

Technical Seminar on expenditure verification and reporting

Module IV



Expenditure Verification, Annex VII

Valletta, 28th May 2014

Training seminar on Reporting and Expenditure Verification



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 List of expenditures and Annex VI Financial Report
- 6. Drafting the Annex VII- Expenditure Verification Report by the Beneficiary/Project Partner external auditor**

ANNEX VII – The Auditor tasks



The Auditor shall plan the work so that an effective expenditure verification of the Financial Report can be performed

Verification means that the Auditor examines Interim Report of the Beneficiary/partner (both Narrative and a Financial section) and compares it with:

- The terms and conditions of the Grant Contract
- Accounting system
- Supporting documents

ANNEX VII – The Auditor tasks



In particular the Auditor shall:

perform the procedures listed in Annex 2A (‘Listing of specific procedures to be performed’) of Annex VII to the Grant Contract;

apply the guidelines in Annex 2B (Guidelines for specific procedures to be performed) of Annex VII to the Grant contract;

Report the factual findings identified using the compulsory Model (“Report for an Expenditure Verification”) of Annex VII to the Grant Contract.

ANNEX VII – Structure of the EVR: Information about the Grant Contract



PROCEDURES PERFORMED AND FACTUAL FINDINGS:

1. General control Procedures;
2. Procedures to verify conformity of Expenditure with the Budget and Analytical Review
3. Verification of the selected sample of expenditures.

ANNEX VII – Structure of the EVR: 1 Procedures to be performed by the EA



1. General control Procedures:

1.1 Terms and Conditions of the Grant Contract;

1.2 Financial Report for the Grant Contract;

1.3 Rules for Accounting and Record keeping;

1.4 Reconciling the Financial Report to the Beneficiary's
Accounting System and Records;

1.5 Exchange Rates.

ANNEX VII – Structure of the EVR: 2 procedures to be performed by the EA



2. Procedures to verify conformity of Expenditure with the Budget and Analytical Review

2.1 Budget of the Grant Contract;

2.2 Amendments to the Budget;

ANNEX VII – Structure of the EVR: 3 Procedures to be performed by the EA



3. Verification of the selected sample of expenditures:

3.1 *Costs actually incurred (Article 14.1), (2) Cut-off – Implementation period (Article 14.1a), (3) Budget (Article 14.1b), (4) Necessary (Article 14.1c), (5) Records (Article 14.1d), (6) Justified (Article 14.1e), (7) Valuation, (8) Classification, (9) Compliance with Procurement, Nationality and Origin Rules.*

3.2 Eligibility of Direct Costs (Article 14.2)

3.3 Provision for Contingency Reserve (Article 14.3)

3.4 Administrative costs (Article 14.4)

3.5 Contributions in kind (Article 14.5)

3.6 Non-eligible costs (Article 14.6) VAT

3.7 Revenues accrued

3.7 bis interests (**only** for Beneficiary)

ANNEX VII – TIPS for EA on the Elaboration of the EVR



- To sign and stamp every page of the EVR;
- To sign and stamp the attached Annex VI;
- To attach to the EVR the contract of the Auditor and Annex A and B of the TORs;
- To stick to the wording of the EVR format but to rewrite all declarations using the first person: *I have performed.....*;
- To clearly declared that no VAT costs are part of the expenditure reported;
- To check that all expenditure reported should be paid within the period of the report.

ANNEX VII – TIPS for EA on the Elaboration of the EVR



- The audit should focus at least on the 65% of the expenditure reported (100% of Equipment and Infrastructures must be checked);
- To check that the expenditure reported by the Beneficiary/Partner in all budget lines does not exceed the available budget resources;
- To quantify the factual findings;
- To verify that in the calculation of administrative costs the right % has been used;
- To make on the spot checks to verify the existence of infrastructures and include results in the EVR.

Most Common Ineligible Costs!



- Costs covered by other EU funds
- Currency exchange losses
- VAT and custom taxes
- Contributions in kind because there is no cash-flow

In case you have doubts concerning all these rules, please contact your Beneficiary and/or you National Contact Point!

REFERENCES



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