

Independent Report of Factual Findings on costs claimed under a Grant Agreement financed by the Executive Agency for Small and Medium-Sized Enterprises (EASME), hereinafter referred to as "the Agency"

Reference 2021-0000258418

████████████████████
Director for Nature, Fisheries and Rural Areas
Portfolio Nature
Netherlands Ministry of Agriculture, Nature and Food Quality
Bezuidenhoutseweg 73
2594 AC The Hague
The Netherlands

9 December 2021

In accordance with our contract dated 29 September 2021 with the Netherlands Ministry of Agriculture, Nature and Food Quality Netherlands ("the Beneficiary") and the terms of reference attached thereto (appended to this Report), we provide our Independent Report of Factual Findings ("the Report"), as specified below.

Objective

We, the Central Government Audit Service (Auditdienst Rijk), established in Korte Voorhout 7, 2511CW The Hague, The Netherlands, represented for signature of this Report by ██████████, Senior Auditor have performed agreed-upon procedures regarding the cost declared in the Financial Statement(s)¹ of the Beneficiary (including costs of its affiliate): Ministry of Agriculture, to which this Report is attached, and which is to be presented to the Agency under grant agreement LIFE-IP PAF Delta Nature – LIFE15 IPE NL 016 for the following period 1 April 2019 till 30 September 2021 and for the following amount € 2.048.919,89. Until 2018 Ministry of Agriculture was part of Netherlands Ministry of Economic Affairs. This engagement involved performing certain specified procedures, the results of which the Agency uses to draw conclusions as to the eligibility of the costs claimed.

Scope of Work

Our engagement has been carried out in accordance with:

- the terms of reference appended to this Report;
- International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants ('IFAC');
- the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Agency requires that the Auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

¹ Financial Statement in this context refers to the form by which the Beneficiary claims costs under the Grant Agreement.

As requested, we have only performed the procedures set out in the terms of reference for this engagement and we have reported our factual findings on those procedures in the table appended to this Report.

The scope of these agreed upon procedures has been determined solely by the Agency and the procedures were performed solely to assist the Agency in evaluating whether the costs claimed by the Beneficiary in the accompanying Financial Statement has been claimed in accordance with the Grant Agreement. The Auditor is not responsible for the suitability and appropriateness of these procedures.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Financial Statements.

In the case that we should have performed additional procedures or an audit or review of the Financial Statements of the Beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Sources of Information

The Report sets out information provided to us by the management of the Beneficiary in response to specific questions or as obtained and extracted from the Beneficiary's information and accounting systems.

Factual Findings

The above mentioned Financial Statement was examined and all procedures specified in the appended table for our engagement were carried out. On the basis of the results of these procedures, we found that all documentation and accounting information to enable us to carry out these procedures has been provided to us by the Beneficiary.

Exceptions

In some cases, the Auditor was not able to successfully complete the procedures specified. These exceptions are as follows:

1. The Coordinating Beneficiary has transferred all payments to the Associated Beneficiary in line with the Grant Agreement except for HZL (Stichting Het Zeeuws Landschap) for an amount of € 17.820,00 and HHSK (Hoogheemraadschap Schieland en Krimperwaard) for an amount of € 36.000,00. HZL has told the Coordinating Beneficiary that they do not want the prepayment yet. Gemeente Rotterdam took over HHSK's Life IP project activities. Therefore HHSK's budget will be transferred to Gemeente Rotterdam. The Coordinating Beneficiary has prepared a request for amendment of the Grand Agreement in order to transfer the budget for HHSK to Gemeente Rotterdam. This amendment has already been submitted to the European Commission for approval. Finally it is acceptable that both payments have not yet been transferred to two Associated Beneficiaries.
2. The Auditor examined the tendering documents for each purchase and the contracts entered into for the period in question. The Auditor examined the costs made and found procurements by one supplier () during phase 2 are around € 248.900. which are far above € 139.000. The auditor can confirm that public tendering is required for this project during phase 2. However, the required tendering process has not been executed in accordance with the procurement policy of the Beneficiary or its usual practice. A written analysis was not prepared in advance by the Beneficiary in support of the final choice of this supplier/subcontractor. An amount of € 248.888,20 (consists of external assistance € 229.794,40 and other cost € 19.093,80) are marked as ineligible costs.

The Direct Personnel costs consist of two parts: costs of the Ministry of Agriculture and of the Netherlands Enterprise Agency.

Ministry of Agriculture

3. The Ministry of Agriculture doesn't record their time on a daily basis, because it is not required except for paid annual leave and sick leave. Instead of a time recording system, the Ministry has instruction letters and letters of assignment for their employees. We ascertained that three Instruction letters and Letters of assignment for the Ministry of Agriculture personnel assigned for a fixed contractual percentage of time were signed after phase 2 period on 3 December 2021.
4. 3 out of 10 employment contracts are not available. Instead of an employment contract the Beneficiary has provided a placement decision from the personnel administration and a letter of confirmation about the legal position from 1st January 2020. The Auditor can confirm that the placement decision and payroll for 3 employees provide enough relevant information for the verification of the correctness of the declared amount.
5. 2 procurement contracts were not signed due to home office during lockdown (Dutch measures against Covid-19). Instead the contracts were approved in an email by interim manager of the central procurement department. This is listed as an exception in this report. This is acceptable due to the circumstance.

