

Introduction

“THIS FINANCIAL INFORMATION KIT HELPS YOU AVOID FINANCIAL PITFALLS IN MANAGING YOUR PROJECT”



This Financial Information Kit is intended for grant beneficiaries under the different funding programmes managed by the Education, Audiovisual and Culture Executive Agency (EACEA).

The **purpose of the Financial Information Kit** is to provide practical and easy to read financial guidance to help beneficiaries avoid making mistakes that could result in a reduced grant contribution due to ineligible or unsubstantiated expenditure. It focuses on errors frequently identified during audits of projects.

This guidance **does not replace any legal document** on legal and/or contractual rights and obligations. For more information on legal and contractual rights and obligations, the beneficiaries should refer to the Grant Agreement or Decision, the Call for proposals or programme guides/handbooks.

The Financial Information Kit guidance comprises **eight fact sheets**. Each fact sheet deals with a specific error, summarises the minimum contractual conditions and explains what can go wrong. They include tips on avoiding pitfalls in grant management. The fact sheets cover:

- Accounting
- Cash and bank management
- Documentation, filing and record keeping
- Modifications to the grant agreement
- No profit
- Payroll and time management
- Travel & subsistence
- Control and audit visits

All eight fact sheets are applicable for budget based projects (action and operating grants). Four of the fact sheets: “cash and bank management”, “control & audit visits”, “documentation, filing and record keeping” and “modifications to the grant agreement” are applicable for projects based solely on flat rates and lump sums.

The Agency is interested in receiving feedback from the people who use the financial information kit. Your feedback will help the Agency to refine the documents to the benefit of all. Feedback can be sent to the Agency via the mailbox: EACEA-R2-AUDIT@ec.europa.eu.

Accounting

“RELIABLE ACCOUNTING IS VITAL FOR SOUND FINANCIAL MANAGEMENT AND REPORTING”



ACCOUNTING HAS TWO BASIC PURPOSES:

- Show the revenue, expenses, assets and liabilities of the project for financial management purposes
- Provide the data needed to draw up accurate financial reports.

To meet these basic objectives, accounting records must be:

- Up-to-date
- Accurate and reliable
- Drawn up according to proper accounting standards, methods, policies and rules.

WHY?

Reliable and up-to-date accounting records are essential to demonstrate how the project uses its financial resources.

MINIMUM CONTRACTUAL CONDITIONS:

(Articles: eligible costs, general provisions on payments and checks & audits of the General Conditions)

- The accounts and expenditure must be made easily identifiable and verifiable, in particular being recorded in the accounting records of a beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost-accounting practices of the beneficiary.
- The beneficiaries' accounting procedures must permit direct reconciliation of costs and revenue declared for the relevant EU funded action with the corresponding accounting statements and supporting documents i.e. linking costs with the specific EU project.
- The general conditions of grant agreements include the conditions under which costs are either eligible or ineligible. This information should enable beneficiaries to distinguish between eligible and ineligible expenses in their accounting records.
- The beneficiary must allow the Agency and auditors to carry out checks and audits and to examine supporting documents, accounting and tax records and any other documents relevant to the financing of the project.

WHAT CAN GO WRONG?

- The accounting system is inadequate when it does not allow reconciliation with relevant costs. For example, it is not a double-entry system.
- All costs have not been registered in the accounting system.
- Accounting records do not comply with generally accepted accounting standards.
- Accounting records are not kept according to the beneficiaries usual accounting practices.
- The currency conversion method or exchange rates used are incorrect.



Basic tips

1. Use proper bookkeeping techniques.

- Some basic bookkeeping principles include:
 - accounting records must be double-entry (debit/credit)
 - accounting records must be based on a properly defined chart of accounts
 - methods used must ensure that once an accounting entry is recorded, it can no longer be altered.
- The project accountant should be competent, trained and experienced in accounting.
- It is preferable to make use of accounting software. Spreadsheet applications are not designed for double-entry accounting records; spreadsheets can easily be changed and so don't meet the requirement that accounting entries be unalterable.
- Beneficiaries may opt to keep a separate set of accounts specifically for the project, or to include the project's accounts in their own accounting system. In the latter case, they should have a method of ensuring that the project's accounts are still easily identifiable.

2. The accounting records and the financial report must cover all the project costs, irrespective of whether they have been financed by EU funds, from the beneficiary's own financial resources, or by funds provided by other parties. The EU contribution is calculated as a share ('co-financing') of the total eligible expenditure of the project. The Agency has the right to audit all project expenditure and not only the part financed by EU funds.

