



## **7. FINANCIAL MANAGEMENT**

This chapter deals with:

1. Eligible costs
2. Expenditure verification
3. Administrative verifications and on-the-spot checks
4. Audit on projects
5. Conflict of Interest

**Key issues:**

- ✓ Set up a proper system to record and report the financial transactions, respecting the principles of double-entry (debit/credit) as per article 16 of the Grant Contract. You can keep a separate set of accounts specifically for the project or include the project accounts in your own accounting system. In the latter case, you should have a method of ensuring that the project records are easily identifiable (for example through analytical codes in the accounting software).
- ✓ Ensure that requests for payments and financial reports are properly and easily reconciled to your accounting and bookkeeping system. To this respect, prepare and keep appropriate reconciliations, supporting schedules, analyses and breakdowns for inspection and verification.
- ✓ Use the proper procedure and check the procurement rules: Annex 7.3 on procurement and art. 52, 55 and to 56 of the ENI Implementing Regulation 897/2014 for private organizations; national rules for EU public organizations; national rules and the TESIM Guides for MPC public organizations. Rules of nationality and origin set forth in Articles 8 and 9 of Regulation (EU) No 236/2014 shall also apply. No restriction may be applied to the nationality of the contractors and the supplies may be originated from any country for purchases below 100.000€. (See art.15 of the Grant Contract).<sup>1</sup>
- ✓ Avoid double funding: funding the same cost from different co-financing sources may lead to a fraud charge. The use of analytical accounting systems helps in this respect, along with the annulling of paper original expenditure documents and other probative documents with a rubber-stamp, which should include the name of the Programme and the project reference number. In case of electronic invoices or expenditure documents as well as electronic payments (bank transfers), the same information has to be included in the “reason for payment”.

---

<sup>1</sup> In accordance with article 10 par. 3 of ENI Common Implementing Rules (Regulation (EC) 236/2014), being the Programme operated through shared management and being the MA an Italian public administration, provided that are in line with the map of restrictive measures on trade established and regularly updated by the European Union available at EU applies restrictive measures on some Countries



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA

## 7.1 ELIGIBLE COSTS

According to art. 48 of the Implementing Regulation ENI IR 897/2014 and art.14 of the Grant Contract, project eligible costs are only “actual” costs incurred by the LB and its PPs **during project implementation** (see chapter 3), compliant with the Programme rules and meeting the criteria indicated in art.14<sup>2</sup>.

The budget of the ENI CBC MED projects foresees **Direct and Indirect costs**.

They are costs that will be incurred by the Lead Beneficiary and project partners. Direct costs belong to the following cost categories:

1. Preparatory costs
2. Human resources
3. Travel and subsistence costs
4. Infrastructures and small-scale investments
5. Equipment and supplies
6. External services
7. Other costs

### 7.1.1 Preparatory Costs

Preparatory costs are those needed to prepare the project proposal, they are eligible provided that:

- they are incurred after the publication of the call for proposals and before the deadline for the submission of the proposal. They are eligible only if the project proposal has been selected by the Programme;
- they are limited **to travel and subsistence costs** only for staff employed by the Applicant and/or the Partners. Therefore, other types of costs (such as salaries of the staff, consultant services, etc.) and/or travels and subsistence costs related to consultants are not eligible;
- they cannot exceed the amount of **10,000 euro** per project;
- the calculation method has to be supported by documents;

---

<sup>2</sup> See also Art. 14.1 (iii): “An exception is made for preparatory costs incurred after the publication of the call for proposals and before the submission of the proposal, and for costs relating to final reports, only for expenditure verification and final evaluation, as the case may be, which may be incurred after the project implementation period and may be paid after the submission of the final reports, provided that they are listed in. The MA will pay the final balance under the condition that all expenses have been actually paid and demonstrated by the Lead Beneficiary and its partners”



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

- preparatory costs need to be included as reported expenditures in the first interimreport.

### **7.1.2 Human resources**

They are costs related to the actual time worked for the implementation of the project by the permanent or temporary (ad hoc recruited) employees of the LB and PPs organisations. They include:

- a. costs of employees in line with an employment contract; contracts assimilated to the employment contract by the respective national laws can be part of this category (e.g.: according to the Italian legislation, the contract called "co.co.co." coordinated and continuous collaboration"
- b. costs of natural persons working under a direct contract other than an employment contract (self-employed natural persons working for the project under a contract which is not governed by labour law)
- c. costs for personnel seconded by a third party against payment.
- d. costs of owners or of other natural person with a specific role but without an existing employment contract in the of LB/PP organization
- e. costs for scholarships, PhD scholarships, research grants, etc.

