Guidelines for project implementation by grant beneficiaries – Tool 9

### Financial reporting and Eligibility of expenditure by budget headings[[1]](#footnote-1)

In order to monitor and to perform good financial management of the implemented project, the Grant Beneficiaries must be aware that for each payment there should be sufficient supporting documents. The table below summarizes the main supporting documents (bellow the signed Financial Report, Forecast Budget and List of expenditure) that the Grant Beneficiaries should retain and present in case of audit:

### Staff Costs

The staff costs refer to the expenses incurred for personnel employed/engaged by the Grant Beneficiary and his partners, which are directly related to project activities. Staff can either be already employed by the beneficiary or contracted specifically for the project.

These costs comprise actual salaries and social security, health insurance and other statutory costs included in the remuneration (all calculated in accordance with the national legislation). If the staff is engaged on the service contract basis, social security and health insurance must be paid except if the engaged person is social security and health insurance obligor on another basis (e.g. through work contract).

### Reporting Staff Costs

**What is the actual cost of salaries?**

The payroll consists of the gross amount shown at the top of the list and the calculation of taxes/surtaxes and payroll contributions. When calculating the gross, it is necessary to take account what is included for the current month (eg. stimulation that cannot be paid each month, one-time fees, overtime –cannot be included in the base)

***The cost of project work is calculated as follows:***

**LABOR COST = Gross II \* Percentage of project work**

***\*Percentage of project work*** *= hours of project work/regular hours of work (monthly fund of hours minus non-working days such as holidays, paid leave and sick leave at the expense of the employer).*

The following documents must be provided in order to prove salary costs and the related payment:

* **Employment contract for employees** accompanied with the Annex to the Contract (if applicable)
* **Decision on the appointment of members of the project team**, with specified qualification (i.e. managerial staff, technical staff, administrative staff) function in the project, to what extent the work is dedicated to the project (for examples the percentage of 100% or 20%...).. **The contracts/formal nominations must be made before or at the beginning of the project for the period within the implementation dates of the project and, if necessary, can be updated during the project lifetime (i.e. adding new employee, extension of one employee’s contract, changing of the project staff members);**
* **Monthly timesheet** proving the actual time worked on the project: it has to be provided for each project team member; it must be properly filled out with a description of the tasks carried out within the project and duly signed, both by the team member and the responsible person in the employer institution. Paid leave such as national holidays and vacation must be reported regularly through total number of working hours and clearly specified in the column ‘’description of the task’’ in the timesheet

**Note: If the person is working on national holiday or during the weekend without prior official approval from employer ie organization, it cannot be considered as eligible cost.**

* **Decision for annual leave** (if needed)
* **Monthly payslips for each individual** with defined gross 2 salary for total work engagement, not only for the project
* Tax, surtax and contribution specifications **(IOPPD forms)**
* **Evidence of payment** of salaries and payment of taxes, surtaxes and contributions(bank statements, confirmation of executed order, etc.).

**Note:Percentages of work needs to be presented correctly and in line with the data from the timesheets.**

*Payment orers received, concerning salaries and wages paid by public bodies may be presented cumulatively, accompanied by a letter from the competent office, proving that the single document refers to the staff allocated on the project.*

*The number of working days per month does not include weekends and public holidays, except in exceptional situations where the nature of the project so requires, in which case the prior approval/decision of the employer is required.*

*The working day usually lasts 8 hours, except in the case of variations in accordance with applicable legislation, internal regulations and documented practice*

### Per Diems for Missions/Travel

This cost category refers to the per diems costs of project staff of the Beneficiary institutions listed in the Application Form related to their participation in meetings, seminars, conferences and other similar activities, related to the project.

Per diems for missions/travel costs for project staff participating at the trainings, seminars, may be reported in accordance with the provisions indicated in national rules or in any regulations/internal circulars of Beneficiary institutions.

As general rules the following principles must be taken into consideration:

* Per diems for missions/travel expenses must correspond to affordability (inexpensiveness) criteria, demonstrable on the basis of an assessment.
* The duration of the mission must be clearly in line with the purpose of it (e.g. from the day before to the day after the concerned meeting). Costs for longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights) do not exceed the savings eventually made in the costs for transportation.
* Proof of Per diems for missions/travel expenses must be submitted for validation of expenditure. Per diems are calculated on the basis of number of overnight stay. In case ‘daily allowances’ are foreseen in the national rules as the only way of reimbursement of such costs, they are eligible.

