



MA Circular 04/2010/NGO

5th November 2010

To: Project Leaders – Non-Governmental Organisations
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 (including enterprises benefitting from aid schemes) 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
- through the assignment of a specific accounting code in the existing system (easily identifiable and retrievable, as well as auditable).

2. Obligations of NGOs

NGOs benefiting from Structural / Cohesion Funds shall also ensure adherence to this obligation and other obligations as prescribed by the applicable national legislation, regulations and procedures.

NGOs are 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 auditor's certificate.

The Managing Authority shall:

- i. check the accounting system in its on-the-spot checks; and
- ii. 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:

5. Accounting System			
NGOs	Yes	No	Comments
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 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. Adherence to this obligation will also be verified by the MA during on-the-spot checks.

5. Payment receipts

As stipulated in relevant sections 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 fiscal receipt confirming that payment has been effected. Beneficiaries are to ensure that receipts are received within the time prescribed by law and are retained in the project file.



Marlene Bonnici
Head Managing Authority