Netherlands Enterprise Agency

6. The Auditor has verified that personnel assimilated to employees record their time on a daily basis using a computer-based system. The time-records of 2019 and a small selected part of 2020 were signed monthly by the person concerned as well as authorized by the project manager or other superior. Due to home office during lockdown (Dutch measures against Covid-19) selected time-records of 2020 and 2021 were usually not signed monthly by the concerned employee and authorized by the project manager or other superior. These were signed in October 2021. "Covid-19" was the explanation given for late submission and late validation. This is acceptable due to the circumstance.
7. 1 out of 13 employment contracts is not available. Instead of an employment contract the Beneficiary has provided for an extract from the personnel administration about employment contract status after the temporary contract period which ended on 31 July 2019. The Auditor can confirm that information from personnel administration, a letter of confirmation about the legal position from 1st January 2020, payroll and assignment letter Life IP provide enough relevant information for the verification of the correctness of the declared amount.

Use of this Report

This Report is solely for the purpose set forth in the abovementioned objective.

This Report is prepared solely for the confidential use of the Beneficiary and the Agency and solely for the purpose of submission to the Agency in connection with the requirements as set out in the Articles I.4.1 and II.23.2 of the Grant Agreement. This Report may not be relied upon by the Beneficiary or by the Agency for any other purpose, nor may it be distributed to any other parties. The Agency may only disclose this Report to others who have regulatory rights of access to it, in particular, the Agency's monitoring contractor, European Commission and the European Anti Fraud Office and the European Court of Auditors.

This Report relates only to the Financial Statement specified above and does not extend to any other financial statement of the Beneficiary (or when applicable his Affiliate).

No conflict of interest² exists between the Auditor and the Beneficiary (and where applicable his Affiliate) in establishing this Report.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Central Government Audit Service,

Auditdienst Rijk

9 December 2021



Senior Auditor

² A conflict of interest arises when the auditor's objectivity to establish the certificate is compromised in fact or in appearance when the auditor for instance:

- was involved in the preparation of the Financial Statements;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the Beneficiary;
- is a director, trustee or partner of the Beneficiary;
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

ANNEX 1

Agreed upon procedures performed by the Auditor

The Auditor designs and carries out his work in accordance with the objective and scope of this engagement and the procedures to be performed as specified below. When performing these procedures the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations or any others deemed necessary in carrying out these procedures. The procedures are carried out with regard to the costs claimed by the Beneficiary (as well as its Affiliate when applicable) and taking into account the Grant Agreement and the related Annexes.

The Auditor will include the **result** of the checks performed in the last column of the table below:

'Confirmed' means that the Auditor can confirm the 'standard factual finding' and, therefore, there is no exception to be reported

'Exception' means that the Auditor carried out the procedures but cannot confirm the 'standard factual finding', or that the Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable)

'Not applicable' means that the standard factual finding did not have to be examined by the Auditor and the related Procedure(s) did not have to be carried out. Please be aware that the reasons of the non-applicability of a certain Finding must be obvious (e.g. no costs declared under the corresponding cost category, conditions set to apply certain Procedures are not met).

The Agency reserves the right to issue guidance together with example definitions and findings to guide the Auditor in the nature and presentation of the facts to be ascertained. The Agency reserves the right to vary the procedures by written notification to the Beneficiary. The procedures to be performed are listed as follows:

Procedures	Standard factual finding and basis for exception reporting
Accounting system	
1. The Auditor shall examine: - whether the internal accounting (analytical or other suitable internal system) and auditing procedures permits direct reconciliation of the costs and revenues declared under the project; - whether the actual expenditure/income under the project has been recorded systematically using a numbering system specific to each project;	-The Beneficiary has adopted internal accounting procedures which permits reconciliation of the declared costs and revenues under the project. -The actual expenditure under the project has been recorded systematically, using a numbering system specific to each project. Actual income is not applicable (N/A) because the project does not generate any income.

<ul style="list-style-type: none"> - whether when costs are shared between several other projects, the appropriate allocation keys have been established that reflect the true burden for each project; - whether such allocation keys have been applied systematically and correctly - for Coordinating Beneficiary only : whether he transferred all payments to the Associated Beneficiaries in compliance with Article II.1.3 (e) 	<p>-N/A. The costs are not shared between several other projects.</p> <p>The Coordinating Beneficiary has transferred all payments to the Associated Beneficiary in line with the Grant Agreement except for HZL (Stichting Het Zeeuws Landschap) for an amount of € 17.820,00 and HHSK (Hoogheemraadschap Schieland en Krimperwaard) for an amount of € 36.000,00. HZL has told the Coordinating Beneficiary that they do not want the pre payment yet.</p> <p>Gemeente Rotterdam took over HHSK's Life IP project activities. Therefore HHSK's budget will be transferred to Gemeente Rotterdam.</p> <p>De Coordinating Beneficiary has prepared a request for amendment of the Grand Agreement in order to transfer the budget for HHSK to Gemeente Rotterdam. This amendment has already been submitted to the European Commission for approval. Finally it is acceptable that both payments have not yet been transferred to two Associated Beneficiaries.</p> <p>This is listed as an exception in this report.</p>
<p>General financial aspects</p>	
<p>2. The Auditor shall examine whether the expenses claimed by the Beneficiary (or its affiliated entities – if foreseen in the Grant Agreement under the special conditions) are eligible in line with Art. II.19 of the grant agreement:</p> <ul style="list-style-type: none"> - were provided for in the budget (Annex III), or have been accepted by the Agency (e.g. through an amendment, exchanges in communication or through reporting); - were incurred directly by the Beneficiary (or its affiliated 	<p>The Auditor examined the Beneficiary's claimed expenses, registered in the Beneficiary's accounting system, whether they comply with the eligibility criteria under Art.II.19 of the Grant Agreement, and can confirm that the claimed expenses:</p> <ul style="list-style-type: none"> - were provided for in the budget (Annex III), or have been accepted by the Agency (e.g. through an amendment, exchanges in communication or through reporting);

