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EUROPEAN HEALTH AND DIGITAL EXECUTIVE AGENCY (HADEA)

Finance and Resources
Financial support and control

MOST COMMON ERRORS DETECTED IN EX-POST AUDITS

The purpose of this document is to raise awareness of the most common errors detected in cost reimbursement grants through the past audits in 2021 – 2027 programmes managed by HaDEA, as well as errors which may not necessarily be frequent but could result in a high rejection of ineligible costs. The list of errors below is informative and not exhaustive.

The paper serves a support to operational and financial staff in their contact with the coordinators and should be further disseminated within the consortium to the beneficiaries. In case of further questions, coordinators can contact the Project Officer in charge.

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ERRORS ACROSS ALL COST CATEGORIES

- **Lack of adequate supporting documents evidencing the various cost components**:
  This is one of the key elements for an audit. Claimed costs must be supported by appropriate evidence and retained in line with Article 20 of the AGA, normally for at least 5 years after payment of the balance, or 3 years for low-value grants up to EUR 60 000, and longer if ongoing procedures require it (AGA p. 205–206).

- **The costs claimed in the financial statement do not reconcile with the accounting records:**
  Audit trails must allow a clear reconciliation between the financial statement, payroll or accounting records, and supporting evidence, in line with Article 20.1 of the AGA, which requires direct reconciliation between the amounts declared, the amounts recorded in the accounts and the amounts stated in the supporting documents (see AGA p. 205 and 207).
  Beneficiaries should ensure that costs claimed in the financial statements:
  - are fully traceable to accounting records and supporting documents;
  - and that reconciliations can be clearly demonstrated during audits.

- **Costs claimed under incorrect cost category:**
  Reclassification of costs from one cost category to another continue to arise where the legal or contractual nature of the cost points to another budget category (for example, most frequent reclassifications concern costs incorrectly claimed under personnel costs instead of ODG or Subcontracting costs, Costs incorrectly claim under Equipment costs instead of OGS and vice versa and costs claimed under Internal invoice instead of OGS.)

- **Costs claimed and incurred outside the reporting period dates:**
  Only costs incurred during the eligible period of the action may be declared, subject to the limited exceptions set out in the grant rules, (AGA Article 6.1(a) general eligibility conditions – costs incurred during the action duration, around p. 45–47).

- **Deductible VAT is incorrectly claimed as eligible:**
  VAT is only eligible where the applicable grant conditions allow it and where it is not deductible or recoverable under national law. (AGA Article 6.3, VAT guidance, around p. 46–50).

PERSONNEL COSTS

- **Remuneration costs not correctly calculated**:
  Incorrect remuneration costs for both actual personnel costs and unit costs for personnel. Frequent issues include the use of average, budgeted, estimated or fixed amounts instead of actual eligible payroll data, as well as the inclusion of ineligible remuneration components (AGA Article 6, around p. 40–52).

- **Incorrect productive days calculation:**
  Errors include incorrect productive-time calculations, failure to adapt for part-time or partial-year situations, and incorrect day-equivalent calculation methods (AGA Article 6 and Article 20, around p. 50–52 and 205–206).

- **Clerical errors and days not rounded to the nearest half**:
  Day-equivalents must be rounded to the nearest half-day in accordance with the applicable rules (AGA p. 205–206).

- **Unreliable/missing timesheets:**
  Time declared for the action must be identifiable, verifiable and supported by reliable records, with monthly declarations or another reliable time-recording system accepted under Article 20 (AGA p. 205–206). Timesheets or time declarations that are not properly approved and/or not signed off by the concerned person, do not clearly indicate the time spent on the action, or do not exist at all could lead to rejection of personnel costs.

- **Incorrect time working on the action claimed**:
  Declared time must reconcile with the underlying time records and may not exceed the applicable declarable ceiling (AGA p. 205–206).

- **Double funding or not respecting the ceiling of 215 days:**
  The AGA clarifies that the horizontal 215-day ceiling applies in the cases where that denominator is used for the daily-rate calculation (AGA Article 6, around p. 50–52).

- **Project-related bonuses or salary increases not based on transparent, objective and measurable criteria:**
  Any supplementary remuneration must follow the grant conditions and the beneficiary's usual remuneration practices (AGA Article 6.2.A.1, rules on supplementary payments and bonuses, around p. 49–52).

- **Staff reported under an incorrect personnel category:**
  Examples include seconded staff without proper secondment documentation, direct-contract natural persons not working under employee-like conditions, or staff employed by a third party but incorrectly charged as employees. Temporary work agency or consultancy staff incorrectly reported as personnel costs. Such costs may need to be declared instead under subcontracting or other goods, works and services, depending on the contractual setup.
  - Article 6.2.A.1–A.3: mentions who can be charged as personnel (employees, natural persons under direct contract, seconded staff) and under which conditions.
  - Article 6.2.B and 6.2.C.3: mentions when external staff must instead be treated as subcontracting or "other goods, works and services".

  Attention point: reallocation of costs from one direct cost category to subcontracting and vice versa may affect the indirect costs in the exceptional cases where no indirect costs are foreseen on subcontracting under the Grant Agreement.

SUBCONTRACTING

- **No evidence of best value for money, no procurement procedures:**
  Beneficiaries must be able to demonstrate best value for money or, where appropriate, the lowest price, while avoiding conflicts of interest (AGA Article 6.2.B, around p. 69.)