The following costs are not eligible:

- Unpaid voluntary work
- Costs for personnel provided by a temporary work agency (to be reported under "external services" cost category)
- Staff cost shall not include costs for consultancy services (to be reported under "external services" cost category)
- Service contracts including staff costs with in house bodies (to be reported under "external services" cost category)

#### **a. Costs of employees in line with an employment contract**

Expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project, can be:

- full-time;
- part-time;
- part-time with a fixed percentage of time dedicated to the project per month;



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

- part-time with a flexible number of hours worked on the project per month;
- contracted on an hourly basis.

In case the staff member is working part-time for the project and part-time for other tasks in the partner organisation, the actual salary rate must be used, when calculating his/her costs in the project budget. Different hourly rates under the same employment contract cannot be used.

These costs shall be related to the costs of activities, which the LB and PPs would not carry out if the project were not undertaken. They correspond to actual gross salaries costs including social security charges and other components deriving from the national legislation of the country.

Additional remuneration (such as performance bonus, incentives, etc.) cannot be included under the eligible staff costs. Overtime can be charged to the project only if the total job time of the concerned staff is devoted to the project.

Salaries and other costs must not exceed those normally borne by the LB and/or the PPs, unless it is proven and duly justified that higher amounts are essential to carry out project activities.

#### **b. Costs of natural persons working under a direct contract other than an employment contract**

Costs are eligible if:

- the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
- the result of the work carried out belongs to the beneficiary;
- the costs are not significantly different from those for personnel performing similar;
- tasks under an employment contract with the beneficiary.

Persons working under a service contract are considered as service suppliers and reported under “external services”.

How to distinguish between employees and service suppliers

<u>Employees and other assimilated categories</u>	<u>Services supplier</u>
(costs to be included under Cost Category 1: Human Resources)	(costs to be included under Cost Category 5: External Services)



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

<p>Natural person having a working (labour) contract with the LB/PP usually based on specific national or organizational rules regarding remuneration, timetable, holidays, and roles to be carried out within the LB/PP working organization.</p>	<p>Have a service contract specifying the conditions for the delivery of the service (timing, modalities) and the fees to be paid for the activities carried out</p>
<p>The <b>staff</b> recruited <b>ad hoc</b> is selected by the LB/PPs through specific procedures according to the relevant legislation / internal rules ensuring publicity, transparency and impartiality in the selection of candidates.</p>	<p>The service contract is awarded according to the <b>relevant procurement rules</b>.</p>
<p>Receive <b>monthly salary payments</b> or any other equivalent remuneration form, that are not significantly different from those for permanent staff performing similar tasks under an employment contract with the LB/PPs.</p>	<p>Receive <b>fees</b> after the submission of invoices, in accordance with the payment conditions in their contract.</p>
<p>Their <b>social charges are usually paid by the employer</b>, with exceptions regulated by the national legislation and the contracts in force.</p>	<p>Their social charges are paid by <b>themselves</b></p>
<p>The <b>result of the work</b> carried out belongs to the LB / partners</p> <p>As an example, the financial manager working under the coordination of the project manager and producing reports and guidelines that are owned by the LB / partner organization is considered a staff member</p>	<p>The external consultant is a professional hired to deliver a specific service/output working independently and <b>retaining responsibility of the service/output produced</b>.</p> <p>I.e.: a marketing expert hired specifically to conduct a study and write a report is an external consultant</p>
<p>Usually <b>work in the premises of the employer</b> and use its facilities (telephone, computers, etc.)</p>	<p>Usually <b>work in their own premises</b>, or on-site where the services are delivered; use their own resources (computers, etc.) which are included in the fee rate and cannot be included as incidental costs in the contract.</p>

**c. Costs for personnel seconded by a third party against payment**



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

This category includes secondment between public organization according to relevant national rules and the secondment of employees of organisations controlled by or affiliated to the LB/PP organisations (e.g., associated cooperative).

Conditions for eligibility include:

- A previous agreement between parties shall be signed;
- Costs for persons seconded by a third party must be reported as actual costs;
- The LB/PP reimburse the costs to the third party.

**d. Costs of owners or of other natural persons with a specific role in the LB/PP organization but without an existing employment contract**

- Costs related to natural persons, having specific representative and direction roles or associated in the LB/PP's organization (president, CEOs, members on the board of directors, associates, etc.) are eligible provided that there is a specific assignment within the project. In this case the following conditions must be respected:
  - the appointment is approved by the Board of Directors or equivalent body and in compliance with internal statutory rules, avoiding any possible conflict of interest, as defined inter alia by the Programme rules (i.e., abstention of the members interested by the same decision);
  - the appointment has to be consistent with the possession of qualifications and professional experience (resulting from the curriculum);
  - the same document shall specify duration of the assignment, tasks, effort required (preferably in terms of days/hours);
  - envisaged remuneration has to be set in the appointment decision, appropriate, reasonable and consistent with the budget and actual rates for equivalent activities;
  - the written appointment decision shall be taken prior to the assignment of tasks within the project;
  - in order to avoid any conflict of interest, contracts and timesheets cannot be signed by the person contracted acting both as legal representative and employee.