<p>entities);</p> <ul style="list-style-type: none"> - were incurred in connection with the project (e.g. invoices including project reference, Annex II 'Description of the project,...'); - are supported by appropriate justifying documents; - have been recorded in the Beneficiary's accounts or tax documents; - were incurred during the period of the project with the exception of costs relating to the request for payment of the balance and the related certificate on the financial statements; - comply with the requirements of applicable tax and social legislation - are in the opinion of the Auditor reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency. 	<ul style="list-style-type: none"> - were incurred directly by the Beneficiary; - were incurred in connection with the project; - are supported by appropriate justifying documents; - have been recorded in the Beneficiary's accounts; - were incurred during the period of the project with the exception of costs relating to the request for payment of the balance; - comply with the requirements of applicable tax and social legislation; - are in our findings reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency, and found that no ineligible items as defined in Art.II.19.4 were claimed. <p>The auditor applied non-statistical sampling to examine the claimed expenses. For the outcomes of the examination of the cost categories please see our findings reported in the points 8 up to and including 16.</p>
<p>3. The Auditor shall verify that the Beneficiary contributed financially to the project in accordance with Art. II.1.1.(g) of the grant agreement (unless they participated on the basis of zero costs)</p>	<p>The Auditor can confirm that the beneficiary paid all the costs claimed. The financial contribution of the beneficiary to the project amounts, in accordance with Art. II.1.1.(g) of the grant agreement, 60% of the total costs claimed.</p>

<p>4. VAT</p> <p>- The Auditor shall verify that only non-deductible VAT has been claimed and that in such a case the Beneficiary has (a) document(s) emitted by the responsible tax authorities confirming that the VAT cannot be recovered</p> <p>In lieu of the above, the Auditor can include in the certificate on the financial statement that it has verified that the VAT claimed by the Beneficiary <u>cannot</u> be recovered.</p> <p>- The Auditor shall verify that VAT has not been claimed by Beneficiaries that are public authorities when it relates to activities matching the concept of sovereign powers exercised by Member States and that when VAT is claimed for activities not matching the concept of sovereign powers, the Beneficiary has provided a certificate established by the competent national authority.</p>	<p>-The Auditor can confirm that only non-deductible VAT has been claimed. We are not provided with a document given by the tax authorities confirming that the beneficiary cannot recover VAT. For further explanation see below.</p> <p>-The Beneficiary has not provided a certificate, issued by the competent national authority. The beneficiary in question is a public authority. According to the national law in the Netherlands the public authorities cannot claim VAT, because the VAT charged to public authorities cannot be recovered, except for provinces and municipalities.</p>
<p>5. The Auditor shall verify that all the receipts related to the project have been declared by the Beneficiary (the Auditor will concentrate on co-funding from co-financers and income generated by the project)</p> <p>The Auditor shall examine the relevant project accounts and obtain representation from the Beneficiary that the amounts listed represent a complete record of the sources of receipts connected with the project. The amount included by the Beneficiary in the financial statement regarding receipts is the same as the amount recorded in the Beneficiary's accounting.</p> <p>The Auditor shall verify that the Beneficiary, in the frame of the project, does not benefit either directly or indirectly from support from the Structural Funds or other Community financial instruments.</p>	<p>The Auditor examined the relevant project accounts and obtained the Beneficiary's confirmation that no revenue is generated by this project. This is also in line with the project proposal.</p> <p>The Beneficiary didn't declare any receipts. The auditor can confirm that this is in accordance with the project accounts.</p> <p>Revenue accounting is not applicable because:</p> <ol style="list-style-type: none"> 1. It is not a revenue-generating EU-project; 2. All available documentation shows that there are no receipts for this project; 3. The management (client) has confirmed in the LOR that a complete record of the sources of income related to the project are recorded. <p>The auditor has verified that the Beneficiary has not benefited either directly or indirectly from support from the Structural Funds or other Community financial instruments.</p>