### Reporting Per Diems for Missions/Travel Costs

The following supporting documents must be provided in order to prove the expenditure and the related payments:

* **Event invitation** addressed to each participant (e.g., invitation, usually with the agenda and invited participants/institutions, logistic/travel and accommodation/security advices...);
* **Agenda** (or similar document addressing the reality of the event);
* **Travel order** with clearly specified date and time of travel, certifying the mission carried out, from which it is clearly possible to infer the name of the travelling employee(s), date, reason and destination of the mission;
* **Proof of event happened and proof of participation** (signed list of participants, photos, minutes, travel report);
* **Reimbursement request from the employee**, indicating the detailed expenditures incurred. All necessary documents proving the claimed real costs must be provided (e.g. travel receipts, hotel invoice…);
* **Proof of travel happened** (e.g. travel receipts, bus/train/flight ticket, hotel invoice, boarding pass for each flight, copy of passport entry/exit...)
* **Proof of payment** of costs directly paid by the institution or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution. Received payment orders by the bank or signed by the Accounting Manager or Administration Manager from which clearly emerges the amount and the name of payee

### Travel Costs

This cost category refers to the travel costs of project staff of the Beneficiary institutions listed in the Application Form related to their participation in meetings, seminars, conferences and other similar activities, related to the project.

 Travel costs for project staff (see ‘staff costs’), may be reported in accordance with the provisions indicated in national rules or in any regulations/internal circulars of Beneficiary institutions.

As general rules the following principles must be taken into consideration:

* Travel is organized in accordance with project activities.
* Actual costs are not in overrun as compared to the approved budget.
* Travel expenses must correspond to affordability (inexpensiveness) criteria, demonstrable on the basis of an assessment. This means that the most cost-efficient means of transportation shall be used (normally public transportation); no business or first-class tickets for air or train transport are eligible irrespective of the fact that this may be allowed by the internal rules of the institution; any exception to this principle must be duly justified, otherwise the related expenditure will not be eligible.
* In case of transport by taxi or by hire car, reimbursement may be permissible on the basis of the actual cost, provided that this cost is not excessive in relation to expenditure for the use of alternative means of transport.
* In exceptional cases the project Beneficiary may use company cars or private cars for project’s travels. In this case only travel costs connected to the project trips are eligible and must be accounted according to national or institutional rules (i.e. reimbursement per kilometre, highways tickets acquired during the journey, specific declaration of the distance travelled...).
* Costs may be accepted without reservation if they fall in the range of average costs. Higher costs must be duly justified in each case.
* The duration of the mission must be clearly in line with the purpose of it (e.g. from the day before to the day after the concerned meeting). Costs for longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights) do not exceed the savings eventually made in the costs for transportation.

### Reporting Travel Costs

* + **Event invitation** in case of event (e.g., invitation, usually with the agenda and invited participants/institutions, logistic/travel and accommodation/security advices...);
	+ **Agenda** (or similar document addressing the reality of the event);
	+ **Travel order**  (or authorisation of the mission, decisions on the assignment) certifying the mission carried out, from which it is clearly possible to infer the name of the travelling employee(s), date, reason and destination of the mission;
	+ **Proof of event happened and proof of participation** (signed list of participants, photos, minutes, travel report);
	+ **Reimbursement request from the employee**, indicating the detailed expenditures incurred for travels and transfers. All necessary documents proving the claimed real costs must be provided (e.g. bus/train/metro tickets, plane ticket with boarding cards; car rental invoice, highway tickets …);
* **Public transport:** Transport tickets (including boarding passes in case of air travel);
* **Car:** For fuel and oil expenses, a summary list of the distance covered, fuel costs;
* **Log book** that proves mileage on the car.
	+ **Proof of travel happened** (e.g. travel receipts, bus/train/flight ticket, hotel invoice, boarding pass for each flight, copy of passport entry/exit...)
	+ **Proof of expenditure** for costs paid by the partner institution (e.g. invoice of travel agent, plane tickets with boarding cards);
	+ **Proof of payment** of costs directly paid by the institution or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution (e.g., bank statement).