All the above conditions apply provided that specific national rules are respected.

**e. Costs for scholarships, PhD scholarships, research grants, etc.**

Scholarships, PhD Scholarships, Research grants, can be considered as staff costs limited to those



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

specific activities clearly linked to the project activities implementation.

The students working as project staff should have the necessary qualifications for the performance of the assigned tasks. The fulfilment of such requirements shall be priorly verified and certified in official documents.

The contract/letter of assignment shall specify the duration of the assignment, the tasks, the remuneration (daily/hourly rate) and the effort required (preferably in terms of days/hours).

Costs related to the general academic tasks carried out by the Scholars/PhD Students within the research grants implementation will be considered as non-eligible.

### **How to calculate staff costs**

Staff costs shall be calculated on the basis of the actual monthly gross salary (or wage) plus the mandatory social charges, insurance and any other statutory costs included in the remuneration (and deriving from national rules), but excluding any variable cost.

As a first step, get a **copy of the working contract** of the employee and any other relevant rules concerning his/her work (working hours per day, timetable, etc.).

NB: The calculations take into account annual and public holidays and may vary according to each country and type of organization.

Calculate the gross salary and the **costs per unit rate** (daily, or hourly costs). The Gross Salary must be calculated at least once per year and every time that there is a change in the costs (increases in salary, etc.).

A template to help in the calculation of gross salary has been created and it is annexed to this section (see Tool 2 to section 7\_Financial Management Gross Salary Sheet.xls): it is the tool to calculate the staff costs to be reported in the MIS (see above) for each staff person. It has to be built up taking in consideration the gross salary actually received for each single month (also the ones in which the person did not work for the project) of the year of the reported costs, and calculated on an annual basis, in order to have a fix hour/cost for all the concerned year.

Only for staff working partly in the project, use a monthly timesheet (see Tool 1 to section 7\_Financial Management Template Timesheet) to be filled in by each person, reporting the hours actually worked per day, and signed by the relevant responsible person in the organization (normally the employee's manager or the employer).

Indicate in the financial report/ list of expenditures the actual time devoted to the project

– expressed in the same time unit (days or hours) – respecting the foreseen ratio used in the application and consequent budget as it is approved, if part time.





**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

### **Supporting documents for the expenditure verification**

- List of the Staff assigned to the project for each LB/PP indicating, at least, the following: a) name of the organization b) name and surname of the person contracted or assigned to the project c) main tasks of the person contracted or assigned to the project d) short term v/s long term contract e) starting date of the contract f) estimated ending date of the contract g) no. of days/hours worked per month h) indication of the staff member's involvement in any other ENI funded project as the case may be.
- Copy of the contracts of the project staff, e.g., an employment contract or any other equivalent legal agreement that identifies the employment relationship with the LB / partners organisation. In case the person is appointed for the project the contract should include the role of the staff person within the project, the monthly working time, the starting and end date, and the real monthly salary costs (gross salary and employer's social charges) have to be clearly specified.
- For the internal staff assigned to the project, copy of the appointment act, including the role within the project, the duration of the assignment and the amount (percentage or number of time units) of the working time devoted to the project (if working partly for the project). The eligibility period of the related expense starts from the date indicated in the accompanying documents such as assignment letter or service order.
- For costs of owners or of other natural persons with a specific role in the LB/PP organisation, but without an existing employment contract, an appointment decision adopted by the competent body and including the information as specified above (point d, pag. 7).
- Any relevant document, other than the contract, identifying the monthly working time and number of holidays per employee such as Terms of References, national or internal regulations concerning the LB / partner organization's personnel policy.
- Any relevant document, other than the contract, identifying the real daily/hourly costs (gross salary and employer's social charges) for the employee, or other accounting documents where the employment costs are clearly detectable.
- Timesheet (see template annexed to this section – Tool 1): required only for the staffmembers employed by the LB / Partner organisations working partly on the project on a flexible percentage. The timesheet must cover 100% of the employee's working time (including the working time related to the project and to other activities). For staff 100% devoted to the project, the same template can be used in case the partners need to fill it as a tool for internal control or in order to report overtime. Entire numbers should be indicated, not decimals. Each timesheet has to be stamped and signed by the concerned person and by the project responsible.



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

- Pay slips: copies of pay slips of each concerned month have to be provided to the Auditor, in order to check the reliability of the gross salary sheet.
- Proofs of payment: any kind of official document issued by the bank or accounting office of the organization, proving that the organization bank has settled the payment of all the relevant costs (net salary to the employee, social charges payment to the State, etc.) and indicating amount, reason and date. The document should include the name of the Programme and the project title and reference number.