<p>6. The Auditor shall verify, in case the Beneficiary has general accounts in a currency other than the euro, the correct application of exchange rates into Euros in accordance with Art.II.23.4 of the Grant Agreement.</p>	<p>N/A. All accounts are in euro's.</p>
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<p>Procedures</p>	<p>Standard factual finding and basis for exception reporting</p>
<p>7. For the costs submitted in the cost categories 'External assistance/subcontracting, Consumables, Durable goods (Equipment/Infrastructure/Prototype), Other costs', the Auditor verifies and obtains confirmations that the award of contract rules are respected:</p> <p>(1) Contracts for the supply of goods/works/services are awarded to the tender offering best value for money (best price-quality ratio) or to the tender offering the lowest price. (2) The tendering procedures comply with the principles of transparency and equal treatment of potential contractors.</p> <p>(3) The contract was awarded without any conflict of interest</p> <p>(4) In case the Beneficiary uses a framework contract. It should be checked if it was established on the basis of best value for money, transparency and equal treatment.</p> <p>Procedures should be in line with Art. II.9 of the Grant Agreement</p> <p>For public entities the public procurement rules have to be respected (see references in Art. II.9 of the grant agreement)</p> <p>For amounts up to 130,000 EUR, Beneficiaries', the procurement policy of the Beneficiary or its usual practice should be used (as far as they comply with the principle 'value for money'). Above 130,000 EUR, beneficiaries shall use an open tendering procedure.</p> <p>Full coverage if less than 10 items are included in the applicable cost category, otherwise a sample of minimum 10, or 10% of the items, whichever is the greater. Please note that the sample</p>	<p>The Auditor examined the tendering documents for each purchase and the contracts entered into for the period in question. The Auditor examined the costs made and found procurements by one supplier () during phase 2 are around € 248.900. which are far above € 139.000. The auditor can confirm that public tendering is required for this project during phase 2. However the required tendering process has not been executed in accordance with the procurement policy of the Beneficiary or its usual practice. A written analysis was not prepared in advance by the Beneficiary in support of the final choice of this supplier/subcontractor. An amount of € 248.888,20 (consists of external assistance € 229.794,40 and other cost € 19.093,80) are marked as ineligible costs.</p> <p>This is listed as an exception in this report.</p> <p>The costs charged were compared to the invoices. We can confirm that the invoices are in accordance with the project accounts and the financial statement. See checks under points 12 up to and including 16.</p> <p>For amounts below € 139.000 the procurement policy of the Beneficiary are followed.</p> <p>The Auditor examined all items if a cost category consisted of less than 10 items, otherwise a minimum of 10 items, or 10% of the items (greater of the two) For the exact items we refer to checks under points 12, 13, 14, 15 and 16 hereafter.</p>

<p>of items to be checked should be aligned with the samples chosen for the further checks under points 12, 13, 14, 15 and 16 hereafter.</p>	
<p>Personnel Costs</p>	
<p>8. Personnel costs:</p> <p>The Auditor has reviewed the grant agreement (including annexes) describing the methodology used to calculate the personnel costs) and obtained a list from the beneficiary with all personnel rates calculated in accordance with the methodologies described in the grant agreement.</p> <p>The Auditor will check that the calculation of the personnel cost excludes ineligible costs.</p> <p>The Auditor will check the personnel costs on the basis of the following sample :</p> <ul style="list-style-type: none"> - full coverage if less than 10 employees (or personnel assimilated to employees) - otherwise a sample of minimum 10, or 10% of employees, whichever is the greater. <p>Where sampling is used, selection should be random with a view to producing a representative sample.</p> <p>8.1 The Auditor shall verify that all personnel listed under the Personnel cost category complies with Art. II.19.2 (a), i.e.</p> <ul style="list-style-type: none"> * the persons are under an employment contract with the Beneficiary or an equivalent appointing act. Staff should be directly hired by the Beneficiary (or its affiliates if foreseen in the grant agreement) in accordance with the national legislation. * the persons are assigned to the project <p>In case personnel concerns natural persons working under a contract with the Beneficiary other than an employment contract, they may be assimilated to such costs of personnel,</p>	<p>8., 8.1 and 8.2: The Auditor sampled 12 employees out of the total of 23 assigned to the project. The auditor examined the employment contracts of the selected employees and found that they were:</p> <ul style="list-style-type: none"> • directly hired by the Beneficiary in accordance with its national legislation; • under the sole technical supervision and responsibility of the public beneficiary, and • remunerated in accordance with the normal practices of the public Beneficiary. <p>The Direct Personnel costs consist of two parts: the costs of the Ministry of Agriculture with a total amount of € 566.662,25 and the costs of the Netherlands Enterprise Agency with a total amount of € 832.804,88.</p> <p>Only the Netherlands Enterprise Agency has a time recording system on daily basis. The Auditor selected 6 employees from both entities.</p> <p>For the sampled employees the Auditor has obtained:</p> <ol style="list-style-type: none"> 1. the employment contracts and assignment letters of the employees and compared them with the standard employment (or equivalent) contract used by the Beneficiary; 2. a list of the persons included in the sample, indicating the period(s) during which they worked for the project, their function and position (classification or category) and type of contract; 3. N/A. all natural persons in the sample are employees. Instead of payslips the Auditor has obtained salary costs journal entries from P-direkt (an independent service organization who arranges the salaries for all personnel of the Dutch ministries, which is part of the Ministry of the Interior and Kingdom Relations); 4. reconciliation of the personnel costs declared in the Financial Statement with the accounting system (project accounting and general ledger) and payroll system; 5. the Beneficiary's usual policy regarding payroll matters (e.g. salary policy,

