

Expenditure Compliance

- the declared expenditure is described in the approved application form and is distributed to the respective categories.
- The declared expenditure must be eligible under the referred category. If it is not, then it is moved to the appropriate category of expenditure. **But if there is no budget in appropriate category they become ineligible**
- The categories of eligible expenditure per beneficiary are respected.
- expenditure is properly allocated to work packages and respective categories of eligible expenditure.

Expenditure Compliance – supporting documents

- The existence of the foreseen supporting documents in accordance to Member State legislation, e.g. invoices, dispatch notes, discharge notes
- payrolls, checks, bank extracts, bank deposits, remittances and other bank documents verifying that the expenditure has been realized and paid (reservation on depreciation). Expenditure is not verified when it is not accompanied by supporting documents.
- In case expenditure is paid in cash, accounting data from the cash register and the cash transactions shall be provided.

Expenditure Compliance – supporting documents

- Accounting records (computerised or manual)
- Procurement procedures
- Contracts/purchase orders
- Delivery of services (reports, time sheets, transport tickets, seminar attendance (certificates, material obtained..)
- Works acceptance certificates
- Invoices, receipts
- Proof for payment
- Fuel receipts, travel log, receipts/invoices for maintenance
- Staff and payroll records-contracts, salary statements, time sheets
- Proof for compliance with requirements of applicable tax and social legislation

Expenditure Compliance – supporting documents examples

Human Resources:

Salaries: Employment Contracts, Salary Slips, Time Sheets, Decision for nomination of staff, Proof for payment

Per diem: Travel Bill/PD Form including mission report (minutes)!!, information for the number of hours and calculation and **other documents** to prove the trip-Proof for payment

Other documents examples: training agenda, minutes of the meeting, invitations, list of participants, hotel accommodation receipt (**room service is not eligible**)

In case of several project implementing for the same time 100% of the costs

cannot be claimed from EU project (principle of no double funding)

Document justifying allocation of expenses to different projects shall be kept by the Beneficiary

Expenditure Compliance – supporting documents examples

Travel:

Business Vehicle: Fuel receipts, Invoice, Pay Tool, Travel Bill (intercity travel), Travel Log (template), Proof for payment

Private Vehicle: Travel Bill, Travel Log, Proof for payment

International travel: Invoice, Air ticket, Boarding Passes, Travel Bill, Invitation/Minutes from the meeting, Mission report....

For intercity travel-Minutes from the meeting, invitation, agenda, list of participants....

Expenditure Compliance – supporting documents examples

Equipment and Supplies:

Contracts-Invoices-Delivery Notes-Certificates of acceptance- Proof for payment-Proof for origin

Expenditure that corresponds to uncompleted deliverable, e.g. cost for setting up or updating a website that is not operational and up to date, cost for non -operational or non -functional equipment etc. is verified, provided that the completion of the deliverable is certified when the project is completed.

It is examined whether the expenditure

- is related to the project,
- is included in the approved application form
- concerns the total value of purchase
- recorded in accounting and fixed assets register

Expenditure Compliance – supporting documents examples

Local office:

Contract, Invoices, Delivery Notes, Proof for payment

In case of several project implementing for the same time,
100% of the costs

can not be claimed from EU project

Document justifying allocation of expenses to different
projects shall be kept by the Beneficiary

Expenditure Compliance – supporting documents examples

Services:

Contract, Invoices, Deliverables, Proof for payment, Time sheets, List of participants, Photographs

Expenditure Compliance – supporting documents examples

Works:

- Contracts and award procedure documents (call, tenders, evaluation, decision etc.)
- Certificate of acceptance
- Invoices, contractor's accounts, summary tables of works
- Documents of payment
- The required by the national legislation on environment licenses, is respected (where required)
- In case of public projects implemented in house, diary of works.
- Works diary