- **Inconsistencies with Public Procurement Directives and the national legal basis on public procurement:**
  Thresholds, publication, contract amendments, etc (AGA Article 6.2.B and Article 6.2.C.3, procurement-law compliance, around p. 79–81 and 96–99).

- **Weak audit trail on the selection of subcontractors and award of contracts:**

The underlying documentation must support the award process and justify the selected provider (AGA Article 6.2.B, subcontracting and procurement documentation requirements, around p. 79–81).

- **Lack of written internal apportionment policies**:
  When the same subcontractor is used across several projects and beneficiary's usual activities, for example, in cases where the beneficiary claims under the project only part of the contract value/ invoice, The portion charged to the action must be transparent, justified and traceable, (AGA Article 6.2.B, subcontracting cost allocation and documentation, around p. 79–81)

- **Subcontractor that does not meet the eligibility criteria:**
  For example, located outside the list of eligible countries for the programme. Also, according to Article 9.3 of the GA, the subcontractor should comply with the requirements originating from: Article 11 (proper implementation); Article 12 (conflict of interest); Article 13 (confidentiality and security; Article 14 (ethics); Article 17.2 (visibility); Article 20 (record keeping) etc.)

- **Procurement contract signed before the start of the project or the winner of the procurement procedures is pre-established**:
  This is typically covered by the general eligibility conditions (incurred during the action, necessary, etc.) rather than a single explicit rule on contract signature dates. You can link it to the subcontracting section plus general eligibility: (AGA Article 6.1(a) and Article 6.2.B, around p. 79–81).

  Attention point: Contracts signed before the project application or Grant Agreement are not automatically ineligible, but any costs declared under them must relate to activities carried out during the action duration; invoices dated before the action start and reflecting work performed before the project are normally not eligible, even if the contract forms part of the company's usual activities.

TRAVEL – SUBSISTENCE COSTS

- **Travel costs not linked to the action:**
  Travel and subsistence must be necessary for the implementation of the action and properly evidenced. (AGA Article 6.1(a), around pp. 45–47, and Article 6.2.C.1 on travel and subsistence, around p. 90)

- **Travel costs not properly supported by evidence:**
  Supporting records must substantiate the trip, the traveller and the amount declared, and must be kept in line with Article 20 record-keeping rules, normally 5 years after payment of the balance or 3 years for low-value grants (AGA p. 205–206)

- **Use of incorrect unit costs when applicable:**
  The AGA reflects specific unit-cost rules and calculation methods for travel, accommodation and subsistence (AGA Article 6.2.C.1, around p. 90).

EQUIPMENT COSTS

- **Equipment costs claimed in full under reporting period 1, instead of being depreciated over the full duration of the action in case of several reporting periods:**
  Full-cost charging is only allowed in limited cases defined by the grant conditions; otherwise, depreciation rules apply (AGA Article 6.2.C.2, around p. 96.

- **Incorrect depreciation method applied**:
  The depreciation methodology must follow the applicable grant conditions and normal accounting treatment (AGA Article 6.2.C.2, around p. 96 .).

- **Equipment purchased before the start of the project:**
  Under Article 4 of the AGA, timing requirements must be respected unless a specific eligibility basis applies. In addition (AGA Article 6.1(a) and Article 6.2.C.2, around pp. 45–47 and p. 96).

- **No evidence of value for money:**
  Purchase decisions must be justified and documented, and supporting documentation must be retained under Article 20, normally 5 years after payment of the balance or 3 years for low-value grants (AGA p. 205–206).

- **Capital equipment costs including ineligible elements:**
  Charges such as training or insurance may be ineligible where not allowed under the cost category or explicitly foreseen by the Grand Agreement (AGA Article 6.2.C.2, equipment cost eligibility and ineligible elements, around p. 96).

- **Unsubstantiated degree of use in case of partial claim:**
  The proportion charged to the action must be justified and documented, including through records such as asset usage evidence and accounting support (AGA p. 205–206).

- **Equipment claimed in full not listed in Annex I or not meeting the requirement of capitalized costs**:
  Full-cost charging is only allowed in limited cases defined by the grant conditions; otherwise, depreciation rules apply. See AGA Article 6.2.C.2 and Article 6.1, around p. 96 and p. 45–47.

INTERNALLY INVOICED GOODS AND SERVICES

- **Absence of, or incorrect, methodology for calculating unit costs**:
  Internally invoiced costs must rely on a documented methodology and supporting data (AGA Article 6.2.D.2 and Article 20, around p. 118 and 205–209). The cost build-up must be traceable to accounting records and exclude ineligible elements (e.g. profit, estimated costs, etc., with supporting records kept under Article 20 (AGA p. 205–209).

OTHER GOODS, WORKS and SERVICES

- **Insufficient supporting documentation:**
  Missing invoices, contracts, proof of payment or procurement records may lead to cost rejection, and the records must normally be kept for 5 years after payment of the balance or 3 years for low-value grants (AGA p. 205–206).

- **Absence of a written cost-allocation policy for shared costs:**
  Shared costs must be allocated through a documented, reasonable and consistently applied methodology, with an audit trail enabling reconciliation to accounting records (AGA p. 205–207).

- **Weak link between the purchase and the action.**
  Beneficiaries must be able to demonstrate the necessity of the cost for the implementation of the action (AGA Article 6.1(a) and Article 6.2.C.3, around p. 45–47 and p. 96–99).

General remark:

The source for the reference to the pages of the AGA is version 2, which was published 1 April 2025:https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/aga_en.pdf