<p>provided that the following conditions are fulfilled:</p> <ul style="list-style-type: none"> (i) the natural person works under the instructions of the Beneficiary and, unless otherwise agreed with the Beneficiary, in the premises of the Beneficiary; (ii) the result of the work belongs to the Beneficiary; and (iii) the costs are not significantly different from the costs of personnel performing similar tasks under an employment contract with the Beneficiary <p>The Auditor shall obtain :</p> <ul style="list-style-type: none"> (1) the employment status/conditions/contracts (or equivalent) and assignment letters of the employees (or other personnel as assimilated to employees) selected and compare them with the standard employment (or equivalent) contract used by the Beneficiary. (2) a list of the persons included in the sample, indicating the period(s) during which they worked for the project, their position (classification or category) and type of contract (3) the payslips (employees)/invoices (natural persons other than employees) of the persons included in the sample (4) reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system (5) the Beneficiary's usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay); (6) the applicable national law on taxes, labour and social security and (7) any other document that supports the personnel costs declared. <p>Based on the above, the Auditor shall verify the eligibility components of the salary cost and recalculate the personnel costs for employees included in the sample.</p> <p>8.2 The Auditor shall verify that for all personnel listed under</p>	<p>overtime policy, variable pay);</p> <ul style="list-style-type: none"> 6.the applicable national law on taxes, labour and social security and; 7.any other document that supports the personnel costs declared. <p>Based on the above, the Auditor has verified the eligibility components of the salary costs and recalculated the personnel costs for the sampled employees. <u>This lead to 4 exceptions, explained below.</u></p> <p><u>Ministry of Agriculture (including 8.4)</u></p> <ul style="list-style-type: none"> 1) Ministry of Agriculture does not record their time on a daily basis, because it is not required except for paid annual leave and sick leave. Moreover the Letter of Assignment for the personnel of the Ministry of Agriculture from phase 1 and whom have been still participated during fase 2, assigned for a fixed contractual percentage of time, were signed after phase 1 period. This was listed as an exception in the report for phase 1. For the 3 new personnel assigned for a fixed contractual percentage of time, starting from the beginning of phase 2 the Letter of Assignment were also signed after phase 2 period on 3 December 2021. This is listed as an exception in this report. <p>For the six employees selected, the Auditor recomputed the hourly rate by dividing the actual personnel costs by the standard working hours of 1.720 minus total hours of sickness (non productive hours) then multiplied by the fixed percentage in the letter of assignment. The recomputed hourly rate was then compared to the hourly rate charged by the Beneficiary.</p> <ul style="list-style-type: none"> 2) 3 out of 10 employment contracts are not available. Instead of an employment contract the Beneficiary has provided a placement decision from the personnel administration, Instruction letters and a letter of confirmation about the legal position from 1st January 2020. The Auditor can confirm that the placement decision and payroll for 3 employees provide enough relevant information for the verification of the correctness of the declared amount. For one employee we are still waiting information from the personnel administration. This is listed as an exception in this report. <p><u>Netherlands Enterprise Agency (including 8.3)</u></p>
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the Personnel cost category, **daily records of hours spent by a given person** are kept (i.e. the consolidated time of one person) in line with Annex X of the grant agreement.

Time registration is not required for personnel working full-time on the project (or for a contractual defined percentage) nor for personnel working in average less than 2 days per month in a given calendar year

8.3 For personnel assigned to the project other than on a full-time/ part-time (contractually fixed percentage) basis :

The Auditor will recalculate hourly/daily personnel rates per calendar year:

'Productive hours/days' represent the number of days made available by the employee (or assimilated) in a calendar year after the deduction of holiday, sick leave and other entitlements.

The Auditor obtains the calculation of the productive hours/days after inspecting all necessary records, national legislation, labour agreements, contracts, any other relevant documentation like e.g. timesheets.

The Auditor will use for personnel working less than 2 days in average per month within a given calendar year (as well as for Beneficiaries where the time registration is not considered reliable), 1720 hours as annual productive time.

The Auditor shall obtain evidence that personnel costs are in line with the Beneficiary's usual policy on remuneration.

8.4 For personnel fully assigned to the project, including staff having an assignment for a fixed contractually percentage of time

The Auditor compares the total yearly personnel cost of staff members that are fully assigned to the project to the salary cost registered in the organization's accounting system.

The Auditor verifies that, for personnel assigned for a fixed

3) 1 employment contract is missing. Instead of an employment contract the Beneficiary has provided for an extract from the personnel administration about employment contract status after the temporary contract period which ended on 31 July 2019. The Auditor can confirm that information from personnel administration and assignment letter Life IP provide enough relevant information for the verification of the correctness of the declared amount. This is listed as an **exception** in this report.

4) The Auditor has verified that employees record their time on a daily basis using a computer-based system. The Auditor has verified that personnel assimilated to employees record their time on a daily basis using a computer-based system. A part of the time-records selected were signed monthly by the concerned employee and authorized by the project manager or other superior. The time-records of 2019 and a small selected part of 2020 were signed monthly by the person concerned as well as authorized by the project manager or other superior. Due to home office during lockdown (Dutch measures against Covid-19) selected time-records of 2020 and 2021 were usually not signed monthly by the concerned employee and authorized by the project manager or other superior. These were signed in October 2021. "Covid-19" was the explanation given for late submission and late validation. This is acceptable due to the circumstance. This is listed as an **exception** in this report.