Description of findings

5a. Findings regarding the physical object	
	The physical object implementation is checked in regards to the subsidy contract and the legal commitments. Please indicate any problems or divergences.
5b. Findings regarding the financial object	
	<p>1. The existence and accuracy of the original invoices is verified together with existence of a separate account.</p> <p>2. It is checked whether the project activities produced revenues according to articles 61(3) and 65(8) of Regulation (EU) 1303/2013</p>
5c. Findings regarding the timetable	
	The project timetable is checked whether is in agreement with the application form.
5d. Findings regarding publicity	
	The compliance with publicity rules are checked (photographs, plates etc.) whether is in agreement with the application form and Publicity Guide of the Programme.
5e. Conforming to previous findings by control/audit bodies (Certifying Authority, Audit Authority, EU)	
	Measures undertaken by the beneficiary shall be referred in regards to the findings and recommendations of the MA and the control/audit bodies which are pending.

Accounting System

- It is examined whether all expenditure is recorded coded at beneficiary's accounting system
- In order to be recognisable either in a separate accounting system or there is sufficient accounting code subject to national accounting rules.
- Expenditure that is not registered in the accounting unit of the project is not verified

VAT

- Generally not acceptable.
- Any small procurement can be made with pro forma invoice instead with fiscal bill

Check list FLC

- 1) Beneficiary Information – accounting system, VAT status, Bank Account, Agreements
- 2) Audit trail of Project documents
- 3) Audit Trail Checklist of expenditure
- 4) On-the-spot verifications
- 5) Preparation costs
- 6) Categories of eligible expenditure
- 7) Compliance with public procurement rules
- 8) Compliance with EU policies
- 9) Implementation – administrative verification and OS verification
- 10) Fraud Indication
- 11) Recommendations and compliance

Check list FLC – example questions 3. Audit Trail Checklist of expenditure

3.4 Was expenditure incurred and paid within the eligibility period of the project in accordance with the Subsidy contract?

3.10 Are costs directly related to the project, and necessary for the implementation of the project?

3.14 Is there a “separate accounting unit” for the project or a method of adequate accounting system to identify the costs allocated to the project?

3.18 Have rules that ensure the avoidance of double funding been implemented (e.g. stamping of documents etc.)?

3.22 Has the administrative check of documents been sufficient to obtain evidence that the reported activities have taken place, the delivery of services, goods and works are in progress or have been completed?

Check list FLC – example questions 4. On- the-spot verifications

4.2 Are documents correctly archived in a separate folder?
3.10 Are costs directly related to the project, and necessary for the implementation of the project?

4.3 Have the deliverables of the project been completed or are under implementation?
3.18 Have rules that ensure the avoidance of double funding been implemented (e.g. stamping of documents etc.)?

Check list FLC – example questions 6.Categories of eligible expenditure

6.1.1.1 Has the Staff working on the project been employed according to the procedures described in the national legislation? Describe the procedure.

6.1.1.3 Is there any beneficiary's official document for the establishment of project working group with detailed job description and employment time for every employee?

6.1.1.7 Are there timesheets for every employee (daily, monthly basis) with reference on the working hours per WP, activity, venue?

6.2.3 In case of indirect costs, is there a proof method for allocating overheads to the operation?

6.3.1 Are costs project related? (verify existence of invitation, agenda and/or list of participants)

6.3.5 Is there a travel report signed by the responsible of the beneficiary?

Check list FLC –
example
questions
6.Categories of
eligible
expenditure

6.3.8 If per diem, is it based on national/institutional rules?

6.3.19 In case of meetings have the minutes, photographs etc. been submitted?

6.4.6 Are invoices sufficiently detailed?

6.4.7 Have the provided by the contractor services been accepted?

6.5.15 Are there the certificates of acceptance?

6.6.11 In case of public works (infrastructure), are the required environmental and other supporting studies available?

Check list FLC – example questions

7.2 Is the public procurement procedure well documented and documents such as procurement note, procurement publication, terms of reference, offers/quotes, order forms, reports on assessment award decision available? 7.7 If there are modifications to the contract, do they comply with EU and national rules? 6.4.6 Are invoices sufficiently detailed?

