

Seminar/consultations for
Auditors
3 July 2014
Riga, Latvia



Estonia
Latvia
Russia



part-financed by
the European Union

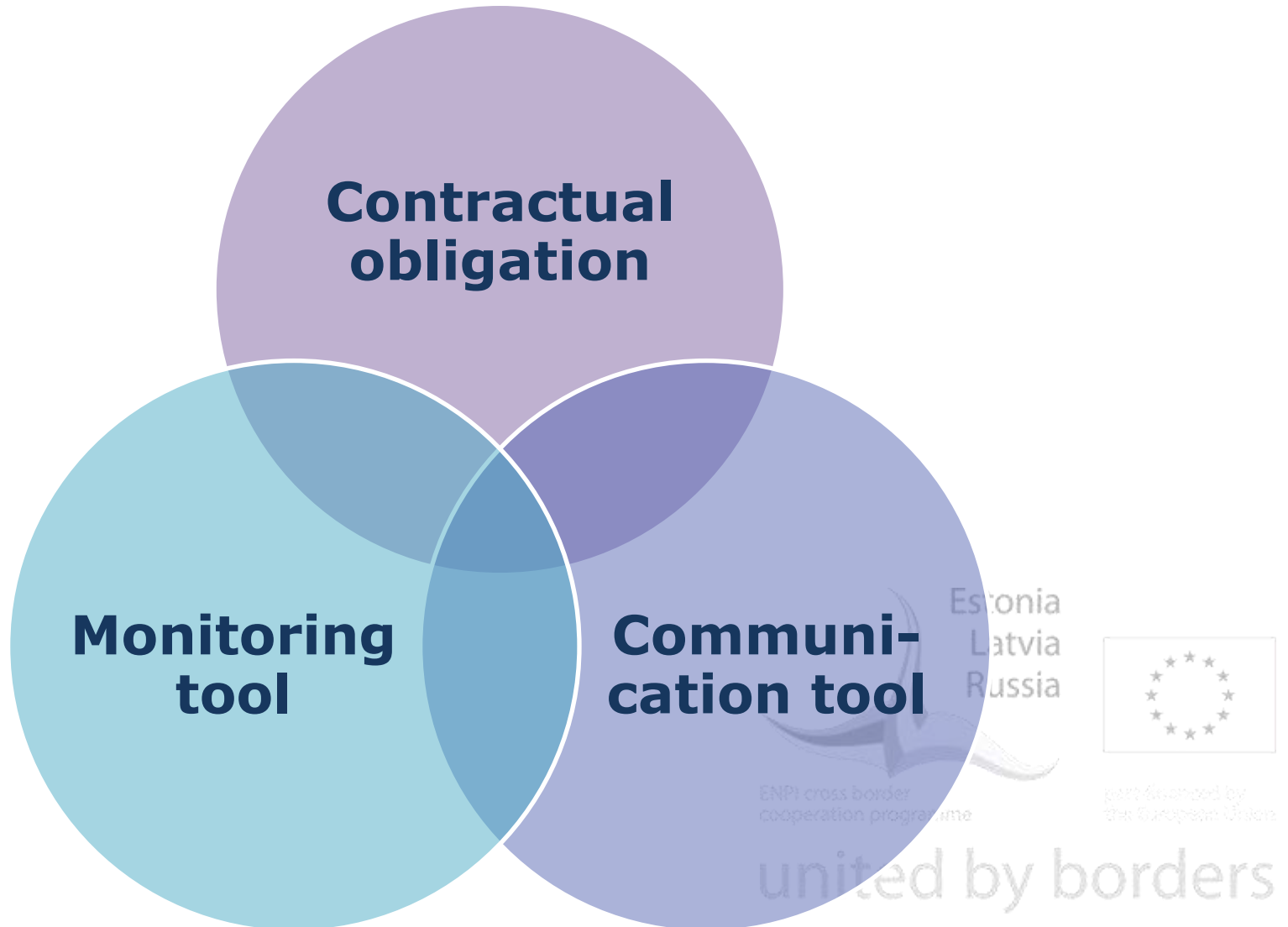
ENPI cross border
cooperation programme

Joint Technical Secretariat

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General Provisions

What is reporting?



Legal provisions on reporting

Auditors to consider the following articles in Special and General Conditions to Grant Contract:

SPECIAL CONDITIONS

- **Art.4** (Reporting and payment arrangements)
- **Art.7.3.4. // 7.2.5 modifying General Conditions in Art.2.3** (reporting scheme depending on payment options)
- **Art.7.3.9. // 7.2.13 modifying General Conditions in Art.15.1** (payment procedures depending on payment options)
- **Art.7.3.10 // 7.2.14 modifying General Conditions Art.15.6** (cases when expenditure verification report has to be submitted)

GENERAL CONDITIONS

- **Art.2** (obligation to provide information in financial and narrative reports).