For the 6 employees selected, the Auditor established that the hours claimed in the financial statement are matched with the hours registered according to the authorized timesheets. All hours declared fall within the project period.

The related time records were kept in line with the instructions mentioned in Annex X of the Grant Agreement.

<p>contractual percentage of time to the project, the pro-rata yearly salary cost has been claimed for the project.</p>	
<p>9. The Auditor will verify the time recording system of the Beneficiary, more in particular, the Auditor will :</p> <p>(1) obtain a description of the time recording system and the related procedure to register and authorise the time</p> <p>(2) check that the time recording system records all hours spent daily by a given person, i.e. that the timesheets reconcile the total working time of the person</p> <p>In addition, the Auditor will check for the personnel subject to the time registration (based on the same sample as above) that :</p> <p>(3) they have declared their time on a daily basis by using the paper/computer based time registration system</p> <p>(4) time records were approved at least monthly by the personnel concerned and authorized by the project manager or other superior</p> <p>(5) the hours declared on the project fell within the project period (or up to three months after the project period when it concerned the preparation of the final reporting)</p> <p>(6) there were no hours declared for the project if the HR records showed absences due to holidays or illness</p> <p>(7) the hours charged to the project match with those in the time recording system.</p>	<p><u>Ministry of Agriculture (referring to 8.1 and 8.4)</u> Ministry of Agriculture does not record their time on a daily basis, because it is not required except for paid annual leave and sick leave.</p> <p><u>Netherlands Enterprise Agency</u> 1.and 3.:The Auditor obtained a description of the time recording system and the related procedure to register and authorize the time. The Auditor has verified that they have declared their time on a daily basis by using the paper/computer based time registration system.</p> <p>2.and 4.: The Auditor has verified that employees record their time on a daily basis using a computer-based system. The Auditor has verified that personnel assimilated to employees record their time on a daily basis using a computer-based system. For all personnel listed under the Personnel cost category the daily records of hours spent by a given employee are kept in line with Annex X of the grant agreement. A part of the time-records selected were signed monthly by the concerned employee and authorized by the project manager or other superior. The time-records of 2019 and a small selected part of 2020 were signed monthly by the person concerned as well as authorized by the project manager or other superior. Due to home office during lockdown (Dutch measures against Covid-19) selected time-records of 2020 and 2021 were usually not signed monthly by the concerned employee and authorized by the project manager or other superior. These were signed in October 2021. "Covid-19" was the explanation given for late submission and late validation. This is acceptable due to the circumstance. This is listed as an exception in this report.</p> <p>The time recording system records all hours spent daily by a given person, i.e. that the timesheets match the total working time of the person.</p> <p>5. 6. And 7: For the six employees selected, the Auditor inspected that the hours declared on the project all fell within the project period and there were no hours declared due to holidays or illness.</p>

<p>10. The Auditor shall verify the status of the personnel of 'public' beneficiaries, 'additional' or 'non-additional' personnel (based on the same sample as above). - Additional personnel includes all employees (permanent or temporary) whose contracts or contract renewals : (i) start on or after the start date of the project or on or after the date of signature of the grant agreement (if this takes place before the project start date) and (ii) specifically second/assign them to the project.</p> <p>In the case of LIFE Capacity Building projects, the notion of "additional personnel" shall also include "employees – permanent or temporary – whose contracts started before the start date of the project and whose responsibilities were previously unrelated to the implementation of the LIFE programme".</p> <p>In the case of LIFE Capacity Building projects, the Auditor shall verify that no costs have been claimed for 'non-additional' personnel.</p>	<p>The Auditor examined the status of 'public' beneficiaries, 'additional' or 'non-additional' personnel (based on the same sample as above) whose costs are declared in the financial statement. Personnel (permanent or temporary) whose contracts or contract renewals start on or after the start date of the project or on or after the date of signature of the grant agreement are correctly marked as additional personnel.</p> <p>Four employees out of total 23 (three permanent and one temporary) whose contracts start on or after the start date of the project are correctly marked as additional personnel.</p> <p>N/A. Project Life IP delta nature is not a Life Capacity Building project.</p>
<p>11.The Auditor verifies that the calculation of the personnel costs excludes ineligible items as defined in Art.II.19.4 and Annex X to Grant Agreement Examples of ineligible costs are (i) non statutory costs, (ii) additional and individual pension schemes and/or sickness insurance not required by law, (iii) company cars, (iv) bonuses or any other similar fringe benefits (except e.g. bonuses that are explicitly part of the statutory costs where they are not triggered by the participation of an employee in the EU project or that is in any way linked to the performance of the person or the project)</p>	<p>The Auditor inspected the personnel costs and established that all ineligible items as defined in Art.II.19.4 and Annex X to Grant Agreement are excluded. No ineligible costs were included in the claimed personnel costs.</p>
<p>Travel and subsistence costs</p>	
<p>12. The Auditor verifies that travel and subsistence costs for personnel working on the project are correctly identified and allocated to the project and they are in accordance with Beneficiary's internal rules.</p>	<p>N/A</p>

