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Guidance document on reporting and the verification of payment claims with respect to donor project partnerships

Background

Several questions have been raised by Programme Operators (PO), Donor Programme Partners (DPP) as well as by existing- and potential Donor Project Partners (dpp) on how to relate to a PO's procedures on the verification of payment claims with respect to the specific provisions provided for on the submission of proof of expenditure for dpp's.

This guidance document aims at answering the most frequently asked questions concerning this by providing clarification on how, in general, expenditures are claimed by Project Promoters (PP) and dpp's, and in particular on how the provisions in articles 7.13.1 and 7.13.3 of the Regulations on the implementation of the EEA Grants- and Norwegian Financial Mechanism, relate to this.

Verification of Payment Claims and Proof of Expenditure

It is important at the outset to understand the difference between 'claiming expenditure' and 'proving expenditure'. Claiming expenditure, by way of a payment claim (the terminology varies), relates to the processes surrounding the financial flows from the Programme to the project and in the case of donor partnership projects, from the PP to the dpp. Proving expenditure describes the requirements for justifying/verifying the expenditure that has been incurred by the parties involved in the project. The Regulation does not require that these two processes are linked.

Whether or not payments are made to PPs and/or dpp's in the form of advance payments or in the form of reimbursement of incurred expenditure, and however the PO requests that expenditure is reported on and at what frequency, the common rule is that any cost that is incurred by a PP or a dpp needs to be supported by a receipted invoice or a similar accounting document (Article 7.13.1).

However, this does not mean that the PO is obliged by the Regulation to set up a system which involves that all these accounting documents (the proof of expenditure) are required to be submitted each time a payment claim is submitted by a PP or a dpp. Equally, the Regulation does not require that 100% of proof of expenditure is submitted to the PO. The Regulation requires the POs to set up systems and control mechanisms which ensure a *sufficient level of control* over the expenditure that is incurred by PPs and dpp's. However, with this requirement there is a reasonable amount of flexibility as long as certain fundamental aspects are fulfilled.

Although the setup varies between Programmes and Beneficiary States, the Regulation provides for an approach where it should be considered sufficient that the dpp can make available the original accounting documents (the proof of expenditure) upon request when required to do so, e.g. in case of a monitoring visit or an audit.

A dpp can choose to submit a report by an independent and certified auditor according to article 7.13.3 at any instance where they are requested to provide "proof of expenditure", and the PO is required to accept it as such. Alternatively, a dpp may opt to follow the procedures established by the PO for providing "proof of expenditure" that apply to all other entities involved in the FMs that are not entitled to choose the report according to article 7.13.3.

The report according to article 7.13.3

The report on claimed expenditure according to article 7.13.3 of the Regulation, which a donor project partner is entitled to submit instead of proof of expenditure, shall be issued by an independent and certified auditor and fulfil the following criteria.

In the report the auditor shall state certify that:

- Claimed costs within the project are incurred in accordance with the Regulation on the implementation of the EEA Grants- and Norwegian Financial Mechanism 09-14.
- Claimed costs within the project are incurred in accordance with the national law and accounting practices of the donor project partners country

The costs incurred by a dpp associated with contracting of an independent and certified auditor for the purposes of issuing the report are eligible project costs under the Regulation.