3. At the beginning of the project, grant beneficiaries should pay attention to the currency rules and thus check the contractual conditions for:

- currency to be used in drafting the project's financial report(s) (usually Euro)
- rules to be followed for currency conversion.

Beneficiaries will generally record project expenses in local currency, but for the financial report, local currency expenses will need to be converted into Euros as per the contractual conditions. Foreign exchange losses are not eligible costs for grant agreements. Foreign exchange gains alone will not be recovered.

“Reliable accounting is vital for sound financial management and reporting”

Cash & bank management



“CASH MUST BE KEPT SAFE AND ELECTRONIC TRANSFERS USED PROPERLY”

EU funding is of the utmost importance as it enables beneficiaries to carry out the project.

WHY?

Good financial management is critical for grant projects. The Agency will want to know how EU funds have been used.

MINIMUM CONTRACTUAL CONDITIONS:

(Articles: General provisions on payments of general conditions and bank account in specific conditions)

Beneficiaries should consider using project-dedicated, specific bank accounts. A dedicated bank account enables the project to centralise all project funding in a single bank account used exclusively for the specific project.

WHAT CAN GO WRONG?

- Cash can be misappropriated.
- Funds are not received by the designated recipient.
- The EU funds paid by the Agency are used to finance activities other than the project.
- Unauthorised payment vouchers are drafted.
- It becomes impossible to say how much interest was generated on pre-financing.



Basic tips

Beneficiaries are urged to consider using project-dedicated, specific bank accounts. A dedicated bank account enables the project to centralise all project funding in a single bank account used exclusively for the specific project.

This has many advantages:

- It allows the funds to be traced clearly from their source to their use.
- It allows project funds to be separated from other funds and makes it easy to identify the interest generated on pre-financing (if any).
- It makes checks and reconciliation easier.
- It minimises the risk that funds intended to finance the project may be used to finance other activities.
- In terms of co-financing, it can help to show that all parties have made the agreed financial contribution and that these contributions have been used for the project.

Beneficiaries are strongly advised to minimise petty cash and cash transactions and to pay by bank transfer wherever possible.

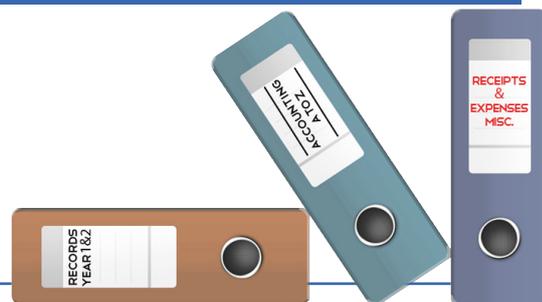
Bank transfers have several advantages over other methods of payment:

- They allow a possibility to have two signatures to make a payment (segregation of duties)
- They reduce the risk of theft
- They ensure that the payment reaches the intended recipient if the bank account has been properly checked
- They ensure that funds can be traced using bank statements.

“Cash must be kept safe and electronic transfers used properly, otherwise the entire project may be at risk!”

Documentation, filing & record keeping

“NOT DOCUMENTED, NOT ELIGIBLE!”



For a beneficiary, keeping clear and relevant documentation is vital. Proper documentation is necessary to show that costs claimed meet the conditions of the grant agreement. Approximately, 30 to 40% of issues affecting project funding discovered by the Agency during audits concern inadequate record keeping.

WHY?

If a beneficiary cannot provide documented evidence that funds have been used in accordance with the grant agreement, the Agency may recover the unsubstantiated expenditure.

MINIMUM CONTRACTUAL CONDITIONS FOR BUDGET BASED GRANTS:

(Articles: Eligible costs, checks and audits and termination of the agreement of general conditions)

- To be eligible, the costs must be identifiable and verifiable. They should be recorded in the accounting records of a beneficiary and determined in accordance with applicable accounting standards of the country where the beneficiary is established and the usual cost-accounting practices of the beneficiary.
- The beneficiaries' accounting procedures must permit direct reconciliation of costs and revenue declared for the project with the corresponding accounting statements and supporting documents.
- The beneficiary must allow the Agency and other auditors to carry out checks and audits and to examine supporting documents, accounting and tax records and any other documents relevant to the financing of the project.
- Supporting documents and records must remain at the beneficiary premises and available for inspection by the Agency and/or external auditors for a period of five years after the final balance of the grant has been paid.