**NOTE: Non-working days (weekends, holidays…) are allowed to be presented in travel declaration only with prior official approval by the employer.**

### Costs of Equipment and Supplies

The budget heading “Equipment and Supplies” refers to the purchase/rent/leasing of equipment necessary for the successful implementation of the project such as IT equipment (computer, printer, software and so on), office furniture and certain machineries for specific project’s purposes.

All costs in this category have to respect public procurement rules stipulated in Annex IV to the Grant Contract. The most economic type of equipment should be chosen and the equipment features/functions should be in line with the actual context of use.

The existence of the project equipment may be subject to CFCU verifications through on-the-spot checks.

Finally, depending on the specific option chosen to acquire the equipment (purchase, rent or leasing) specific eligibility requirements must be respected:

* The equipment is part of a specific goal of the project (for example office furniture if the goal of the project is to set up a bureau which will provide services for the target group at least during the project implementation period).
* It is possible to rent equipment provided that the rental is the most economic and cost-effective way of getting the equipment for the project purposes.

### Reporting equipment costs

If the beneficiary is implementing the PRAG procurement rules, the following documents must be provided in order to prove the expenditure and the related payment:

Up to 2.500,00€:

* Market survey proving best price-quality ratio (by obtaining offers e.g. via e-mail, online survey...)
* Invoice – with clearly stated number/name of the project
* Proof of payment such as bank statements

Over 2.500,00€:

* Documents evidencing that the most cost-efficient option for the features requested has been selected and, where applicable, proof that public procurement rules have been respected (such as tendering documents, bids from tenderers and evaluation reports, contract…);
* Invoice – with clearly stated number/name of the project
* Proof of acceptance of the goods,
* Proof of payment such as bank statements.

If the beneficiary decides not to use PRAG rules/forms, the secondary procurement procedures must be conducted in line with the national legislation/internal procurement rules by the beneficiary. The procurement option that is being used needs to be applied **consistently throughout the project implementation period,** i.e. it is not allowed to “mix” the procurement rules for different secondary procurements.

**NOTE: VAT is not eligible cost.** For Montenegrin Beneficiaries, the request for VAT exemption has to be send to the CFCUl. Once received, copy of Certificate for VAT exemption has to be delivered to Tax administration. For GBs from other countries, the VAT exemption/reimbursement procedure should be conducted in accordance with the applicable national legislation.

### Costs of Local Office

The budget heading “Local office” refers to direct local office costs (i.e. costs deriving exclusively from the project, if the specific office for the project is established) and indirect costs calculated on a pro-rata basis according to a duly justified, fair and equitable method).

The local office budget line may include cost items such as:

* Vehicle costs (registration, insurance, maintenance…) to the ratio of project based kilometres/total kilometres travelled by that car during the project life cycle.
* Office rent costs calculated on pro-rata base,
* Consumables - office supplies
* Other services (tel/fax, electricity/heating, maintenance) on pro rata-base

In principle, costs under this budget heading should be linked to office **established specifically for the purpose of implementing a project.**

### Reporting Local Office Costs

The following documents must be provided in order to prove the expenditure and the related payment:

* Contract for office rent (in case of an existing office) or procurement documentation for office rent (in case of a newly established office)
* Invoices for vehicle costs (registration, insurance, maintenance…),
* Invoices for other services (tel/fax, electricity/heating, maintenance)
* Proof of payment such as bank statements.

### Cost of other service costs

In this category, costs related to the organisation of conferences, seminars, meetings, workshops (renting of premises and equipment, catering, interpretation, printing, etc.) directly related to the project and traceable from the approved Application Form, shall be reported.

It may also include the cost of external speakers and external participants in project meetings and events if the cost will be definitively paid and borne by partners officially listed in the Application Form.

Together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for meetings and events is subject to the full respect of procurement rules and of publicity rules.

For each event it must be clearly demonstrated the purpose and must be declared the location, the duration and the number of participants.

In addition, the costs of expenditure verification (audit) and external evaluation are reported in this category if foreseen or obligatory.

### Reporting other service costs

The following documents must be provided in order to prove the expenditure and the related payment:

Up to 2.500,00€:

* Market survey proving best price-quality ratio (by obtaining offers e.g. via e-mail, online survey...)