8.2 Does the beneficiary respect all relevant Community rules on the environment?

11.3 In case of recommendations, has the beneficiary followed them successfully?

common findings

Common wrong practices and financial weaknesses

OWN CONTRIBUTION NOT AVAILABLE DURING THE ACTION

Resulting in serious weaknesses in implementation:

- Not implemented foreseen activities questioning results of the Action as a whole;
- Creative solutions including confidential reimbursements resulting in not obtained value for money in procurement
- Unpaid invoices resulting in penalty interest even litigation, lowering the credibility of reported expenses

Mitigation: Secure the own contribution and plan the cash flow

FAILURE TO COMPLY WITH GENERAL PRINCIPLES OF PROCUREMENT

- *Same firm, with none or few employees engaged for various goods and services. Usually additionally resulting in errors in payment, inadequate delivery*
- *Too narrow specifications putting one supplier in favorable position*
- *Conflict of interest – engaging family members, board members, firms with owners in conflict of interests with project management. Do not forget that data in Central Registry is publicly available.*
- *Shortlisting firms which do not have any previous experience with the subject of procurement*
- *Prices in procurement significantly higher than prices on the market (e.g. google search) or same or better products*
- *Significant changes after the procurement including higher amounts invoiced than offered*

Mitigation: Transparent, fair, well documented procurement procedure without conflict of interests

NOT FORESEEN IN THE BUDGET AND AMENDING THE BUDGET WITHOUT INFORMING THE CONTRACTING AUTHORITY

- *Forgetting what is written in justification of the budget*
- *Disregarding units and price and taking into account only the total of the budget line*
- *Changes in the budget or expenses over total for the budget line without information in writing without delay the Contracting Authority accordingly*

*Mitigation: Monthly review of budget and compared with expenses.
Timely information about changes to Contracting Authority*

HUMAN RESOURCES

- *No or inadequate time sheets, no signature for approval*
- *Working on more than one project with overlapping time sheets*
- *Salary not normally borne*
- *Inadequate supporting documents for per diems*

Mitigation:

Standardized time sheets, adequately confirmed and approved.

Maintain an overview of the time spent by each individual on the different projects, which should tally with his/her total time worked.

This practice should ensure that no time can be charged twice.

Predetermined set of documents for travel including travel order, proof for enough hours on the trip for paid per diems.

TRAVEL

- *Usage of car owned by the beneficiary charged with rate per kilometer (possible profit)*
- *No or inadequate logbook for car usage*

Mitigation: Documenting factual expenses for travel. Keeping the logbook in the car and filling with every travel.

EQUIPMENT AND SUPPLY - SIGNIFICANT PROCUREMENTS NEAR THE END OF PROJECT

- *Consumables cannot be used by the end of project resulting in inventory which is not incurred expenses during the Action period*
- *Equipment at the end of Action – it has not been necessary*
- *Differences from budget justification, technical specifications*

Mitigation: Procurement plan at the beginning. Full compliance with budget justification or amendment to the budget

COMMUNICATION

- *Mobile phone bills with roaming in countries not related to the Action, parking and other services*
- *Interest in utility bills*
- *General car maintenance, tyres and other expenses which may bring benefit on longer time horizon than the Action implementation period*

Mitigation: Exclude the expenses not for the Action and in the Action period

OTHER COST, SERVICES

- *Inadequate proof of work done by the experts*
- *Printing expenses not adequately justified with number of printed pages related to amount paid*
- *Printed materials not distributed*
- *Web services paid much higher than market prices*
- *Studies copy pasted from available sources*
- *Hotels services through intermediary with much higher prices than advertised*
- *Unsupported restoran bills not presenting details of consumed food and beverages, no signature for confirmation and approval*
- *Inadequate supporting documents for events (list of participants, photographs)*

Mitigation: Approval of work done. Avoiding intermediaries wherever possible. Check the market prices before negotiating any services. Keeping adequate supporting documents

WORKS

- *Invoiced items not existing on the construction site*
- *Measures in invoice differs from factual*
- *Materials in the design, and offer differs from factual*

Mitigation: Adequate supervision. Timely informing Contracting Authority of changes.