MINIMUM CONTRACTUAL CONDITIONS FOR FLAT RATE GRANTS:

(Articles: Determining the final grant, checks and audits and termination of the agreement of general conditions)

- Financing in the form of one or several lump sums is limited to the amounts referred to in the grant agreement or grant decision. Flat-rate financing, in the form of scales of unit costs, is determined by the application of the formulas provided for in the agreement on the basis of the actual implementation of the action and within the ceilings laid down.
- If the specific conditions or grounds for granting these contributions, (i.e.: lump sums or flat-rate financing in the form of scales of unit costs) as set out in the agreement/decision are not fulfilled, or are only partially fulfilled, on completion of the action, the Agency shall withdraw or reduce its contributions in line with the extent to which the conditions or requirements have been fulfilled.
- Supporting documents and records must remain at the beneficiary premises and available for inspection by the Agency and/or external auditors for a period of five years after the final balance of the grant has been paid.

WHAT CAN GO WRONG?

- Certain documents are not drafted or kept.
- Documents kept do not provide sufficient evidence that contractual conditions have been met.
- Project documents kept are not later retrievable.
- Projects documents are prematurely discarded.
- False documents are provided. In this case, the Agency may terminate the agreement/ decision with the beneficiary and request the European Anti-Fraud Office (OLAF) to carry out additional investigations.

Basic tips



Beneficiaries are advised to keep extensive records, over and above the minimum requirements in the grant agreement.

- Keeping originals is compulsory. An original document is more reliable than a copy, as it is difficult to alter and offers better protection against recording the same expense twice.
- An official, formal document is more reliable than an unofficial one. For example, an official bank statement for a bank transfer provides more reliable evidence of payment than a cash payment voucher drawn up by the beneficiary's accounting department.
- Cash payments should be limited to small transactions (e.g. petty cash).
- Project documentation should prove that the costs were incurred. For example, a supplier's invoice may prove that the supplier was owed money by the project, but it does not prove that the beneficiary accepted the goods and paid for the goods or services. It may be necessary to keep the supplier's invoice and the delivery note and the bank statement (or receipt) showing that the payment was made.
- Use a simple referencing and numbering system that people unfamiliar with the project can follow easily. Make sure the system allows documents to be found easily and quickly.
- Collect documents during the implementation of the project and not at the end of the project or once it has been completed.
- File physical documents in an orderly way.
- Make sure documents are physically protected and cannot deteriorate while in storage or transit.

“Not documented, not eligible!”

Modifications to the grant agreement

“THE AGENCY MUST BE INFORMED OF MOST CHANGES TO THE AGREEMENT IN GOOD TIME”



The Agency may accept changes to the project (duration, bank account, etc.) as well as to the original budget provided they are duly justified. The possibility to make budget modifications can only be done on budget based projects.

WHY?

If a beneficiary does not request a modification in good time and receive the necessary agreement from the Agency, the project risks incurring costs which are deemed ineligible.

CRITICAL ASPECTS OF MODIFICATIONS INCLUDE:

- Present the reasons for the modifications
- The Agency may approve or reject requested modifications
- The Agency's decision will be communicated to the beneficiary in writing.

MINIMUM CONTRACTUAL CONDITIONS:

(Articles: supplementary agreements of General Conditions and financing the action of the Specific Conditions)

- **The beneficiary undertakes to request for amendment in writing in good time before it is due to take effect.**
- Fundamental changes to the budget will not be accepted as this could call into question the decision to award the grant.
- For costs approved in the estimated budget, a certain percentage margin of the specific budget heading is accepted without formal written amendment depending on the programme or action concerned.

WHAT CAN GO WRONG?

- Grant beneficiary not sending a formal written request and carrying on with the project thinking it is just a small change.
- Budget modifications are not requested before they take effect.
- Costs exceeding the budget without prior approval.



Basic tips

- Ensure that changes to the originally approved budget estimate have been requested in writing before they are implemented and in any case at least one month before the end of the eligibility period. Make sure that the costs declared in the cost statements/ financial reports have been approved by the Agency before they have been incurred.
- Retroactive costs will not be accepted. The Agency will not consider costs eligible unless they have been planned for in the provisional budget submitted with the project proposal and duly accepted in the grant agreement, meaning initial agreement and any subsequent modifications/amendments.

