustments to costs claimed (2)



### Staff costs

- **Lack of timesheets** (€ -41.310,81)
- **Costs of an in-house consultant**, who does not meet all requirements, were charged under staff costs. The costs could also not be accepted under subcontracting as the work was not foreseen in Annex I, nor budgeted in Annex II. In addition, the contract does not show a clear link with the project. (€ -7.125,00)

### Subcontracting

- **Lack of procurement procedure** (€ -14.000,00)

## Case study: Adjustments to costs claimed (3)

### Travel and subsistence

- Costs incurred by the in-house consultant who's costs was deemed ineligible after the audit has been transferred to other direct costs (€ 1.892,44). The same for costs claimed for a person not being charged under staff costs (€ 799,38)
- Cost claimed twice (€ -20,00)
- Incorrect ex-change rate (€ -22,57)

### Other direct costs

- Clear **conflict of interest** and **lack of procurement procedure** when subcontracting services for the distribution of the radio campaign (€ -63.845,29)
- Cost claimed for office suppliers (€ -1.936,34) and insurance (€ -191,07)