General requirements

- ⊕ The narrative report must **support and demonstrate the eligibility of costs** included in the financial report!
- ⊕ Reporting should cover the **whole of the project**, not only the part financed by the grant;
- ⊕ Though the Beneficiary is responsible for submission of reports, **ALL partners** must input to project reporting;
- ⊕ **Templates** for reporting are presented in Annex VI of Grant Contract;
- ⊕ Both interim and final reports consist of **narrative and financial components integrated in one document.**



Expenditure Verification general procedures

- Understand the Grant Contract
- Check that the financial report meets the terms and conditions
- Check that the accounting and record keeping rules are in compliance with Article 16 of General Conditions
- Check that the Financial Report complies with the accounting records
- Check that correct exchange rates were used in the financial report (for LAT and RUS partners only)



EV general procedures

- Check that the budget is stated correctly in the report and includes all any amendments
- Analytical review: a review of the financial report to spot any obvious mistakes



Procedures for consolidated report

The auditor of the Beneficiary needs to carry out some procedures to check the compilation of the consolidated financial report:

- Conformity with the model in Annex VI of Grant Contract
- Inclusion of all expenditure, regardless of which part is financed by JMA
- Use of the language of Grant Contract
- No financial deviations over flexibility in article 9.2 of General Conditions (GC Annex 2)
- Completeness and accuracy of the compilation



Model Expenditure Verification report

- There is a standard text for the report
- The amount checked and the procedures made are described
- The result of the verification and impact of any errors found is reported



When does an Auditor get involved?

- **Option 1** (≤ 18 months **AND** \leq EUR 300 000,00)
- **Option 2** (≥ 18 months [max 36] **OR** \geq EUR 300 000,00)

An Expenditure Verification Report (EVR), produced by an auditor, shall be attached to the Report:

- with any request for payment, if project is implemented in accordance with Option 2;
- with any request for balance payment (Option 1 and Option 2).



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Important considerations...

- The Beneficiary grants the auditor all access rights to verify the project costs mentioned in Article 16.2 of General Conditions
- The EVR accompanying a request for payment of the balance covers all expenditures not covered by any previous expenditure verification report
- Auditor of the Beneficiary:
 - verifies expenditures of the Beneficiary
 - gets familiarised with the EVRs of each project partner to indicate if any ineligible costs were found
 - compiles consolidated EVR, including results of expenditure verification of partners



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ELIGIBILITY of costs

In order to be eligible, costs have to be:

- Shown in the approved Full Application Form
- Comply with the visibility requirements
- Necessary for the implementation of the project
- Identifiable and verifiable, in particular being recorded in the accounting records
- Incurred in compliance with the relevant procurement procedures
- Reasonable, justified and comply with the requirements of sound financial management
- Done in the project implementation period (+preparation of FR)



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BH1 – Human resources

Salary of the Partner's staff

- Staff assigned directly to the project
- Based on an employment (labour) contract
- Includes employment taxes, social security charges, health insurance and other remuneration related costs due in the respective country
- Supported by time-sheets



BH2 - Travel costs

Travel costs for staff and participants (nor external experts from BH5)

- flight, train and bus tickets (economy class)
- fuel for a car, rent of vehicle for travel
- visa and travel insurance costs
- accommodation (hotel expenses)
- local transportation within the place of mission



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BH3 - Equipment and supplies

The purchase or rental of equipment and supplies(new or used)

- ❑ It is specifically needed for the purposes of the project
- ❑ The costs have to correspond to market rates
- ❑ Related services, such as transportation or installation are also eligible
- ❑ All equipment must be procured according to the national legislation
- ❑ Every co-financed piece of equipment must comply with the information and publicity rules



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BH4 - Direct local office costs

Costs of the local office in case a separate office is rented for the needs of the project

- ❑ Office running and transport costs (rent or lending of a car used by the project on daily base)
- ❑ The activity reports have to indicate which is the staff working in the local office and its tasks have to correspond to its cost. The cost has to be reasonable and according to the principle of efficiency
- ❑ Rent of a separate office is rather exceptional and its need has to be clearly justified.



BH5 - Other costs and external services

- ❑ All services/works sub-contracted to an external service provider based on the applicable public procurement procedure, such as:
 - ❑ Audit
 - ❑ Visibility activities
 - ❑ Bank services
 - ❑ External experts
 - ❑ Other services

NB! The Beneficiary and the project partner(s) as well as associates are not allowed to sub-contract each other



BH6 - Infrastructure

- ❑ Works and services related to construction, renovation, installation of infrastructure as well as supervision costs (according to national legislation)
- ❑ Investments co-financed by the Programme should be aimed at public use during the project implementation, i.e. their use can not be limited only to the partners of the project
- ❑ Relevant project partner has to be the owner of the land and/or have the building rights on the land
- ❑ Visibility rules should be observed on the site



Administrative costs

- ❑ Indirect administrative costs are related to office running for the purposes of the project (electricity, heating, consumables, Internet costs...)
- ❑ Indirect costs are eligible if they do not include costs assigned to another heading of the budget
- ❑ The flat rate does not need to be supported by accounting documents



In-kind

Unpaid voluntary work

- ❑ essential to the project
- ❑ based on a written agreement
- ❑ proved by timesheets indicating the hours worked for the project and signed by the volunteer and his/her supervisor
- ❑ minimum monthly or hourly official national net salary level is followed when calculating the value of in-kind contribution

Using own premises

- ❑ organisation's order must state general rent cost for the premises.

