



Active Labour Market Measures for Employability

EuropeAid/136526/IH/SER/ME

Guidance on Financial Reporting and Eligibility of Expenditure

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This document has been drawn up in the English language. In case of any discrepancy between the English and Montenegrin versions, the English version shall prevail.

Introduction

The project “Active Labour Market Measures for Employability” (EuropeAid/136526/IH/SER/ME) supports grant beneficiaries with the implementation of their projects, i.e. successful proposals under the Call for proposals „Youth, Women and Long-term Unemployed in the Labour Market“ (EuropeAid/137484/ ID/ACT/ME). This document is intended to support grant beneficiaries with their financial reporting and provides indications of supporting documents that must be submitted to prove the eligibility of costs incurred.

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Financial reporting and Eligibility of expenditure by budget headings

In this document, explanations are given on how to report on the project costs. In addition, an indicative list is provided of the relevant supporting documents for each category of expenditure that need to be made available to the controllers.

1. Human Resources

Staff Costs

The staff costs refer to the expenses incurred for personnel employed/engaged by the Grant Beneficiary and his partners (if applicable) which are directly related to project activities. These costs comprise actual salaries plus social security, health insurance and other statutory costs included in the remuneration (all calculated in accordance with the national legislation).

Reporting Staff Costs

The following documents must be provided in order to prove the expenditure and the related payment:

- ✓ The contract or formal nomination of each of the project staff specifying qualification (i.e. managerial staff, technical staff, administrative staff), function in the project, to what extent the work is dedicated to the project (for examples the percentage of 100% or 20%...), gross salary and the indicative costs to be funded by the project's budget. The contracts/formal nominations must be made at the beginning of the project and, if necessary, can be updated during the project lifetime (i.e. adding new employee, extension of one employee's contract).
- ✓ In addition for each person working part-time on the project, a document showing the tasks to be performed in the project and the indicative number of days/hours the performance of these tasks will require;
- ✓ Monthly timesheet proving the actual time worked on the project: it has to be provided for each project team member; it must be properly filled out with a description of the tasks carried out within the project and duly signed (and stamped), both by the team member and the responsible person in the employer institution.
- ✓ Evidence of the calculation method of the daily/hourly rates for people working part-time for project purposes is presented by the formula: Total eligible cost in the reference reporting period = Gross salary*project worked days/hours workable monthly days/hours.
- ✓ Payslips.
- ✓ Proofs of payment, both of salary and of all compulsory charges.

Payment orders received, concerning salaries and wages paid by public bodies may also be presented cumulatively, accompanied by a letter from the competent office, proving that the single document refers to the staff allocated on the project.

If a person is full-time employed on the project, the total expenditure of work is eligible.

Per Diems for Missions/Travel

This cost category refers to the per diems costs of project staff of the Beneficiary institutions listed in the Application Form related to their participation in meetings, seminars, conferences and other similar activities, related to the project.

Per diems for missions/travel costs for project staff participating at the trainings, seminars, may be reported in accordance with the provisions indicated in national rules or in any regulations/internal circulars of Beneficiary institutions.

As general rules the following principles must be taken into consideration:

- ✓ Per diems for missions/travel expenses must correspond to affordability (inexpensiveness) criteria, demonstrable on the basis of an assessment.
- ✓ The duration of the mission must be clearly in line with the purpose of it (e.g. from the day before to the day after the concerned meeting). Costs for longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights) do not exceed the savings eventually made in the costs for transportation.
- ✓ Proofs of Per diems for missions/travel expenses must be submitted for validation of expenditure. In case 'daily allowances' are foreseen in the national rules as the only way of reimbursement of such costs, they are eligible.

Reporting Per Diems for Missions/Travel Costs

The following documents must be provided in order to prove the expenditure and the related payments:

- ✓ Travel declaration (Putni nalog) and supporting documents (e.g. authorisation of the mission, decisions on the assignment) certifying the mission carried out, from which it is clearly possible to infer the name of the travelling employee(s), date, reason and destination of the mission;
- ✓ Reimbursement request from the employee, indicating the detailed expenditures incurred. All necessary documents proving the claimed real costs must be provided (e.g. meal receipts, hotel invoice...);
- ✓ Other supporting documents (e.g., invitation, agenda, list of participants, minutes);
- ✓ Proof of payment of costs directly paid by the institution or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution. Received payment orders by the bank or signed by the Accounting Manager or Administration Manager from which clearly emerges the amount and the name of payee;

- ✓ Proof of payments of taxes on income of natural persons, if applicable

Subsistence Costs and Financial Contributions for Unemployed Persons

Subsistence costs and financial contributions for unemployed persons who are training participants or interns within actions under the grant scheme “Active Labour Market Measures for Employability” are considered as eligible. These costs are not subject to taxation, according to the Law on Personal Income Tax of Montenegro.