“The Agency must be informed of most changes to the agreement in good time and in writing in order to agree or not before these changes take effect”

No-profit



“ALL GRANTS ARE LIMITED TO THE AMOUNT NECESSARY TO BALANCE THE PROJECT’S REVENUE AND EXPENDITURE”

The no-profit principle applies to both action and operating grants. However, it is more of a concern in operating grants. This guidance focuses on operating grants.

WHY?

A misunderstanding of this principle could result to a submission of an incorrect balance payment request. It is essential to know that in case of surplus of total revenue over total expenditure, the Agency reduces the grant by an amount equivalent to the surplus on the budget. No-profit is a critical concept in operating grants.

MINIMUM CONTRACTUAL CONDITIONS:

(Articles: Determining the final grant of General Conditions)

- Final payment is granted on the basis of the documents sent with the request for payment of the balance.
- **The grant shall be limited to the amount necessary to balance the revenue and expenditure.**
- The grant may not under any circumstances generate a surplus of revenue (profit) for the organisation.

WHAT CAN GO WRONG?

- Providing financial information based on incomplete annual accounts.
- The description of profit in operating grants is based on economic turnover and/or profit and loss account. In operating grants profit is understood as any surplus of total actual revenue matched against total actual costs.
- If the annual accounts are too general, it is difficult to link costs to specific activities and thus may result in rejection of certain costs.
- Annual accounts are not certified by an independent auditor or equivalent in public organisations.

The operating grant is used:

- As provision for losses or potential future liabilities
- Fully or partially to cover debts or operating losses
- To meet with other legal requirements or implications
- To cover non-permanent activities not foreseen in the work programme.



Basic tips

1. Things to remember before presenting the financial report to the Agency:

- Check that the funding has been used solely to carry out work programme activities for which the operating grant has been awarded (compliance with the work programme).
- Verify the amount of actual total expenditure and the actual total revenue. They need to correspond with the amounts presented in the annual accounts and fall into the categories set out in the estimated budget.
- Check whether there is a surplus of the total actual operating revenue (gross receipts) over the total actual operating expenditure.
- Check if the beneficiary organisation has made a loss or has debts. These costs shall be cleared by other sources of revenue and not by the grant.
- Non-eligible costs must always be covered by non-Agency resources.

2. The operating grant is not intended to be used to offset previous poor financial management such as clearing losses or debts from previous years. If well-substantiated by the grant beneficiary, losses from previous years can be cleared from other sources of revenue than the operating grant.

“All grants are limited to the amount necessary to balance the project’s revenue and expenditure. A grant may not, under any circumstances, generate a profit”

Payroll & time management

“THE PAYROLL IS A SIGNIFICANT COST THAT MUST BE PROPERLY CONTROLLED”



Human resources are a major cost component for many projects, it is therefore essential to control and account properly for these costs.

CRITICAL ASPECTS OF PAYROLL COSTS INCLUDE:

- Proper calculation of pay and compliance with national social security and related rules
- Adequate staff contracting
- Adequate systems to allocate staff costs to projects
- Adequate control of attendance
- Sound remuneration practices.

MINIMUM CONTRACTUAL CONDITIONS:

(Article: Eligible costs of General Conditions)

- Eligible payroll costs are defined as **“the direct cost of staff assigned to the action, comprising actual salaries plus social security charges and other statutory costs included in the remuneration, provided that this does not exceed the average rates corresponding to the beneficiary’s usual policy on remuneration.”**
- To be eligible, costs should comply with the requirements of the applicable tax and social legislation.
- To be eligible, costs should be reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

WHAT CAN GO WRONG?

- It is impossible to show how much time staff have spent on the project.
- The time reported by staff on timesheets is unreliable.
- The actual salary costs have not been correctly determined or the amount has not been supported.
- The relevant social security rules and/or the relevant national employment or tax legislation are not respected.
- Undue and unjustified allowances (per diem and other) paid to staff are charged to the project.



Basic tips

- 1. Beneficiaries are encouraged to use timesheet system for time management, even if this is not required in the contractual conditions.**

An effective timesheet system can help meet several important objectives:

- Allocating staff costs to the project according to the actual amount of time spent working on the project.
- Allocating work to the correct activity in the project.
- Documenting staff work on the project.