Over 2.500,00€:

* Documents evidencing that the most cost-efficient option has been selected and proof that public procurement rules have been respected.
* Contract laying down the service/s to be provided, with clear reference to the project, the Programme and the specific meeting/event.
* Invoice/receipt – with clearly stated number/name of the project.
* In case the travel and accommodation costs are not foreseen in the contract of the professional (expert) incurring them, they have to be reported using the documentation proving the actual realization of the travel (tickets, boarding passes, etc).
* Deliverables (agenda, list of participants, minutes; copy of the materials produced directly linked to the events and any other material testifying the carrying out of the event); in case of translation the number of languages for which the service of translation is provided must be declared.
* Contract and audit report for expenditure verification.
* Proof of payment.

**NOTE: Costs will only be reimbursed if supporting documents (visibility materials, presentations, labels on purchased equipment, etc.) respect all EU visibility rules .**

### Costs of External Expertise

The cost of external expertise services are eligible on the basis of contracts or written agreements defining the task to be accomplished and paid against invoices or requests of reimbursement. The travel and accommodation costs incurred by experts engaged specifically for project purposes shall be budgeted and reported under this budget heading.

Together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for external expertise is subject to the full respect of the relevant procurement rules and to the requirement that the work of the external expert must be essential for the project.

Finally, the deliverables produced by the experts, especially as far as studies are concerned, must also respect the necessary publicity requirements for promotional products.

Consultant fees between the beneficiaries for services or work carried out within the project, as well as remuneration of any kind for staff of any of the beneficiaries being hired as external experts or freelance consultants are not eligible costs.

### Reporting External Expertise Costs

The following documents must be provided in order to prove the expenditure and the related payment:

Up to 2.500,00€:

* Market survey proving best price-quality ratio (by obtaining offers e.g. via e-mail, online survey...)

Over 2.500,00€:

Documents evidencing that the most cost-efficient option has been selected and proof that public procurement rules have been respected.

* **Documentation related to procurement** and evidence of the selection process.
* **Contract** laying down the services to be provided, with clear reference to the project and the Programme. For experts paid on the basis of a daily/hourly fee, such fee together with the number of days/hours contracted and the total amount of the contract must be provided.
* **Invoice (or Payment request from natural bodies)** – with clearly stated number/name of the project. For experts paid on the basis of a daily/hourly fee, the invoice/Payment request must include a clear quantification of the days/hours charged (Time sheet), price per unit and total price.
* **Proof of travel and accommodation expenses** for professionals (experts) who are invoicing for these costs, consequently flat-rate expenditures are meant as inadmissible for accounting purposes.
* **Proof of payment of costs** (bank statement) directly paid by the institution or in case of cost directly paid by the expert, **proof of reimbursement** to the expert by the institution. In case the Final Beneficiary is obliged to pay any compulsory charges (i.e. insurances, social security etc. for physical person experts), documents evidencing the payment of these compulsory charges.

### Other costs

This category includes other costs which can not be reported through first five budget headings ie. are not related to those budget lines.

### Indirect costs

A fixed percentage of the total amount of direct eligible costs of the Action not exceeding the percentage laid down in Article 3 of the Special Conditions may be claimed to cover indirect costs for the Action. Flat-rate funding in respect of indirect costs does not need to be supported by accounting documents. This amount shall not be taken into account with regard to the maximum amount of simplified cost options.

Indirect costs shall not be eligible under a grant for an action awarded to a Beneficiary who already receives an operating grant financed from the European Union budget during the period in question.

### Instructions for documentation submission

* Documents must be arranged in the binder according to budget headings and lines, in order. For each budget line, make sure they are stacked by month.
* The documentation is submitted in hard copy and electronic form in full, which means that the hard copy and electronic version must contain the same documentation.

NOTE: In the situation when Grant Beneficiary does not provide the complete documentation for the report, Contracting Authority will send Official Request for additional information no more than two times. If the GB do not submit the requested documentation in the deadline defined by the CA, the cost will be considered as ineligible for that report.

NOTE: Partial submission of documentation will not be taken into account.

For Example:

Human Resources:

**1)BL. 1.1.1.1.**

Decision

Contract

**January**

Timesheet

Payslip

IOPPD

Bank statement

**February**

Timesheet

Payslip

IOPPD

Bank statement

NOTE:

* The same logic applies to all budget headings and lines.
* The guidelines set out the mandatory documents for reporting and each budget line must contain them.
1. As advised by the Contracting Authority, this tool has been prepared, using the Implementation Package within CBC Montenegro-Kosovo Program [↑](#footnote-ref-1)