<p>Travel outside the Member States or the third countries eligible under the project was foreseen in the budget or has received prior approval.</p> <p>The Auditor will check the travel and subsistence costs on the basis of the following sample :</p> <p>Full coverage if less than 10 items, otherwise a sample of minimum 10, or 10% of the items, whichever is the greater. The Beneficiary should provide written evidence of its normal policy for travel costs to enable the Auditor to compare the travel and subsistence costs charged with this policy.</p>	
<p>Depreciation & Durable goods (Equipment/Infrastructure/Prototype)</p>	
<p>13. The Auditor verifies that the (depreciated) costs related to durable goods (equipment/infrastructure/prototypes), are correctly identified and allocated to the project. The depreciation cost charged to the project cannot include costs related to durable goods already owned by the Beneficiary at the start of the project.</p> <p>The Auditor verifies that Equipment and Infrastructure:</p> <p>(1) were depreciated in accordance with the internal/national accounting standards taking into account the duration of the project and the rate of actual use for the project;</p> <p>(2) comply with the ceilings identified in the grant agreement (i.e. the depreciated eligible amount is limited to 25% of the total purchase costs for infrastructure and 50% of the total purchase costs for equipment)</p> <p>=> unless the costs are incurred by public authorities or non-profit organizations in the frame of LIFE Nature and Biodiversity projects <u>if</u> these costs were intrinsically connected with the implementation of the project and used to a significant degree within the duration of the project, and on condition that the Beneficiary undertakes to continue to assign the durable goods definitively to nature conservation activities beyond the end of the project.</p> <p>=> or unless the costs are incurred by public authorities or non-profit organizations in the frame of LIFE Integrated projects <u>if</u> these costs were intrinsically connected with the implementation of the project and used to a significant degree</p>	<p>N/A</p>

<p>within its duration and on condition that the Beneficiary undertakes to continue to assign these goods definitively to activities implementing the targeted plan beyond the end of the integrated project.</p> <p>The Auditor verifies that Prototypes:</p> <ul style="list-style-type: none"> (1) were not used for commercial purposes during the project period; (2) were specifically created for the implementation of the project (3) were not available as serial product (4) played a crucial role in the demonstration activities of the project <p>For all durable goods sampled, the Auditor physically checks that the durable goods exist and bear the LIFE logo (and the Natura 2000 logo when applicable)</p> <p>The Auditor verifies that the award of contract rules (see point 7 above) for items charged under the 'durable goods' have been correctly followed.</p> <p>For LIFE Capacity Building and LIFE Technical Assistance projects, depreciation costs of durable goods and costs of rental or lease of infrastructure are not eligible</p> <p>The Auditor will check the 'depreciation and durable goods costs' on the basis of the following sample :</p> <p>Full coverage if less than 10 items, otherwise a sample of minimum 10, or 10% of the items, whichever is the greater.</p>	
<p>Other costs</p>	
<p>14. The Auditor verifies that the 'other costs' are eligible, correctly identified and allocated to the project. The items charged were not placed in the inventory of durable equipment and accounted in line with the beneficiary's usual accounting practices.</p>	<p>The Auditor examined 10 out of the total of 35 invoices, and established that the other costs declared are eligible, correctly allocated to the project and the items charged are (in line with the beneficiary's usual accounting practices) not placed in the inventory of durable equipment.</p> <p>The costs charged were compared to the invoices. We can confirm that the</p>

<p>For Integrated Projects, in case 'financial support to third parties' was foreseen, the Auditor shall verify that :</p> <p>(a) the maximum amount of financial support for each third party does not exceed EUR 15.000 and the total does not exceed</p> <p>b) the financial support was agreed in Annex II</p> <p>The Auditor verifies that the award of contract rules (see point 7 above) for items charged under the 'other costs' have been correctly followed</p> <p>The Auditor will check the Other costs on the basis of the following sample :</p> <p>Full coverage if less than 10 items, otherwise a sample of minimum 10, or 10% of the items, whichever is the greater.</p>	<p>invoices are in accordance with the project accounts and the financial statement. Only no-deductible VAT were charged. No other identifiable indirect taxes were charged.</p> <p>The Auditor examined the tendering documents for each purchase and the contracts entered into for the period in question. The Auditor examined the costs made and found procurements by one supplier () during phase 2 are around € 248.900 which are far above € 139.000. The auditor can confirm that public tendering is required for this project during phase 2. However the required tendering process has not been executed in accordance with the procurement policy of the Beneficiary or its usual practice. A written analysis was not prepared in advance by the Beneficiary in support of the final choice of this supplier/subcontractor. An amount of € 248.888,20 (consists of external assistance € 229.794,40 and other cost € 19.093,80) are marked as ineligible costs.</p> <p>This is listed as an exception in this report</p> <p>N/A. No financial support to third parties in this case.</p>
<p>15. The Auditor verifies that the 'consumable costs' are eligible, correctly identified and allocated to the project. The items charged were not placed in the inventory of durable equipment and accounted in line with the Beneficiary's usual accounting practices.</p> <p>The Auditor verifies that the award of contract rules (see point 7 above) for items charged under the 'consumable costs' have been correctly followed</p> <p>Full coverage if less than 10 items, otherwise a sample of minimum 10, or 10% of the items, whichever is the greater.</p>	<p>The consumable costs consist of 4 invoices. The Auditor inspected all 4 invoices and established the declared costs were eligible and correctly allocated to the project. No other peculiarities.</p> <p>The costs charged were compared to the invoices. We can confirm that the invoices are in accordance with the project accounts and the financial statement. Only no-deductible VAT were charged. No other identifiable indirect taxes were charged.</p> <p>For the consumable costs (total amount is far below € 139.000) the usual procurement policy of the Beneficiary or its usual practice was correctly followed.</p>
<p>External assistance/subcontracting costs</p>	
<p>16. The Auditor verifies that the 'external assistance/subcontracting costs' are eligible, that they comply with Article II.10 of the Grant Agreement, that they are correctly identified and allocated to the project.</p>	<p>The Auditor examined 10 out of the total of 29 invoices, found that the Beneficiary had allocated external assistance/subcontracting costs to the project mostly by marking of invoices and purchase orders with the project reference, resulting in traceable allocation in the project accounts. Those that</p>

