



MA Circular 04/2010/GE

5<sup>th</sup> November 2010

To: Project Leaders – Government Entities (not Departments and Agencies) <sup>1</sup>  
Structural Funds and Cohesion Fund 2007-13 Horizontal Stakeholders

Clarifications on the obligation to maintain a separate accounting system or accounting code for all transactions

**1. Background**

In accordance with Article 60(d) of Council Regulation EC1083/2006, the Managing Authority (or Intermediate Bodies, as applicable) is entrusted with the function of ensuring that:

*[...] beneficiaries and bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules.*

On the basis of this obligation, the MA or IB must have the necessary assurance that Beneficiaries and other bodies involved in the implementation of operations (under ERDF, Cohesion Fund and ESF) maintain either a separate accounting system or accounting code for all transactions relating to the operation. It is therefore the responsibility of the Beneficiary to ensure that all transactions related to each co-financed operation are recorded either:

- in a fully-dedicated separate accounting system; or

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<sup>1</sup> Government Entities as defined in the Public Administration Act, 2008. This circular does not apply to Government Departments and Government Agencies listed in the Second and Fourth Schedule of the Act, whose transactions are recorded in the Departmental Accounting System (DAS).

- through the assignment of a specific accounting code in the existing system (easily identifiable and retrievable, as well as auditable).

## **2. Obligations of Public Entities**

All relevant International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) – in particular International Accounting Standard (IAS) 20: *Accounting for Government Grants and Disclosure of Government Assistance* – shall be applied. In this regard, the Beneficiary is requested to present the auditor's certificate for the latest financial statements, providing assurance that such statements give a true and fair view of the financial position, in accordance with International Financial Reporting Standards. Adherence to the applicable Standards shall therefore be implied from this certificate.

The Managing Authority shall:

- check the accounting system in its on-the-spot checks; and
- obtain a copy of the auditor's certificate for each financial year, for the full duration of the project, and for the year following the last reimbursement received by the Beneficiary.

## **3. On-the-spot checks**

In order to verify existence of the above, the MA shall include this requirement in the on-the-spot check template. The revised template now includes the following questions:

<b>5. Accounting System</b>			
<b>Government Entities</b> (not Departments and Agencies)	<b>Yes</b>	<b>No</b>	<b>Comments</b>
For the accounting of all transactions related to the project, state whether a:			
- Separate accounting system and/or	<input type="checkbox"/>	<input type="checkbox"/>	
- An adequate accounting code is/are being used for this project	<input type="checkbox"/>	<input type="checkbox"/>	
If neither of the above are being used, state reason why			

Where an adequate accounting code/s is/are being used, list it/them here	NA <input type="checkbox"/>		
Annual auditor's certificate to the financial statements of the following years, are in file (add a row for each year)			
	<input type="checkbox"/>	<input type="checkbox"/>	

**4. Procurement of equipment – Obligation to retain record of inventory**

All Beneficiaries are reminded of the obligation to keep an inventory of the equipment and its location, as set out in the relevant sections of the Manual of Procedures (v.3 and subsequent amendments). The inventory must be signed (and updated when necessary by the Project Leader) and endorsed by the responsible officer within the organisation. A copy of the inventory must also be sent to the Director Corporate Services of the Ministry concerned. Adherence to the above obligation will also be verified by the MA during on-the-spot checks.

**5. Payment receipts**

As stipulated in section 5.8.1 (point 8) of the Manual of Procedures (v.3 and subsequent amendments), it is the responsibility of the Beneficiary to ensure that upon receipt of payment, the contractor issues a receipt confirming that payment has been effected. When applicable, the receipt should be a fiscal receipt. Beneficiaries are to ensure that receipts are received within the time prescribed by law and are retained in the project file.



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