Reporting Subsistence Costs and Financial Contributions for Unemployed Persons

Reporting on subsistence costs and financial contributions for unemployed persons differs depending on the duration of training/internship programme. If this duration lasts less than one month, version 1 below is applicable, while version 2 applies to training/internship programme lasting more than 1 month.

Version 1 - Training/internship programme lasting up to 1 month

The following documents must be provided in order to prove the expenditure of subsistence costs and financial contributions for unemployed persons where implementation of the action envisages trainings/internship programme lasting up to 1 month:

- ✓ Attendance record from all trainings/internship programmes signed by the Coordinator, training provider and intern, proving the attendance during the training concerned;
- ✓ Signed document (receipt) proving that the training participant or intern received the relevant financial allowance for participation at the training/ internship programme;
- ✓ Copy of the relevant article of the Law on Employment and Exercising Rights with respect to Unemployment Insurance of Montenegro (Official Gazette of Montenegro, no. 14/2010, 40/11 – another law, 45/12, 61/13, 20/15 and 52/16) which specifies the following (Article 23, Paragraph 6): „an unemployed person has the right to obtain financial allowance during education, training and vocational rehabilitation of hard-to-employ persons and inclusion in other measures aimed at increasing employment and reducing unemployment”.

Version 2 - Training/internship programme lasting more than 1 month

The following documents must be provided in order to prove the expenditure of subsistence costs and financial contributions for unemployed persons where implementation of the action envisages trainings/internship programme lasting more than 1 month:

- ✓ Signed agreement with each training participant/intern (the content of the agreement shall include: obligation of the training participants/interns to attend all trainings (in exceptional cases, where the training participant/intern is unable to attend the training, he/she must justify his/her absence in writing, with appropriate documentation), as well as their right to receive financial allowance for participation, which covers all costs incurred during trainings. According to the agreement, training participants/interns should be paid at the end of the month concerned);
- ✓ Attendance record from all training/internship programmes signed by the Coordinator, training provider and intern, proving the attendance during the training concerned;
- ✓ Signed document (receipt) proving that the training participant or intern received the relevant financial allowance for participation at the training/ internship programme;
- ✓ Copy of the relevant article of the Law on Employment and Exercising Rights with respect to Unemployment Insurance of Montenegro (Official Gazette of Montenegro, no. 14/2010, 40/11 – another law, 45/12, 61/13, 20/15 and 52/16) which specifies the following (Article 23, Paragraph 6): „an unemployed person has the right to obtain financial allowance during education, training and vocational rehabilitation of hard-to-employ persons and inclusion in other measures aimed at increasing employment and reducing unemployment”.

2. Travel

Travel Costs

This cost category refers to the travel costs of project staff of the Beneficiary institutions listed in the Application Form related to their participation in meetings, seminars, conferences and other similar activities, related to the project.

Travel costs for project staff (see 'staff costs'), may be reported in accordance with the provisions indicated in national rules or in any regulations/internal circulars of Beneficiary institutions.

As general rules the following principles must be taken into consideration:

- ✓ Travel is organized in accordance with project activities.
- ✓ Actual costs are not in overrun as compared to the approved budget.
- ✓ Travel expenses must correspond to affordability (inexpensiveness) criteria, demonstrable on the basis of an assessment. This means that the most cost-efficient means of transportation shall be used (normally public transportation); no business or first-class tickets for air or train transport are eligible irrespective of the fact that this may be allowed by the internal rules of the institution; any exception to this principle must be duly justified, otherwise the related expenditure will not be eligible.

- ✓ In case of transport by taxi or by hire car, reimbursement may be permissible on the basis of the actual cost, provided that this cost is not excessive in relation to expenditure for the use of alternative means of transport.
- ✓ In exceptional cases the project Beneficiary may use company cars or private cars for project's travels. In this case only travel costs connected to the project trips are eligible and must be accounted according to national or institutional rules (i.e. reimbursement per kilometre, highways tickets acquired during the journey, specific declaration of the distance travelled...).
- ✓ Costs may be accepted without reservation if they fall in the range of average costs. Higher costs must be duly justified in each case.
- ✓ The duration of the mission must be clearly in line with the purpose of it (e.g. from the day before to the day after the concerned meeting). Costs for longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights) do not exceed the savings eventually made in the costs for transportation.

Reporting Travel Costs

Proofs of travel and accommodation expenses must be submitted for validation of expenditure. Consequently flat-rate expenditures are meant as inadmissible for accounting purposes. This means that these costs must be reimbursed on the basis of an itemised list of the costs effectively incurred by the employee.

