

**BEST 2.0: FINANCIAL REPORTING GUIDELINES**

# Principle – reimbursement of actually incurred eligible costs

**Only actually incurred eligible costs will be reimbursed** by a BEST 2.0 grant.

“Budgeted” costs – i.e. costs shown in the budget submitted with your proposal - are used to establish an estimate budget for the project. Once awarded a grant the “actual” costs incurred must be used as the basis for completing the Interim and Final Financial Reports (except for indirect costs which can be included at a maximum rate of 7% of the eligible direct costs).

**Incurred costs must be supported by documentary evidence** proving that they are actual costs. Estimated amounts, or budgeted amounts, are not acceptable and will be deemed to be ineligible.

Please note that the maximum amount of BEST 2.0 grant is set out in Art.1 of the Special Conditions of the BEST 2.0 Grant Agreement. Any costs incurred in excess of this amount will be covered by the beneficiary.

# Reliable accounting and reporting system

The accounting procedures must allow for a direct reconciliation of the costs declared for the project with the corresponding supporting documents.

In order to establish a reliable accounting and reporting system, it is highly recommended to establish **project codes** in the analytical accounting system(s) and it is mandatory in the time registration system(s). Costs not clearly attributed to a specific project risk being considered ineligible.

**Example:**

* All invoices and other accounting documents bear the reference “BEST 2.0” and the grant agreement number.
* All accounting entries are tagged with a project code referring to the BEST 2.0 grant.

It is recommended to use the reference number of your BEST 2.0 Grant Agreement as a project code and that this is included on all project related invoices. You should ask your suppliers and subcontractors to include this number as a reference on their invoices; if it is not included it can be written or stamped on the original paper invoice.

# Time-registration system

Each individual working on the project should complete **timesheets recording their total working time for the organisation**, that is to say both the time dedicated to the BEST 2.0 project as well as the devoted to other activities or projects, especially if these other activities or projects are also financed by the Union European. **It is not sufficient for the timesheet to only record the time spent on the BEST 2.0 project.**

If your organization does not have a time registration system in place at the time that the grant agreement is signed, it should, as a minimum:

* Establish registration and submission routines for the project staff,
* Introduce a validation routine for the supervisors/line managers to certify the correctness of the timesheets.

Employing inappropriate or unreliable timesheets or time registration systems may jeopardize the eligibility of the personnel costs reported and reduce the grant amount received.

Standardized and certified time registration systems are accepted provided they include all of the information indicated below.

In case of any doubt you should use the timesheet template available on the [Useful Information for BEST 2.0 Projects](https://portals.iucn.org/best/?q=content/useful-information-best-2-0-projects) page of the BEST 2.0 Portal.

Information required that must be included in the timesheet:

a) Clear identification or reference to BEST 2.0 project.

b) Clear identification of the employee.

c) Clear identification of the year, month and day.

d) Number of working time units worked for BEST 2.0 project.

e) Number of working time units worked for other projects.

f) Number of working time units worked in total.

g) Date and signature of the employee.

h) Date and signature of the supervisor.

The completed timesheet for a given month must be signed by the individual and approved by the individuals’ supervisor in a timely manner – e.g. during the first week of the following month.

The timesheet provides an audit trail - a daily work record can be cross checked with other time records (holidays, travel, sickness, meetings etc.) as reflected in HR databases and/or payslips. **The accuracy of timesheets is therefore very important.**

# Costs - Eligibility criteria

Eligible costs are **actual costs incurred by the Grantee(s)** which meet all the following criteria (see Article 13 of the General Conditions to your grant agreement):

a) They are incurred during the implementation period of the Project as specified in **Article 3 “Term” of the Special Conditions** of the grant agreement. In particular:

(i) Costs relating to services and works shall relate to activities performed during the implementation period.