<p>The Auditor verifies that the award of contract rules (see point 7 above) for items charged under the 'external assistance/subcontracting costs' have been correctly followed and that subcontracts were not awarded to other beneficiaries or affiliates.</p> <p>The Auditor verifies that there are signed agreements between the Beneficiary and the subcontractor and that there is evidence that the services were actually provided.</p> <p>The Auditor will check the External assistance/subcontracting costs on the basis of the following sample :</p> <p>Full coverage if less than 10 items, otherwise a sample of minimum 10, or 10% of the items, whichever is the greater.</p>	<p>are not marked on the invoices can also be linked to specific action from the actions plan 2016 – 2022 of the full proposal.</p> <p>2 procurement contracts were not signed due to home office during lockdown (Dutch measures against Covid-19). Instead the contracts were approved in an email by interim manager of the central procurement department. This is acceptable due to the circumstance. This is listed as an exception in this report.</p> <p>The Auditor examined the tendering documents for each purchase and the contracts entered into for the period in question. The Auditor examined the costs made and found procurements by one supplier () during phase 2 are around € 248.900 which are far above € 139.000. The auditor can confirm that public tendering is required for this project during phase 2. However the required tendering process has not been executed in accordance with the procurement policy of the Beneficiary or its usual practice. A written analysis was not prepared in advance by the Beneficiary in support of the final choice of this supplier/subcontractor. An amount of € 248.888,20 (consists of external assistance € 229.794,40 and other cost € 19.093,80) are marked as ineligible costs. This is listed as an exception in this report</p> <p>The costs charged were compared to the invoices and found to be the same. Only no-deductible VAT were charged. No other identifiable indirect taxes were charged.</p> <p>The Auditor obtained the Beneficiary's confirmation that it does not contained any ineligible costs.</p>
<p>17. The Auditor verifies that the costs claimed related to land purchase/long-term lease of land/one-off compensations for land use rights are eligible, comply with the conditions under Article II.19.2 (i) of the Grant Agreement, that they are correctly identified and allocated to the project.</p> <p>The Auditor verifies that the award of contract rules (see point 7 above) for items charged under the land purchase/long-term lease of land/one-off compensations for land use rights cost category have been correctly followed</p>	<p>N/A.</p>

<p>The Auditor will check the Land purchase or long-term lease of land or one-off compensations for land use rights costs on the basis of the following sample :</p> <p>Full coverage if less than 10 items, otherwise a sample of minimum 10, or 10% of the items, whichever is the greater.</p>	
<p>18. The Auditor verifies that the indirect cost/overhead flat rate claimed does not exceed 7% of the eligible direct costs : personnel, travel, external assistance/subcontracting, consumables & other costs.</p> <p>For LIFE Capacity Building projects, indirect costs/overheads are not eligible.</p>	<p>The Auditor examined that the indirect cost/overhead flat rate claimed does not exceed 7% of the eligible direct costs: personnel, external assistance/subcontracting, consumables & other costs.</p>

The Auditor will attach a list with all the costs sampled as well as an overview sheet as included below:

Period examined: Period (2 th quarter 2019 – 3 th quarter 2021)	Grant Agreement Budget (last Annex III or budget after budget transfer after interim/final payment)	Costs claimed by Beneficiary	Amount tested	Eligible costs identified by the Auditor
Cost category	(€)	(€)	(€)	(€)
DIRECT COSTS				
1. Personnel	1.253.500,00	1.399.467,12	651.796,29	651.796,29
2. External assistance/Sub contracting	620.712,00	416.987,11	348.531,70	118.737,30
3. Travel and subsistence	50.500,00	€ 0,00	€ 0,00	€ 0,00
4. Durable Goods 4a Infrastructure 4b Equipment 4c Prototype	220.000,00	€ 0,00	€ 0,00	€ 0,00
5. Land purchase/lease /one-off compensation 5a Land purchase 5b Land lease 5c One-off-compensations	€ 0,00	€ 0,00	€ 0,00	€ 0,00
6. Consumables	21.750,00	1.571,18	1.571,18	1.571,18
7. Other costs	99.000,00	96.852,99	67.065,33	47.971,53
INDIRECT COSTS				
8. Overheads max 7% on total direct costs (excl. land purchase/land lease/one-off compensations)	€ 0,00	134.041,49	134.041,49	134.041,49
TOTAL costs	2.265.462,00	2.048.919,89	1.203.005,99	
Sample size (%)			58,7%	

On behalf of Central Government Audit Service (Auditdienst Rijk)

Senior Auditor