NB! In-kind contribution can be max 10% from the total project budget and not exceed own funds of the partner



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Double financing

- ❑ No single project and activity may be financed by more than one European Community grant
- ❑ The project activities duplicated those already financed from any EU fund, international, national, regional and/or local funds are not eligible as this is considered double-financing



Ineligible costs

- Debts and provisions for losses or debts
- Interest owed
- Items already financed in another framework (double financing)
- Purchases of land or buildings
- Currency exchange losses
- Taxes (except employment taxes, social security charges), including recoverable VAT
- Credits (loans) to third parties
- Fines, financial penalties and expenses of litigation



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Accounting requirements in contract

The Beneficiary and partners shall keep accurate and regular accounts of the implementation of the project, using an appropriate accounting and double-entry bookkeeping system. The system:

- May be either part of the beneficiary's and partners' regular system or an adjunct to that system
- Shall be run in accordance with the accounting and bookkeeping policies and rules that apply in the country concerned
- Accounts, expenditure and revenue relating to the project must be identifiable and verifiable
- Details on interest accruing on funds paid by EC have to be provided



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Accounting according to EC Regulations

Definition of general accounts by Financial Regulation (Article 134 of EC Regulation 1605/2002)

The general accounts shall record, in chronological order using double-entry method, all events and operations which affect the economic and financial situation and the assets and liabilities of the institutions.

Some requirements on general accounts by Financial Regulation (Article 135 of EC Regulation 1605/2002)

- All accounting entries shall be based on supporting documents, to which they shall refer
- The accounting system must be such as to leave a trail for all accounting entries



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Accounting documents

- All transactions in accounting are referred to the necessary supporting documents
- The originals of the supporting documents have to be kept by each partner institution, but copies (either scanned or physical) are easily available



Financial report

Financial report is a part of Interim report template and includes:

Sheet X "Expenditures"

Sheet XI "Sources of funding"

Sheet XII "Interest"

Sheet XIII "Revenue"

Form is pre-filled according to latest Full Application Form



InForEur

- ❑ For reporting costs made in other currencies except EUR, the conversion into EUR shall be done at the rate made up by the average of the rates published in InForEur for the reporting period.

http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

NB. Always use the exchange rate with four decimals. The resulting Euro amount should appear in the financial report with two decimals.



Reporting currency / InForEur

Example for **LVL to EUR** conversion.

Monthly rates are given in the table

Average rate is **0.7088**

The average **rate** is rounded to **4 decimals**

250 LVL : **0.7088** = 352.71 EUR

Resulting **amount (money)** in EUR is rounded to **2 decimals**

Average	0,7088
March	0,7093
April	0,7088
May	0,7081
June	0,7080
July	0,7093
August	0,7093
September	0,7087
October	0,7092

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Communication & Visibility

Beneficiary and project partner's must take all necessary measures to publicise the fact that the project is co-financed by the Programme/

(**European Union and Russian Federation**, additional financing from the Estonian State budget for LSPs EST-RUS)

Every project, funded by the Programme **must conduct communication and visibility activities** which must **comply with Programme requirements**



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Communication & Visibility

- ❑ **Press release** (programme logo and statement, text that funding was provided by the Programme, amount of co-financing)
- ❑ **Printed materials** (Programme logo and disclaimer, Programme statement, link to Programme and EuropeAid websites, project details)
- ❑ **Promotional items** (Programme logo and sentence about Programme support, where applicable)
- ❑ **Websites** (Programme logo and disclaimer, link to Programme and EuropeAid websites)
- ❑ **Items procured** (Programme stickers)
- ❑ **Public events** (use of Programme logo on materials, Programme and EU flags, stand, lists of participants, photos)
- ❑ **Infrastructure objects** (display panels and commemorative plaques)



Guiding Documents

- **Communication and Visibility Manual for European Union External Actions**
http://ec.europa.eu/europeaid/work/visibility/index_en.htm
- **Programme's Guidelines for Grant Applicants** Section 3.1.4
- Publicity and Information Requirements **Programme's Communication and Publicity Guidelines for Calls for Proposals** (updated version on 10 April 2013)
(pieejamas latviski)
- **Programme's Communication and Publicity Guidelines for Large Scale Projects** (updated version on 10 April 2013)
- **Glossary**

http://www.estlatrus.eu/eng/implementation/1st_call_for_proposals6/guiding_documents



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