(ii) Costs incurred should be paid before the submission of the final reports. They may be paid afterwards, provided they are listed in the final report together with the estimated date of payment;

(iv) Procedures to award contracts, as referred to in Article 9, may have been initiated and contracts may be concluded by the Grantee(s) before the start of the implementation period of the Project, provided the provisions of Attachment 3 have been respected.

b) Costs are indicated in the estimated overall budget for the Project;

c) Costs are necessary for the implementation of the Project;

d) Costs are identifiable and verifiable, in particular being recorded in the accounting records and determined according to the accounting standards and the usual cost accounting practices applicable;

e) Costs comply with the requirements of applicable tax and social legislation;

f) Costs are reasonable, justified and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

# Ineligible costs

* debts and debt service charges (interest);
* provisions for losses or potential future liabilities;
* costs declared by the Beneficiary(ies) and financed by another action or work programme receiving a European Union grant (including through the European Development Fund);
* currency exchange losses; exchange rate losses are not eligible costs and will not be compensated. It is confirmed that just as exchange rate losses are not eligible costs, exchange rate gains are not considered as revenue and will not be deducted in the final liquidation process and do not have to be reported for. These rules also apply for the gains/losses resulting from currency conversion at the reporting stage and those resulting from conversion between accounting currency and other currencies.
* credits to third parties;
* contributions in kind, including contributions from third parties including voluntary work;
* excessive or reckless expenditure (including unnecessary or wasteful outlays);
* costs related to the proposal preparation or to the review phase;
* recoverable VAT

In order to claim VAT, the beneficiary must provide a declaration from the national tax authorities certifying that the beneficiary in question is NOT able to recover VAT (fully or partially). This declaration should be kept in the project file. In case the national tax authorities do not deliver such a certificate, the audit report can certify that VAT is not recoverable. Charging of VAT or taxes is a frequent source of cost ineligibility; therefore specific attention has to be paid to understanding the correct treatment of taxes.

# Direct and indirect costs

* 1. **Direct eligible costs:** these are action-specific costs directly linked to the performance of the Project and which can therefore be booked to it directly. Direct costs are identifiable and verifiable costs, for which concrete supporting documents can be submitted as evidence. They are expenses strictly related to the implementation of the Project, and exist only as a consequence of its implementation.
	2. **Indirect eligible costs:** these are not identifiable as specific costs directly linked to the performance of the Project. Indirect Costs may not include any eligible direct costs included in other headings of the budget. They mainly represent a small proportion of the overheads. Overheads are all the structural and support costs of an administrative, technical and logistical nature which are cross cutting for the operation of the organization’s various activities

# Costs categories

**VI.1. Personnel costs**

Personnel costs can include gross salaries or wages in respect of the actual time devoted to the project, income taxes, social security etc., and other statutory costs included in the remuneration, provided they are standard Human Resources policy of the organization and can be proved by supporting documents.

For example, medical insurance, repatriation, relocation, visa costs, housing allowance, salary adjustments, other benefits etc. may only be eligible if they respect all applicable legislation, constitute a standard practice of the organization and are actually paid.

As a general rule "Provisions" are not considered as eligible.

Personnel should be traceable to supporting schedules (number and names of staff, part-time / full time indication), to payroll records (e.g. salary slips), and to Human Resources records (e.g. employment contracts).

A pro-rata system based on estimations cannot be used to justify direct costs, since such a system would not represent real cost, only an estimation.

The staff cost tab in the transaction listing document should be completed to calculate the personnel costs for the project.

**VI.2. Per diems**

Per diem rates cover accommodation, meals, tips, local travel, and sundry expenses. The maximum number of per diems is fixed according to the number of nights spent on the event and not to the number of days.

Per diems should be traceable to supporting schedules (number and names of staff, number of times the per diem was paid, per diem rates and countries concerned) and the Beneficiary's records (accounting, payroll, Human Resources).

If your organization does not have a travel policy with fixed per diems rates, you may use the rate of per diems accepted in your approved BEST 2.0 budget.

Reimbursement of actually incurred expenses can be used instead of a fixed per diem rate. All receipts and invoices are required if this option is chosen.

***Example 1.*** The organization has a travel policy with fixed per diem rates.

A project officer goes on a field mission to location A from 12/10 to 16/10, i.e. four nights. The travel policy of the organization sets up a per diem of 100€/night for location A. Hence, the employee receives 400€ for the time spent on a mission.

In the financial report the per diems budget lines will show:

|  |  |  |
| --- | --- | --- |
| **Number of units** | **Unit cost** | **Total amount** |
| 4 | 100 | 400 |

***Example 2.*** The organization does not have a travel policy with fixed per diems rates.

A project officer goes on a field mission to location A from 12/10 to 16/10, i.e. four nights. During this time he/she spends 200€ on hotel accommodation, and 160€ on meals. All the receipts are handed to the accounting, processed and entered in the accounting system.