- ✓ Documents (e.g. authorisation of the mission, decisions on the assignment) certifying the mission carried out, from which it is clearly possible to infer the name of the travelling employee(s), date, reason and destination of the mission;
- ✓ Proof of expenditure for costs paid by the partner institution (e.g. invoice of travel agent, plane tickets with boarding cards);
- ✓ Reimbursement request from the employee, indicating the detailed expenditures incurred for travels and transfers. All necessary documents proving the claimed real costs must be provided (e.g. bus/train/metro tickets, plane ticket with boarding cards; car rental invoice,...);
- ✓ In case of use of own car or company car, calculation sheet, prepared according to national or institutional rules, stating at least the distance, the unit rate and the total costs of travel. All necessary documents proving the claimed real costs must be provided (such as highway tickets acquired in case during the journey or specific declaration of the distance travelled);
- ✓ Other supporting documents (e.g., invitation, agenda, list of participants, minutes);
- ✓ Proof of payment of costs directly paid by the institution or in case of cost directly paid by the employee proof of reimbursement to the employee by the institution.

<p>NOTE: Non-working days (weekends, holidays...) are not allowed to be presented in travel declaration (putni nalog).</p>

3. Equipment and supplies

Costs of Equipment and Supplies

The budget heading “Equipment and Supplies” refers to the purchase/rent/leasing of equipment necessary for the successful implementation of the project such as IT equipment (computer, printer, software and so on), office furniture and certain machineries for specific project’s purposes.

All costs in this category have to respect public procurement rules. The most economic type of equipment should be chosen and the equipment features/functions should be in line with the actual context of use.

The existence of the project equipment may be subject to CFCU verifications through on-the-spot checks.

Finally, depending on the specific option chosen to acquire the equipment (purchase, rent or leasing) specific eligibility requirements must be also respected:

- ✓ The equipment is part of a specific goal of the project (for example office furniture if the goal of the project is to set up a bureau which will provide services for the target group at least during the project implementation period).
- ✓ It is possible to rent equipment provided that the rental is the most economic and cost-effective way of getting the equipment for the project purposes.
- ✓ The leasing of equipment is eligible if the total leasing fee does not exceed the cost of the rental of the same item and relating to the same period of use in the project.

Reporting equipment costs

The following documents must be provided in order to prove the expenditure and the related payment:

- ✓ Documents evidencing that the most cost-efficient option for the features requested has been selected and, where applicable, proof that public procurement rules have been respected (such as tendering documents, bids from tenderers and evaluation reports, contract...);
- ✓ Detailed invoice, clearly stating the date, the payee, the payer and (where possible) the title/acronym of the project and the name of the Programme, detailed description of the goods

NOTE: Do not forget that VAT is not eligible cost. Request for VAT exemption has to be delivered to the CFCU for which the template is provided to grant beneficiaries as an annex to the Implementing Manual. Once received, copy of Certificate for VAT exemption has to be delivered to Tax administration within 5 days.

purchased/rented/leased, quantification of the goods, price per unit (if applicable) and total price.

- ✓ Proof of receipt of goods such as delivery slips from suppliers,
- ✓ Certificate of origin (if applicable),
- ✓ Proof of payment such as bank statements, debit notices, proof of settlement by the contractor.

Costs for second hand equipment are not eligible.

4. Local Office

Costs of Local Office

The budget heading “Local office” refers to direct local office costs (i.e. costs deriving exclusively from the project) and indirect costs calculated on a pro-rata basis according to a duly justified, fair and equitable method).

The local office budget line may include cost items such as:

- ✓ Vehicle costs (registration, insurance, maintenance,...) to the ratio of project based kilometres/total kilometres travelled by that car during the project life cycle.
- ✓ Office rent costs calculated on pro-rata base,
- ✓ Consumables - office supplies
- ✓ Other services (tel/fax, electricity/heating, maintenance) on pro rata-base

In principle, costs under this budget heading should be linked to office established specifically for the purpose of implementing a project.

Reporting Local Office Costs

The following documents must be provided in order to prove the expenditure and the related payment:

- ✓ Contract or invoices for rent of office
- ✓ Invoices for vehicle costs (registration, insurance, maintenance,...),
- ✓ Invoices for other services (tel/fax, electricity/heating, maintenance)
- ✓ Proof of payment such as bank statements.

5. Other costs, services

Costs of External Expertise

External expertise includes costs paid out for professional services of an external expert, consultant or other supplier, independently from the type of contract and exclusively engaged for project purposes (thus the full contract amount must be reported in the project) to carry out certain tasks of the project (e.g. studies and surveys, translation, coordination, financial management, legal consultancy fees and notarial fees directly linked to the project, necessary for its implementation and planned in project budget and the description of activities), which the Beneficiary's organization cannot perform with already engaged resources. The cost of these professional services are eligible on the basis of contracts or written agreements defining the task to be accomplished and paid against invoices or requests of reimbursement. The travel and accommodation costs incurred by experts engaged specifically for project purposes shall be budgeted and reported under this budget line.