Appropriate measures to make a timesheet system more effective include:

- Arrange for timesheets to be filled directly by those who perform the work. Have them sign their timesheets to acknowledge their responsibility for their input.
- Require project staff to submit their timesheets no later than one or two days after the end of the timesheet period. To encourage reliability, monitor this deadline.
- Make the timesheet period sufficiently short (at most monthly).
- Set up a standardised timesheet format which must be used by all staff.
- Have timesheets reviewed and approved by direct superiors.
- Once the timesheet has been filled in and approved, the staff member should not be able to amend it.
- If staff work on several projects simultaneously, maintain an overview of the time spent by each individual on the different projects, which should tally with his/her total time worked. This practise should ensure that time cannot be charged twice.

- 2. Payment of fees & remunerations should be commensurate with reasonable reimbursement.**

Beneficiaries should consider the following:

- For travel & subsistence allowances, remember that the amounts published by the EC are the maximum sums eligible. Beneficiaries can pay lower amounts, for example for travel to cheaper parts of the country or if the actual costs are lower.
- For training allowances, fix the allowance at a level compatible with reasonable reimbursement of expenses. Document the basis for fixing the allowance. Avoid paying 'fees' or 'remuneration' for attending training courses.

- 3. Beneficiaries should inform staff of the start and end date of the project implementation period, which is the only period during which they may work on the project.**

- 4. Beneficiaries are encouraged to keep sufficient documentation showing compliance with national social and tax legislations.**

- Correctly drafted employment contracts
- Payroll sheets showing that gross and net pay tally for individual staff and for the entity as a whole
- Returns submitted to national authorities concerning social security and income taxes, reconciled with the payroll, and proof of payment to the authorities.

“The payroll is a significant cost that must be properly controlled”

Travel and subsistence

“MAKE SURE TRAVEL AND SUBSISTENCE ARE ADEQUATELY DOCUMENTED”



Travel costs can constitute an important cost. It is essential to check and justify related costs.

WHY?

It is essential to keep travel and subsistence related supporting documents. Without adequate supporting documents, costs may be considered ineligible.

MINIMUM CONTRACTUAL CONDITIONS:

(Articles: Eligible costs of General Conditions)

- Costs are incurred during the eligibility period specified in the grant agreement/decision.
- They are indicated in the estimated overall budget of the project.
- **They are necessary, identifiable and verifiable from corresponding financial statements and accounting records.**
- They are reasonable, justified, and prudent.
- They are in line with the beneficiary's usual practices on travel and subsistence costs or do not exceed the scales approved annually by the Agency.

WHAT CAN GO WRONG?

- Reporting travel and subsistence costs that do not relate and/or are unnecessary for the project.
- Insufficient supporting documents.
- Use of incorrect scales (please, check the appropriate guidelines for the specific funding action) or when travel and subsistence allowances are higher than EC maximum ceilings. Usual remuneration policy should be used.
- Reporting travel and subsistence costs of subcontractors (these costs should be part of the subcontracting fees).
- Not recording costs in the accounting system.
- Misuse or uneconomic use of transport e.g. first class airfares.



Basic tips

1. Beneficiaries are strongly advised to keep all necessary supporting documents:

- a. Travel: original airline tickets or travel agent invoices and boarding passes, bus/train tickets and taxi receipts.
- b. Subsistence: details of the per diems claimed (including dates and purposes of visits made).

In addition to the supporting documents, appropriate measures to keep effective accounts on travel and subsistence costs include:

- Establishing a travel request form including information on the reason for travel and budget to be approved by an authorising person before the travel takes place.
- Creating a travel report template consisting travel details such as dates, times and reasons for travel (speaker at conference, coordination meeting with project partners etc.).
- Creating a travel expense claim form to declare all proofs of actual travel expenses e.g. original travel tickets and bills, boarding passes, hotel invoices, meal receipts etc. Expense claims should be approved by a person within the beneficiary's organisation authorised to do so.

2. Beneficiaries should also take the following into account:

- Clarify internal practices for paying/reimbursing travel and subsistence costs which are inline with usual remuneration policy.
- Comply consistently with the usual practices of the organisation that govern travel and subsistence cost payments/reimbursements as new rules cannot be created for the purpose of managing EU projects.
- For travel and subsistence allowances, remember that amounts published by the EC are maximum ceilings. Beneficiaries can always pay lower amounts, for example if travel takes place in cheaper parts of the country, or when the actual costs are lower and inline with the usual remuneration policy. In case, actual allowances are higher than the amounts published, the exceeding part will be considered as ineligible costs by the Agency.
- Retain all invoices and bills, proofs of payment and of reimbursements even if you are reimbursed on a flat rate basis.
- For travel allowances, keep appropriate documentation showing that the travel took place (travel orders, travel reports, invoices from travel agency, boarding passes for international travel, copies of hotel bills showing arrival and departure dates, etc.).
- Keep relevant supporting documents to prove that the travel has taken place in accordance with an initial work plan, and in the interest of the project.

**“Make sure travel and subsistence
are adequately documented”**

Control & audit visits

“KEEP AND MAINTAIN EXHAUSTIVE AND APPROPRIATE FINANCIAL DOCUMENTATION ABOUT THE PROJECT”



PROJECTS FUNDED BY THE EU MAY BE CHECKED AND/OR FINANCIALLY CONTROLLED IN THE FOLLOWING WAYS:

- Desk controls/review by the Agency
- Monitoring and on the spot control visits by the Agency
- Audit visits by the Agency's external auditors
- Audit visits by the European Court of Auditors (ECA).

Critical aspects of control visits include:

- Verifying that funding has been used solely to carry out activities relating to the project.
- Checking that costs are eligible, incurred and reported in accordance with relevant rules and obligations (compliance with the financial rules, specific and general conditions of the grant agreements/decisions).
- Verifying if costs are supported by appropriate supporting documentation and that amounts can be traced back to the organisation's accounts and accounting systems.
- Checking that reported costs are correct.
- Verifying that activities have taken place and/or the output has been produced.

Minimum contractual conditions:

(Article: Checks and audits of General Conditions)

- The beneficiary undertakes to **provide any detailed information requested by the Agency, or any other authorised outside body (external auditors or Court of Auditors) at any given time during the implementation period and up to 5 years from the date of the final payment.**
- The beneficiary keeps the original documents, or in exceptional and justified cases certified copies of original documents, relating to the agreement/decision for a period of 5 years from the date of the final payment.

What can go wrong?

- It is impossible to show how much time staff have worked on the project.
- Time reported by staff on timesheets is unreliable.
- Actual costs are not correctly supported with appropriate documentation.
- The relevant accounting rules are not obeyed.
- Incorrect subcontracting rules have been followed.
- Undue and unjustified allowances (per diem and other) have been paid to staff and charged to the project.



Basic tips

1. Beneficiaries are informed well in advance in writing on the practical arrangements relating to control and audit visits. The beneficiaries are, at this point, requested to start preparations for the visit:

- Assemble and maintain a full financial file with all relevant original supporting documents such as: contracts, amendments, invoices, bills, employment contracts, timesheets, tendering procedures, subcontracting contracts, bank statements, accounting records and any other documents that support the costs claimed. Keep also details of the legal status, VAT certification, internal rules & procedures, and information on the organisational structure.
- Present the auditor with the detailed cost statement and/or financial report which is consistent with the original budget and accounting records.
- Ensure that all sources of funding (revenue) are included in the file.

For more information, see checklist ‘Documentation requested by the auditors’ in annex.

2. Beneficiaries are informed about the results in writing after control and audit visits:

- Beneficiaries are asked to comment on the observations presented in an audit or control report (called adversary procedure).
- After the stated time limit has expired, the Agency concludes the audit process by:
 - making an additional payment to the beneficiary
 - requesting that funds be reimbursed
 - making improvement recommendations for project management
 - concluding the audit with no further action deemed necessary.
- If funds are to be reimbursed, the beneficiary will receive a debit note.
- The debit note contains information on: the amount to be paid back, the bank account details and the deadline for payment.
- If the payment is not made by the deadline, interest for late payment will be added to the sum due.
- The amount to be paid back could be offset with a payment under other ongoing EU project of the same beneficiary.

“The more the beneficiary invests in keeping and maintaining exhaustive and appropriate financial documentation about the project, the better prepared the beneficiary is for the control & audit visits”

Check list



This list indicates the documents which the auditors can request during their visit. Depending on your organisation and the agreement, it is possible that not all documents are required.