In the financial report the per diems budget lines will show:

|  |  |  |
| --- | --- | --- |
| **Number of units** | **Unit cost** | **Total amount** |
| 4 | 90 | 360 |

# Simplified Cost Options

The unit cost for items budgeted on the basis of a simplified cost option is established prior to the signature of the grant agreement following checks that they are plausible and reasonable.

Provided that there is no material change in the unit costs projects using simplified cost options report:

Number of cost units **x** unit cost in the approved budget

e.g.

***Budget***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cost** | **Unit** | **# of units** | **Unit value (€)** | **Total cost (€)** |
| 3.1.1. Box of 5 baiting stations | UNIT COST (per box) | 10 | 40 | 400 |
| 5.1.1. Production of a video on the island X’s biodiversity | LUMP SUM (for production of the video) | 1 | 500 | 500 |

If 6 boxes are purchased during the reporting period the project will report 6 units at the unit price of €40 as per the approved budget

If the video on the biodiversity of island X has been produced then the total cost established in the budget should be reported.

***Financial Report***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cost | Unit | # of units | Unit value (€) | Total cost (€) |
| 3.1.1. Box of 5 baiting stations | UNIT COST (per box) | 6 | 40 | 240 |
| 5.1.1. Production of a video on the island X’s biodiversity | LUMP SUM (for video) | 1 | 500 | 500 |

Projects using simplified cost options **must keep all supporting documents and records related to the actual costs incurred and that are necessary to establish that that the grant has been effectively implemented.**

Checks on the financial reports for projects using simplified cost options will focus on the number of units e.g. to establish that the project did indeed purchase 6 units of baiting stations and the outputs / deliverables from the projects e.g. video, meeting reports etc. to confirm that the deliverables or events underlying the costs reported have been produced or taken place.

If following the commencement of the project there are changes to the cost item that affects the unit value and number of units e.g. if the project decides to purchase a different baiting station that is only available in boxes of 7, then the actual costs incurred should be reported.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cost** | **Unit** | **# of units** | **Unit value (€)** | **Total cost (€)** |
| 3.1.1. Box of 7 baiting stations | per box | 4 | 53.50 | 214 |

# If changes result in the total actual cost incurred being higher than the amount in the project budget this can be reflected in the financial report, however it should be noted that the BEST 2.0 grant is capped at the amount stated in Article 1 of the Special Conditions, the value of the BEST 2.0 grant cannot be increased under any condition and any expenditure over this amount is borne by the beneficiary(ies).

# Currency conversion.

**VII.1. Exchange rate for reporting**

This provision applies **only** if the accounts of your organization are kept **in a currency different** from the one of the contract (i.e. not EUR) In other cases there is no need to convert currencies as the books of accounts and the financial report are already in the currency of the contract.

The costs have to be converted using the **same exchange rate as that used when the pre-financing payment was recorded in the organization accounts.**

At the time of reporting, this exchange rate will then be used to convert all expenses in the reporting period into the currency of the contract.

The rate is applied to the total of each budget line as resulting from the balance of the accounts, and the unit values may be derived accordingly.

If there is a carry-over balance from a prior pre-financing, the expenditure is first converted into Euro using the exchange rate used when this prior pre-financing was recorded, until exhaustion of this balance. Then, the exchange rate of the following instalment will be used. This method is commonly known as “First In First Out”.

**Example:**



**VII.2. Exchange rate for accounting**

If your accounts are kept in EUR and you incur expenditure in other currencies, the standard rates to be used to convert actual expenditure incurred in other currencies are based on the monthly InforEuro rate on the date of payment as published on: **<http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm>**

# Financial reports

Financial reports must 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 shall prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.

The reporting requirements are set out in Article 6 of the Special Conditions of the Grant Agreement.

The financial reporting documentation required to be submitted for each period consists of:

* + - 1. Financial report for the period
			2. Complete transactions listing and staff costs table
			3. With each Interim Financial report - a forecast of expenditure for the next reporting period
			4. Payment request

Templates for the financial report, transaction listing and staff costs table, and the payment request are available on the [BEST 2.0 Portal](https://portals.iucn.org/best/).