Together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for external expertise is subject to the full respect of the relevant procurement rules and to the requirement that the work of the external expert must be essential for the project.

In case of fee-based service contracts, the rates charged by the external expert must be reasonable, in relation to the level of experience and expertise/competence and not higher than the average fee/wages applicable to the related professional category or generally accepted on the market for similar services.

Global price contracts can be stipulated too for project activities which should lead to a specific outcome (studies and other result-oriented contracts), thus they should not be generally used for activities which focus on the performance of tasks such as technical assistance.

Finally, the deliverables produced by the experts, especially as far as studies are concerned, must also respect the necessary publicity requirements for promotional products.

Reporting External Expertise Costs

The following documents must be provided in order to prove the expenditure and the related payment:

- ✓ Documentation related to procurement and evidence of the selection process.
- ✓ Contract laying down the services to be provided, with clear reference to the project and the Programme. For experts paid on the basis of a daily/hourly fee, such fee together with the number of days/hours contracted and the total amount of the contract must be provided.
- ✓ Detailed invoice or, clearly stating the date, the payee, the payer, the title/acronym of the project and the name of the Programme and the description of the services provided in line with the contents of the contract. For experts paid on the basis of a daily/hourly fee, the invoice must include a clear quantification of the days/hours charged (Time sheet), price per unit and total price.

- ✓ Proof of travel and accommodation expenses for professionals (experts) who are invoicing for these costs, consequently flat-rate expenditures are meant as inadmissible for accounting purposes.
- ✓ Proof of payment of costs directly paid by the institution or in case of cost directly paid by the expert, proof of reimbursement to the expert by the institution. In case the Final Beneficiary is obliged to pay any compulsory charges (i.e. insurances, social security etc. for physical person experts), documents evidencing the payment of these compulsory charges.

Reporting other service costs

In this category, costs related to the organisation of conferences, seminars, meetings, workshops (renting of premises and equipment, catering, interpretation, printing, etc.) directly related to the project and traceable from the approved Application Form, shall be reported.

It may also include the cost of external speakers and external participants in project meetings and events if the cost will be definitively paid and borne by partners officially listed in the Application Form.

Together with the existence of the necessary proof of expenditure and proof of payment, eligibility of costs for meetings and events is subject to the full respect of procurement rules and of publicity rules.

For each event it must be clearly demonstrated the purpose and must be declared the location, the duration and the number of participants.

In addition, the costs of expenditure verification (audit) are reported in this category if foreseen or obligatory.

Reporting other service costs

The following documents must be provided in order to prove the expenditure and the related payment:

- ✓ Documents evidencing that the most cost-efficient option has been selected and, where applicable, proof that public procurement rules have been respected.
- ✓ Contract laying down the service/s to be provided, with clear reference to the project, the Programme and the specific meeting/event.
- ✓ Detailed invoice/receipt, clearly stating the date, the payee, the payer, the title/acronym and the name of Programme, description of the services provided in line with the contents of the contract, quantification of the services, price per unit (if applicable) and total price.
- ✓ In case the travel and accommodation costs are not foreseen in the contract of the professional (expert) incurring them, they have to be reported using the

NOTE: Costs related to visibility will only be reimbursed if supporting documents (visibility materials, presentations etc.) respect all EU visibility rules.

documentation proving the actual realization of the travel (tickets, boarding passes, etc).

- ✓ Deliverables (agenda, list of participants, minutes; copy of the materials produced directly linked to the events and any other material testifying the carrying out of the event); in case of translation the number of languages for which the service of translation is provided must be declared.
- ✓ Contract and audit report for expenditure verification.
- ✓ Proof of payment.

Indirect costs

The indirect costs for the Action are those eligible costs which may not be identified as specific costs directly linked to the implementation of the Action and may not be booked to it directly according to the conditions of eligibility in Article 14.1. However, they are incurred by the Beneficiary(ies) in connection with the eligible direct costs for the Action. They may not include ineligible costs as referred to in Article 14.9 or costs already declared under another costs item or heading of the budget of this Contract.

A fixed percentage of the total amount of direct eligible costs of the Action not exceeding the percentage laid down in Article 3 of the Special Conditions may be claimed to cover indirect costs for the Action. Flat-rate funding in respect of indirect costs does not need to be supported by accounting documents. This amount shall not be taken into account with regard to the maximum amount of simplified cost options.

Indirect costs shall not be eligible under a grant for an action awarded to a Beneficiary who already receives an operating grant financed from the European Union budget during the period in question.