In the event the social security charges or any other contract-related costs are paid cumulatively by the organization – and therefore an individual proof of payment is unavailable – the cumulative proof of payment must be accompanied by a declaration of the organization accounting office, detailing the amount paid for each person involved in the project.

### **7.1.3 Travel and subsistence costs**

Travel and Subsistence costs are **those incurred by staff or any other person taking part in the project** and having a clear link with project activities (e.g., stakeholders or participants invited to project events).

**Travel and subsistence costs for external experts and service providers (e.g., travel agencies invoices) fall under external expertise and services costs listed in budget line n. 5.**

These costs should neither exceed those normally borne by the LB or its PPs according to its internal rules and regulations nor the EC per diem rates published **at the time of the travel**<sup>3</sup>.

Therefore, the usual policy for such costs must be documented, either through the internal regulation, or through the accounting for trips paid prior to project.

Travel costs normally include:

- a) Fuel (for vehicle belonging to the Lead Beneficiary/Partner organization);
- b) Mileage reimbursements in case of private car use);
- c) Taxi or car rental, only when public transport means are not available or for other exceptional reasons;
- d) Public transportation (planes, trains, buses, etc.).

As a general rule, for travel the most economic form of transport must be used – e.g., economy class air fares – where **‘economic’ does not mean the ‘cheapest’ but the best value/price ratio.**

---

<sup>3</sup> EC per diem rates are available at the following link: [https://ec.europa.eu/international-partnerships/documents-library\\_en?keyword=per%20diem%20rates](https://ec.europa.eu/international-partnerships/documents-library_en?keyword=per%20diem%20rates)



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

Concerning the **use of private car** (point b) it is allowed only in case the public means do not allow a reasonable time to reach the location or are not available. In such case, the reference to the national and/or organization rules applied: in the absence of specific rules, it must be priory authorized by the project responsible person and be reasonable, i.e., applying calculation methods based on national/organization rules (e.g. amount to be reimbursed is the fifth of gasoline current price at country level per each occurred Km).

Subsistence costs may include:

- a) Accommodation;
- b) Meals;
- c) Local travel within the place of mission (taxi, car rental, public transportation);
- d) Sundry expenses for subsistence costs.

Subsistence costs can be reported either as “reimbursed costs” or “per diem”, according to the organization internal policy.

Any flat-rate allowance – or the total reimbursed costs (accommodation, meals, local travel within the place of mission and sundry expenses) for subsistence costs – must not exceed the rates (per diems) published by the European Commission at the time of the travel. The per diem rate is calculated per each overnight stay and not per travel duration (number of days).

### **Travel destinations**

Travels normally occur within the project-concerned areas, i.e., the ENI CBC MED eligible regions where the project activities are carried out.

If the project has foreseen to implement activities in other eligible areas of the ENI CBC MED Programme not represented by the partnership, the related travels are eligible if foreseen in the approved budget.

If the LB/Partner would like to take part in an event (meeting, conference, etc.) organized by a body not being part of the project partnership and this trip has not been already foreseen by the project in the e-form and in the budget, the following rules apply:

- Travels outside the project areas but within ENI CBC MED Programme eligible areas are eligible but need to be justified. LB has to communicate to the JTS and ask for its prior approval.
- Travels outside the ENI CBC MED Programme eligible areas have to be priory approved by the MA on a case-by-case basis. In its request, the LB should clearly highlight the added value of the



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA

participation in meetings and/or events for the achievement of project results.

- Authorization to travel: issued before the travel and signed by the traveler's manager/employer.
- Receipts of expenses: train, bus and/or flight tickets (the latter must be accompanied by the printed boarding passes); taxi, restaurant/café and hotel receipts; motorway tolls; car parking bills. If a company vehicle is used, the receipt of fuel purchase and excerpt of the official "travel logbook" indicating the occurred Km; in case of use of private car, national/organization rule reference and methodology for kilometers reimbursement; travel agency invoice if the ticket purchased was sub-contracted to a travel agency (for the reporting of the travel agency cost, please refer to category 5- External Services).
- Event-related documents: meeting/event agenda, list of attendance, audience pictures.
- Proof of payment: any kind of official document issued by the bank or accounting department of the organization, proving that the bank of the organization has settled the payment concerning all the relevant costs (reimbursement to the traveler, payment to the agency, etc.) and indicating the amount, the reason and the date.
- Travel Expenses Summary Report (the format is available on the Programme website, as Annex to Chapter 4 of the Project Implementation Manual).

#### **7.1.4 Infrastructures and small-scale investments**

Infrastructures can be defined as basic facilities and installations providing services needed for project implementation.

Infrastructures and small Investments (e.g. solar, organic waste treatment plants, etc.) are expected to have been carefully described and justified in the relevant sections of the e- form.

**Public works for restoring/adapting existing infrastructures** - to be exploited for project activities implementation – are considered in this cost category as well. Exceptionally and in duly justified cases, the MA may accept a later submission of the permits and design documents not more than 6 months from the start date of the contract.

Feasibility studies have to be reported under external services.

- Procurement procedure documents: public announcement, received tenders, evaluation procedure followed to award the tender, assessment minutes, contract with the tenderer, etc.;
- building permits, handover of the site and floor plan of the investment terminals containing topographic positions dated, signed (with the name mentioned in the clear) and stamped by all persons mentioned in program tracking and quality control work;



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

- works report (or State of Works Advancement): official document issued by the works contractor, specifying the actual works carried out and the related costs, and containing a clear reference to the project (e.g. project reference number);
- any official document issued by the contracting authority (Lead Beneficiary or Partner organisation) addressed to the company performing the works certifying the regularity of the works performed;
- civil works invoices/receipts: they must contain a clear reference to the Programme and the project (e.g. project reference number acronym) and to the “works report” in order to avoid double funding;
- picture(s): to demonstrate that the built up/renovated infrastructure is respecting the visibility rules (See chapter 10.10 Branding premises, infrastructures and equipment);
- proof of payment: any kind of official document issued by the accounting department of the organization, proving that the bank of the LB/partner organization has settled the payment of the relevant bill, indicating amount, reason and date.

### **7.1.5 Equipment and supplies**

**Equipment** costs are defined as **purchasing or long-term renting** of equipment and durables (new or used) specifically identified and exclusively devoted for the purpose of the project, as well as the costs of services for their transportation and installation, provided that they correspond to market rates.

When the equipment and supplies are not purchased through a tender procedure it is important to keep proof of the market rates at the time of the purchase.

Equipment for projects operations such as computers, office furniture, etc. must be purchased within the **first semester** of project implementation since it is necessary for running the project. Equipment related to project activities such as fishing nets, solar panels, water pumps, etc. can be purchased all over project life according to the approved activities and outputs overview.

The Auditor has to perform **on-the-spot checks** on each reported piece of equipment and has to include the results in the control checklist of the Expenditure verification Report.

#### **Transfer of equipment**

According to GC art. 22.6, **ownership of equipment, vehicles and supplies paid by the Project must be transferred to partners in the countries** where the activities were carried out or to the final recipients of the Project, at the latest when submitting the final report. Copies of the proofs of transfers of equipment and vehicles, whose purchase cost was more than 5,000 € per item, must be

attached to the final report. Proofs must be kept for control purposes according to contractual obligations.

### **Supporting documents for the expenditure verification**

- Procurement procedure documents: public announcement, received tenders, proof of the respect of the rule of origin, evaluation procedure followed to award the tender and assessment minutes, contract with the tenderer, etc.;
- equipment invoice: it must contain a clear reference to the Programme and the project (e.g. project reference number and acronym) in order to avoid double funding;
- Excerpt from “Inventory of durable goods” / proof of delivery: to demonstrate that the purchased equipment has been integrated in the organization property records.
- Equipment picture(s): to demonstrate that the purchased equipment is respecting the visibility rules. (See chapter 10.10 Branding premises, infrastructures and equipment);
- proof of payment; any kind of official document issued by bank or the accounting department of the LB/partner organization, proving that the bank of the organization has settled the payment of the relevant bill, indicating amount, reason and date.

### **7.1.6 External Services**

These are costs paid on the basis of contracts or written agreements , against invoices or requests for reimbursement to external service providers who are subcontracted to carry out certain tasks/activities linked to delivery of the project (e.g. external expenditures verification, studies, information and dissemination activities, short-term equipment rental for events organisation, evaluations, translation, etc.) and financial services costs such as the cost of bank transfers and financial guarantees.

The requirements needed in order to carry out the tasks/activities subcontracted, must be clearly stated into the contracts/written agreements, together with the implementation rules and relative fees (this must be appropriate, reasonable, compliant with pre-set criteria and aligned with the current market rates).

Services are purchased following specific procurement procedures according to the thresholds indicated in art. 52, 53 and to 56 of the ENI Implementing Regulation 897/2014. No restriction may be applied to the nationality of the contractors.

Pursuant to art. 4.2 of the Grant Contract, it is not possible to subcontract the bulk of the project to third parties, either in the case of private or public bodies including internal organizations. This means, for example, that the project management has to remain under the responsibility of the



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

Lead Beneficiary and partners, and that only limited and specific parts of the activities can be subcontracted.

The **in-house providing** can be applied by a public organisation acting as Lead beneficiary or partner, provided that the following conditions are fulfilled:

- the in-house provider has to be controlled by the Lead beneficiary or partner exercising on it a control analogous to the one exercised over its own departments (“structural subordination”);
- it carries out the essential part of its statutory activities for the controlling body (“economical dependency”);
- it is totally owned by the Lead beneficiary or partner and its capital is not intended to be opened to private parties in the course of the performance since, should the private partner have a minority share, the analogous control would not actually exist.

When the conditions for an in-house provider are met, costs of the contracted company must always be charged on a real-costs basis, thus **without any profit margin**, be in compliance with all the aforementioned eligibility rules for expenses and they should be charged and reported under the budget line subcontracted services.

**Lead Beneficiaries and Partners are not allowed to subcontract part of their activities among them or to associated partners** neither through contracting internal or external staff (including members of the management board, shareholders, associates etc.) nor subcontracting services, supplies and infrastructures among each other within the project.

#### **Supporting documents for the expenditure verification**

- Procurement procedure documents: public announcement, received tenders, evaluation procedure followed to award the tender and assessment minutes, contract with the tenderer, etc.;
- service contract: it must contain a clear reference to the Programme and the project (e.g. reference number and acronym) in order to avoid double funding;
- activity report with deliverables: issued by the service provider, it shall demonstrate that the foreseen activities have been carried out following the contractual requirements, it encloses any foreseen deliverable (or in case of event, pictures, list of attendance, etc.);
- any official document issued by the contracting body (Lead Beneficiary or Partner organisation) attesting the regular execution of services and approving the submitted “Activity Report” and deliverables;
- invoice on provided services: It must contain a clear reference to the Programme and the



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA

project (e.g. project reference number and acronym) and to the submitted Activity Report, in order to avoid double funding;

- proof of payment: Any kind of official document issued by the bank or accounting department of the organization, proving that the bank of the organization has settled the payment of the relevant invoice, indicating amount, reason and date.

### 7.1.7 Other costs

Under this cost category are included costs that meet the general eligibility criteria indicated in art. 14 of the Grant Contract and do not clearly fall under the other six cost categories of the budget, such as the costs for renting an office exclusively devoted to the implementation of the project.

Any kind of financial support to third parties involved in the project (**Sub-grants**, under art.3.5 of the GC) falls into this cost category. Sub-grants should be duly justified and compliant with the State Aid provisions (*de minimis regime*) (GC art.4.7). The procedure to select the beneficiaries of the Sub-grants such as researchers, entrepreneurs, local NGO's, etc. has to be properly detailed in the reporting documents, if not already detailed in the e-form.

As far as **sub-granting expenses** are concerned, the list of eligible types of activity and the criteria for the selection of the beneficiaries must be respected. In addition, sub-granting expenses cannot overcome the limits stated in the Guidelines for Applicants par. 4.6.3 Budget structure:

- a) Maximum 30% of the total direct costs can be awarded as sub-grants;
- b) Maximum amount of the sub-grant per each third party is € 60.000.

Further information concerning sub-grant can be found in the [Handbook for subgrants management](#) of the ENI CBC MED Programme 2014 – 2020.

#### Supporting documents for the expenditure verification

- Procurement/sub-grant procedure documents: depending on the selected procedure, it refers to public announcement, received applications, assessment minutes, sub-grant award, etc;
- Subcontract / Sub-grant contract: It must contain a clear reference to the Programme and the project (e.g. project reference number and acronym) in order to avoid double funding;
- State aid supporting documents (see Annex 7.4);
- Sub-grant reports and deliverables: Issued by the sub-grant beneficiary, it shall demonstrate that the foreseen activities have been carried out following the sub-grant requirement, it encloses any foreseen deliverable (or in case of event, pictures, list of attendance, etc.). It





**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

must be formally approved by the granting body;

- Invoices/receipts: they must contain a clear reference to the Programme and the project (e.g. project reference number acronym);
- Proofs of payment: any kind of official document issued by the bank or accounting department of the organization, proving that the bank of the organization has settled the payment, indicating amount, reason and date.

### **7.1.8 Indirect Costs Administrative costs**

Administrative costs are the indirect costs incurred by the Lead Beneficiary and its partners. They are eligible for flat rate funding, up to a maximum of 7% for each partner direct costs excluding infrastructures costs as resulting from the “administrative cost calculation file” submitted with the e-form.

The method refers to costs per partner reported in certified historical data such as: “balance sheets” for profit organisations and/or “financial statements” for non-profit organisations. The approved flat-rate percentage is indicated in the Grant Contract at the project level.

The auditor in charge of the expenditure verification is requested to check within the first interim report, the calculation method of the amounts indicated in the above mentioned “administrative cost calculation file”.

No supporting documents have to be produced to justify these costs during reporting. However, the MA may request supporting evidence to verify the actual calculation method during the project implementation period, to confirm the set percentage.

Administrative costs are not eligible if the LB / partner has received an “operating grant<sup>4</sup>” financed by the EC since this would be considered as “double funding”.

During the application phase, the Administrative Cost Calculation document is expressly intended for avoiding the risk of double financing and consequently of fraud. In case of subsequent attribution of operating grants, the LB / partner organization has to inform the MA and re- calculate the administrative costs.

If the Lead Beneficiary or a partner is not entitled to receive any administrative costs, these will be deducted by the MA from the total accepted eligible costs included in the interim and final reports.

---

<sup>4</sup> Operating Grant is a grant to finance the operating expenditures of a EU body that is pursuing a general European interest or an objective that forms part of a EU policy.



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

## **Contingency reserve**

A contingency reserve not exceeding 3% of the direct eligible budgeted costs may be included in the Project budget. It can only be used with the prior written authorisation of the MA.

The request must be addressed to the MA via the JTS and it shall contain evidence of the unforeseen circumstances which led the project to request the use of the contingency reserve. Moreover, the request must contain the type of cost to be covered, any justification on its calculation as well as the number of partners which will need to use it.

Delays in project implementation are not considered unforeseen circumstances if they are not fully independent from the Lead Beneficiary or the partner which is facing them.

## **7.2 CONFLICT OF INTEREST**

Within the ENI CBC MED Programme a reference framework and a set of measures and procedures have been defined with the aim to prevent and detect potential conflicts of interest<sup>5</sup> at an early stage and manage actual situations that may arise during any phase of implementation of the Programme.

Lead beneficiaries and partners shall:

- take all necessary measures to prevent or end any conflict of interests which may arise during the implementation of the project;
- notify in writing to the Managing Authority without delay any conflict of interests which may arise and to immediately take all necessary steps;
- resolve it and to ensure that its staff, including its management, as well as its partners' staff, is not placed in a situation which could give rise to conflict of interests.

In case of conflict, the Lead Beneficiary/Partner shall replace, immediately any member of its staff in such a situation. The Managing Authority verifies that the measures taken are appropriate and may require additional measures to be taken if necessary, on a case-by-case basis.

To the same end, members of any selection committees (personnel, procurement, sub-grants etc.) appointed by all actors involved in the Programme (including LBs and partners) must sign a declaration of absence of conflict of interests and impartiality, prior the assignment and before starting the evaluation process. Whenever a conflict of interests arises or is suspected they shall notify it without delay to the LB/PP.

---

<sup>5</sup> According to art. 61 of FR 1046/2018 "a conflict of interests exists where the impartial and objective exercise of the functions of a financial actor or other persons compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest."

The declaration must clearly state the absence of the following:

- Employment, consultancy, legal representation or advice to a company or organization, in past 3 years;
- Public statements and positions and any other interests that may interfere, or may be seen as interfering with the selection;
- Any situation where the objective exercise of their tasks could be compromised for reasons involving family, emotional life, political or nationality affinity, economic interest or any other interest with an applicant/candidate to the selection procedure (i.e., the selecting person cannot be the same of the selected applicant).

Where a conflict of interests, even potential, is reported, the Chairperson of the Selection Committee ensures that the concerned member is replaced.

Moreover, abstention is required in any decision or approval of act which can be affected by a potential or actual conflict of interest as the impartial and objective exercise of the functions could be compromised (e.g. assignments decision, contracts and timesheets cannot be approved/signed by the person contracted acting both as legal representative and employee).

### **7.3 EXPENDITURE VERIFICATION**

According to article 32 of the ENI-CBC Implementing Rules *“Expenditure declared by the beneficiary in support of a payment request shall be examined by an auditor or by a competent public officer being independent from the beneficiary. The auditor or the competent public officer shall examine whether the costs declared by the beneficiary and the revenue of the project are real, accurately recorded and eligible in accordance with the contract.”*

The appointed auditor shall meet the requirements set by the ENI-CBC Implementing Rules and shall be independent from the LB and PPs’ organisations as well as the Programme bodies (MA/JTS/AA). Specific procedures have been set up in each participating country to ensure that the auditor selected by the LB or PP meets these requirements.

Such verifications are carried out at national level by the Control Contact Points which endorse the choice by validating the selected auditor. Before signing the contract with the selected auditor, the LB and the PPs organizations have to send the documents required in order to allow the CCP of their respective country to verify the auditor’s requirements.

Once validated by the CCP, the LB and each PP shall conclude the agreement with the selected auditor setting the scope of tasks and the procedures which shall be fulfilled during the



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

expenditure verification process.<sup>6</sup>

The participation of the person in charge of the expenditure verification in the training courses organised by the MA is mandatory.