# Supporting documents:

*This list is not exhaustive and is provided as an indication of the documentation subject to audit.*

***General***

* Photos of field work (photos before, during and after the work) carried out by the project beneficiaries, or by sub-contractors, should be maintained as evidence of completion of the project activities. Relevant photos should accompany the written description of the project activities in the technical reports submitted to the BEST 2.0 Secretariat.
1. **Staff costs – heading “Human Resources”**
	1. Employment contract.
	2. Pay-slips.
	3. Time-sheets dated and signed.
	4. Breakdown into gross salary, social security charges, insurance and net salary.
	5. Proof of income tax, social charges, insurances, etc. payroll related disbursements by the employer.
2. **Per diems – heading “Human Resources”**
	1. If actual costs are used – all receipts and invoices and a table summarizing them.
	2. If fixed per diem rates are used – proof of payment of the per diem and travel policy applied by the organization.
	3. In all cases evidence of travel and evidence of purpose of travel.
3. **Travel – heading “Travel”**
	1. Invoice or e-ticket clearly stating the price.
	2. Boarding pass.
	3. Evidence of purpose of travel, such as personal invitation, agenda of the event, presentation, speaking point, etc.
	4. Proof of stay on site - hotel invoice, rooming list, signed attendance list.
	5. Costs related to the use of a beneficiaries’ own vehicle(s) must be supported by a vehicle logbook and should be calculated using the relevant published national/territorial rate for vehicle usage (where this is available).
4. **Purchases – heading “Equipment and supplies”**
	1. Invoice.
	2. Proof of payment of the invoice such as bank statements, debit notices, proof of settlement by the contractor\*.
	3. Proof of receipt of goods, such delivery slips from suppliers.
	4. For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs.
5. **Purchases – heading “Local office”**
	1. Invoice.
	2. Proof of payment of the invoice.
	3. Rental agreement.
	4. Costs related to the use of a beneficiaries’ own vehicle(s) must be supported by a vehicle logbook and should be calculated using the relevant published national/territorial rate for vehicle usage (where this is available).
6. **Procurement – headings “Other costs and services” or “Other”**
	1. Proof of procurement procedures such as request for quotes, quotes received, quotes evaluation, tendering documents, bids from tenderers and evaluation reports.
	2. Proof of commitments such as contracts and order forms.
	3. Proof of receipt of goods such as delivery slips from suppliers.
	4. Proof of completion of works, such as acceptance certificates.
	5. Proof of purchase such as invoices and receipts.
	6. Proof of payment such as bank statements, debit notices, proof of settlement by the contractor\*.
	7. Evidence of work performed, such as reports, studies, any other validated deliverables.
7. **Meetings, workshops, seminars and other project events.**
	1. Agenda.
	2. Minutes.
	3. **Signed** participants’ list.
	4. Proof of stay on site - hotel invoice, rooming list, signed attendance list.
	5. Invoices from service providers for venue hire, receptions or catering.

\* Proof of settlement by the contractor is a confirmation of the receipt of a payment by the recipient. It is a signed confirmation of the amount paid and it must have a clear link demonstrating that the signature is that of a correct payee (e.g. if a contractor, the signature should match the signature on the contract, if a supplier then the confirmation should be on official letterhead). **This may be required ONLY in cases when bank statements are not available.**

# Recordkeeping

All the relevant information has to be kept for **5 years after the payment of the balance**.

**Original documents**, especially accounting and tax records, stored on any appropriate medium, including digitalised originals in accordance with their national legislation, must be **kept for five years after the date of payment of the balance of the European Union contribution**.

The list below is not exhaustive.

a) Accounting records (computerised or manual) from the Beneficiary(ies)’s accounting system such as general ledger, sub-ledgers and payroll accounts, fixed assets registers and other relevant accounting information;

b) Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;

c) Proof of commitments such as contracts and order forms;

d) Proof of delivery of services such as approved reports, time sheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates) etc.;

e) Proof of receipt of goods such as delivery slips from suppliers;

f) Proof of completion of works, such as acceptance certificates;

g) Proof of purchase such as invoices and receipts;

h) Proof of payment such as bank statements, debit notices, proof of settlement by the contractor;

i) Proof that taxes and/or VAT that have been paid cannot actually be reclaimed;

j) For fuel and oil expenses, a vehicle logbook, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;

k) Staff and payroll records such as contracts, salary statements and time sheets. For local staff recruited on fixed-term contracts, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary.