

Training seminar on Reporting and Expenditure Verification Module I



How to approach the next pre-financing

Valletta, May 28, 2014

Module I: How to approach the next pre-financing



Steps to be followed for receiving a pre-financing

1. Pre-conditions of art. 15 of the General Conditions are satisfied
2. Request of INTERIM REPORT PACKAGE by the Beneficiary
3. Transmission of the INTERIM REPORT PACKAGE from the Beneficiary to the Project Partners
4. Preparing all the supporting documents for the External Auditor
5. Fill in the List of Expenditures and Annex VI – Interim Financial Report
6. Drafting the Annex VII- Expenditure Verification Report by the Beneficiary/Project Partner external auditor

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Profile of the Financial Manager in the project implementation and preparation of the interim report package:

- **Accounting skills**
- **Financial monitoring and control**
- **Respect of national laws and requirements**
- **Financial networking**

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Pre-financing installments to projects and pre-conditions for receiving further pre-financing installments

Pre-conditions applied at partnership level (not individual level)

Art. 15. 1, Option 2 of the General Conditions (Annex II to the Grant Contract)

*“Further pre-financing may **only be given if** the part of the expenditure actually incurred which is financed by the JMA (by applying the percentage set out in Article 3.2 of the Special Conditions) stands at **70%** at least of the previous payment (and at **100%** of any previous payments) as supported by the corresponding interim report”*

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Pre-conditions for receiving further pre-financing installments

**AN EXPLANATION OF AN EXPENDITURE
ACTUALLY INCURRED**

**Annex VI-Interim Financial Report must include
only these kind of expenditures**

**IT IS A COST/EXPENDITURE FULLY PAID
AND RECEIPTED (I.E. WITH EVIDENCE OF PAYMENT)**

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Pre-conditions for receiving further pre-financing installments

**How to calculate the minimum amount
of the expenditure actually incurred
in order to reach the pre-conditions stated in
Art. 15. 1, Option 2 of the General Conditions**

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Pre-conditions for receiving further pre-financing installments

CASE 1: HOW TO REACH AT LEAST THE 70% THRESHOLD

- ENPI PRE-FINANCING RECEIVED: **€ 100.000**
- REPORTED EXPENDITURE ACTUALLY INCURRED MUST STAND AT LEAST AT **70% OF THE PREVIOUS PAYMENT**
- YOU HAVE REACHED THE MINIMUM THRESHOLD OF **€ 70.000 (ENPI SHARE)** FOR RECEIVING A FURTHER PRE-FINANCING

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Pre-conditions for receiving further pre-financing installments

CASE 2: HOW TO REACH AT LEAST THE 70% OF THE PREVIOUS PREFINANCING and 100% OF ANY PREVIOUS PRE-FINANCING

- ENPI **FIRST** PRE-FINANCING RECEIVED IS **€ 80.000**, **SECOND** ENPI PRE-FINANCING RECEIVED IS **€ 100.000**
- ENPI REPORTED EXPENDITURE ACTUALLY INCURRED MUST STAND AT LEAST AT **70%** OF LAST RECEIVED PAYMENT AND AT **100%** OF ANY PREVIOUS PAYMENTS
- IF YOU HAVE REACHED THE MINIMUM THRESHOLD OF € 150.000 ENPI SHARE OF REPORTED EXPENDITURES (€ 70.000 + € 80.000) FOR RECEIVING A FURTHER PRE-FINANCING

Useful document: download the note on “Pre-financings installments to projects” from the link <http://www.enpicbmed.eu/projects/project-management>

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Accounting system Accounting requirements in contract

Article 16.1 of General Conditions (Annex II to the Grant Contract)

The Beneficiary and Project 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 either **be part** of the Project Partner's 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 (**only by the Beneficiary**)*

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Accounting system What is a double-entry bookkeeping?

A double-entry bookkeeping is an accounting technique which records each transaction in at least two different accounts, as a credit and as a debit.

Credit entries represent the sources of financing, while debit entries represent the use of this financing.

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Accounting system Separate or integrated records

The Project Partner may keep a separate set of accounts specifically dedicated to the project, or includes the project's accounts in its own accounting system. In the latter case, the PP should have a method of ensuring that the project's records are still easily identifiable and verifiable.

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Accounting system Identifiable and verifiable accounts

General definition

Accounting is the systematic recording, reporting and analysis of the financial transactions of an institution.

Common provision on accounting by Council Regulation (Article 134 of EC Regulation 1605/2002)

“The institution’s accounting system is the system serving to organise the budgetary and financial information in such a way that figures can be input, filed and registered”

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Accounting system Archiving of supporting documents (1)

Council 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 system Archiving of supporting documents (2)

Requirements of your archiving system

- All transactions in accounting are referred to the **necessary supporting documents**.
- The originals of the supporting documents have to be kept **by each Project Partner**, but copies (either scanned or physical) are easily available by the Beneficiary in order to facilitate the financial controls by authorized bodies. A **web-based system** to archive all the documents shared by all partners may be very useful for this purpose.
- The documents **have to be archived** in a way that they **are easily accessible after the project closure**.

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Accounting system Reconciliation with reports

Article 16.1. of General Conditions also indicates that:

- *The financial report has to be properly and easily reconciled to the accounting and bookkeeping system and to the underlying accounting and other relevant records.*
- *For this purpose, the beneficiary/project partner shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.*

Useful document: Download the Project Implementation Manual, section 3.4 Internal Accounting System and Annexes from the link <http://www.enpicbcmmed.eu/projects/project-management>

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Procedure to request the report package:

- The report package has to be requested **by the Beneficiary only** to the JTS **via email**. The Beneficiary **must indicate the dates** of the reporting period.
- The JTS (project officer) will send an official letter of transmission **including all the instructions on how to fill in the report package**. The Beneficiary will have **45 calendar days** to finalize the report and send it (**both electronic to the JTS and paper version to the JMA**)
- The **Beneficiary must send to all PPs** the relevant parts to be filled in by each of them (**both narrative and financial parts**) and it must collect them to prepare the **consolidated report**.
- **Any budget modification** must be submitted to the **JTS before requesting the reporting package**, in order to update the budget in force in the monitoring system. The **minor change** procedure takes **10 calendar days** (indicative) while the **major change** procedure takes **30 calendar days** (indicative).

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REPORT PACKAGE: FINANCIAL DOCUMENTS TO BE FILLED IN AND SUBMITTED TO THE JMA

List of financial Documents:

- **ANNEX VI** Financial Interim/final Report (**Beneficiary and Project Partners**)
- **Procurement list** (**Beneficiary and Project Partners**)
- **ANNEX VII** Expenditure Verification Report-EVR (**Beneficiary and Project Partners External Auditors**, if only **one single auditor** it is recommended **to have separate EVRs for each PP**).
- **ANNEX V** Request of payment (submitted only by the Beneficiary)



THANK YOU FOR YOUR ATTENTION!