The MA, the JTS or the CCP may carry out quality controls on the work carried out by the auditor at any moment during the execution period of the Grant Contract. The MA can ask to the LB and partners to replace the project auditor in case of doubts on his/her independence, professional standards, professional reliability or of substantial errors detected in the reports. In such a case, the CCP of the concerned country will be immediately informed and take any appropriate action as the case may be.

The tasks of the auditors appointed by the project Lead Beneficiaries and partners are, *inter alia*:

- a) to verify that goods and services have been delivered and the works have been performed;
- b) to verify that the expenditure declared by the beneficiaries relates to the eligible period or previous ones and it has been paid;
- c) to verify the compliance with applicable rules (including eligibility rules), also including procurement and visibility requirements;
- d) to verify the compliance of the expenditures with the approved project and the signed Grant Contract;
- e) to check the related documents and accounting on avoidance of possible double funding;
- f) to verify the adequacy of supporting documents;
- g) to check the registration of the expenditure in the accounting records of the beneficiary and that the expenditure is determined according to the accounting standards and the usual cost accounting practices applicable to the beneficiary;
- h) to check the record-keeping and archiving rules for the documentary evidence related to the implementation of the project;
- i) to notify irregularities and suspicion of fraud or corruption, as the case may be<sup>7</sup>.

Expenditure incurred and paid by the LB or PP can be claimed within the project only after their respective independent auditor verifies it.

The expenditure verifications are carried out according to formats and checklists provided by the

---

<sup>6</sup> A template of the contract between the Lead beneficiary/Partner and auditor and the description of the Expenditure verification procedure are available in the Expenditure Verification Package.

<sup>7</sup> If an auditor identifies potential fraud or corruption, he/she will inform directly to MA via a specific report, which is not delivered to the concerned beneficiary.



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÓNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

MA, and their outcomes has to be attached to each payment request.

A copy of the audit reports has to be submitted to the concerned Control Contact Points, in order to allow them to carry out specific checks, as the case may be.

## **7.4 ADMINISTRATIVE VERIFICATIONS AND ON-THE-SPOT CHECKS**

According to article 26 par.6 of the Implementing Regulation, the MA, with the support of the JTS, will perform:

- (a) administrative verifications on the Interim and Final reports (including the auditor reports) for each payment request by LB;
- (b) on-the-spot project verifications carried out on a sample basis.

The checks on the reports are carried out in order to verify that services, supplies or works have been performed, delivered and/or installed and whether expenditure declared by the LB and PPs has been paid, and that the expenditure complies with the applicable law and the Programme rules.

The on-the-spot checks are performed on the basis of a risk analysis considering risk factors such as:

- type of project (standard, strategic, capitalisation);
- ENI Contribution;
- presence of Sub-grants;
- size and geographical representation of the partnership;
- categories of beneficiaries and partners (public/private profit/non-profit);
- number of projects implemented by the LB;
- state of play;
- specific costs categories having a high fraud or corruption risk level, such as staff and/or services;
- findings of the project external auditors;
- results of the annual audits on projects carried out by the AA;
- any critical points or problems arisen in the project implementation.

## **7.5 AUDIT ON PROJECTS**

The Audit Authority (AA), with the support of the members of the Group of Auditors, performs an annual audit on projects. The European Commission, the European Anti-Fraud Office, the European Court of Auditors and any authorized institution may perform additional checks.



**ENI  
CBCMED**  
Cooperating across borders  
in the Mediterranean



Programme funded by the  
**EUROPEAN UNION**



**REGIONE AUTÒNOMA DE SARDIGNA  
REGIONE AUTONOMA DELLA SARDEGNA**

As far as the annual audits on projects are concerned, they are performed during the Programme lifetime on a sample basis. When the AA selects a project for an audit, the Lead Beneficiary as well as one or more Project partners may be audited. The audit may be carried out on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the activities.

Moreover, auditors analyse a number of processes related to the implementation of the project, including:

- the compliance with the obligations set in the Grant contract and Partnership Agreement;
- the confirmation of the expenditure verification performed by the project auditors.

Audits may be carried out on the premises of the LB / partners and/or in any other place where the project is being implemented. In case of detected non-compliances/infringements, “audit findings” are raised, which may result in financial corrections for the project. The amounts considered as ineligible by the AA and leading to irregularities may not be re-used by the project.

## **ANNEXES**

### Annex 7.1 Tools and templates human resources

- Tool 1 - timesheet templates
- Tool 2 - gross salary sheet
- List of staff
- Project Assignment Template

### Annex 7.2 Format reporting travel

### Annex 7.3 Procurement by private organisations

### Annex 7.4 Management of state aid