DOCUMENTATION REQUESTED BY THE AUDITORS

In order to facilitate the completion of the audit we will request you to assemble the following documentation prior to the opening meeting:

1. Copy of Grant Agreement/decision, plus any addenda/riders to the agreement/decision (if relevant).
2. All Financial Reports submitted to the Agency together with any supporting/backing schedules in hard and electronic copy (if you have these in Excel or Word should be e-mailed to us prior to the audit).
3. All Activity Reports submitted to the Agency.
4. Agency grant application documents e.g. application form, request for grant.
5. Details of the legal status of the organisation.
6. Details of the organisational structure of your organisation (i.e. Organigram) plus brief descriptions of the work carried out by all persons working on the project.
7. A list of signatories to the bank account(s) used for the project.
8. Clarification of the VAT status of the organisation and whether VAT is being claimed on project expenses.
9. **Audit trail - clear link between the (sum of) amounts claimed per item in Financial Reports claimed from the Agency, the bookkeeping and the supporting documents. It is not the duty of the auditors to reconcile an audit trail that doesn't tally with the Financial Report sent to the Agency.**
10. General ledger for the duration of the project and name of accounting software.
11. Any evaluation or external audit reports related to the project.
12. An explanation of procedures in place for making project expenditure (i.e. initiation of purchase, receipt of invoice, authorisation of payment, recording of amount in accounting ledgers) -please provide printouts of any cost centres used for the project.
13. Correspondence relating to the grant agreement/decision and relevant for the financial audit.
14. Bank statements used for the payment of project expenses and receipt of EU funding received from the Agency. Our team will need to trace a sample of the expenses claimed, through to the bank statements, to prove the payments were made.
15. Details of exchange rates used to convert expenses into Euro.
16. Details of bank interest earned on the funds paid by the Agency.
17. List of EU funded projects for the last five years.
18. Details of any known problems in the project relevant for the financial audit.
19. Internal rules (if any) on travel and subsistence.

DOCUMENTATION SUPPORTING THE COSTS INCURRED

20. Personnel and Assistance

Personnel

- a. Authorised timesheets for each staff member/expert for their work on the project
- b. Calculation of the daily or hourly rate for employees claimed in the Financial Report
- c. Access to payroll records in order to compare the budgeted unit costs claimed to actual salaries using documents such as payslips and employment contracts
- d. Descriptions of the work performed by each person
- e. Fiscal declaration of annual salary when applicable
- f. Personnel register
- g. Proof of usual remuneration policy.

If the beneficiary is unable to provide timesheets or equivalent justification of time working on the project, the entire amount claimed for that employee may be declared ineligible.

Sub-contracting

- h. Original invoices supporting the fees claimed
- i. Descriptions of the work performed by third party staff
- j. Contracts with subcontractors; documentation relating to tenders.

Fees

- k. Original invoices supporting legal and professional fees claimed.

21. Specific Sectorial Costs

Option / Rights Fees

- a. Contracts signed with original owners of rights to film
- b. Original invoices supporting payments made to secure script/film rights.

Other

- c. Supporting invoices for amounts claimed.

22. Travel and Subsistence

Travel

- a. Original airline tickets or travel agents invoices and boarding passes
- b. Bus/ train tickets and taxi receipts
- c. Proof of usual remuneration policy.

Subsistence

- d. Details of per diems claimed (including dates and purposes of visits made)
- e. Proof of usual remuneration policy.

Continued on next page



Check list



23. Administrative Overheads

Premises and Related Expenses

- a. Rental agreements supporting office space claimed for
- b. Telephone invoices claimed for (including details of how telephone expenses were apportioned to the projects if applicable)
- c. Original invoices supporting office supply costs claimed (including details of how such costs were apportioned to the projects if applicable).

Insurance / Bank Costs

- d. Invoices and agreements supporting insurance costs claimed
- e. Details and evidence (bank statements) supporting any bank costs claimed.

Consumables

- f. Invoices and calculations supporting expenses claimed.

24. Equipment

- a. Original invoices supporting the costs claimed
- b. Calculations of equipment costs claimed on basis of depreciation
- c. Details of the physical location of the equipment items (Fixed Asset Register).

25. Sources of Revenue (Co-financing and income generated by the project)

- a. An analysis of co-financing revenue received (in cash and/or contribution in kind) together with bank receipts for cash revenue received
- b. An analysis of income from the project (e.g. entrance fees, sales of media) together with bank receipts or other supporting documentation.

Additional notes

Please note that if the project had project partners, supporting documentation from all project partners will be inspected. It is the responsibility of the beneficiary to obtain documentation from all project partners. It is suggested that each partner keeps its own originals and register the transaction in its accountancy and that a full set of certified copies of all justifying documents should be given to the lead beneficiary/coordinator.

