

**Citizens for Financial Justice**  
**Financial guidelines for grant partners**  
**Updated August 2020**



**(i) The Funding and Reporting agreement**

The **Funding and Reporting Agreements** set out the rights and obligations of Christian Aid, the lead organisations, and you as the grant partner. The agreements are designed to meet the requirements of the primary contract that Christian Aid holds with EuropeAid, our project donor.

Compliance with these terms is essential in order that funds will be received from the EU, so it is important to understand fully the processes and requirements set out in the agreements. The sections below highlight some areas that are of particular importance.

**(ii) The financial basis of the agreement between Christian Aid, co-applicants and grant partners**

Each grant partner has committed to funding a minimum of 10% of their total expenditure budget. This can be done from own unrestricted resources or by seeking additional funds from other **non-EU** donors. However, all expenditure must comply with EU eligibility rules, whether covered by EU funds or by other donors.

In-kind contributions, such as volunteer or pro-bono venue provision are not eligible as co-funding. However, allocations of time of existing core paid staff are eligible if suitably evidenced.

EuropeAid funding via Christian Aid will therefore contribute 90% of the eligible expenditure budget of each grant partner, up to a maximum of the grant figure stated in the Funding and Reporting Agreement. If there is an underspend on the total budget of a grant partner they will therefore receive a lower total grant (i.e. 90% of a smaller total). Any underspends will need to be returned to Christian Aid.

**(iii) Financial reporting**

Christian Aid will compile the project **financial reports** in the EU format for submission at the end of each project year. These will be drawn from individual reports from Christian Aid, lead organisations and grant partners. Templates will be provided, and it is important that each partner complies with the deadlines in order that the project as a whole can submit the reports on time.

Each annual project report, including the final report, will be subject to an **expenditure verification**. This will be carried out by an external auditor commissioned by Christian Aid. They will select transactions from the invoice lists provided by Christian Aid, lead organisations and grant partners, and will verify the supporting documentation relating to those transactions. This process will be carried out from the UK, with partners transferring scanned invoices and other documentation electronically. There may be additional controls required to assess internal processes and payroll, but this will depend on the auditor. Any reasonable additional costs incurred by grant partners in order to comply with the auditor requests will be reimbursed from project funds.

Within seven years of the end of CFJ, the EU may commission an **external audit**. From recent experience, these are more thorough and unforgiving than the expenditure verifications. We are increasingly finding that costs which passed expenditure verification don't get through audit, either due to lost documentation or stricter application of rules. The following section explains the requirements in more detail. All expenditure **MUST** be documented - if it is not, a partner could be asked to pay back funds as outlined in the funding and reporting agreement.

#### **(iv) Expenditure verification – what to expect**

Auditors will select 60% of all project transactions for scrutiny, looking in detail at eligibility of the cost, and accompanying evidence. Transactions will be selected at random by the auditors, however, we know from previous audits that they are likely to focus on:

- High-cost items, especially those that might exceed a procurement threshold for obtaining three or more quotes
- Salaries
- Contracting
- Flights
- Anything unusual looking or non-standard

It is therefore important to pay particular attention to these transactions and ensure that the accompanying documentation is fully compliant.

**Note that the final CFJ expenditure verification will take place in February 2021, so you may be contacted at this time with queries about your costs, including requests for additional evidence and documentation.**

#### **(v) Covid-19 related cancellations**

We are aware that a significant proportion of CFJ partners had to abandon planned travel and/or cancel meetings and events due to Covid-19. For the **non-participation of individuals** in planned meetings and events, different circumstances could explain why someone was unable to attend, such as travel bans, flight cancellations, or cancellation of the planned meetings and events following a decision from the national or local authorities, or other stakeholders such as the meeting organisers. Other reasons could be due to their recent contact with someone suffering from Covid-19 or their presence in an area considered to be at high risk. For such cases, a medical certificate or proof of stay in a high-risk zone should be produced, failing which a sworn statement must be presented.

Consequently, for the costs incurred (mainly travel tickets and accommodation) to be considered eligible, the following evidence must be presented:

- proof of the impossibility of undertaking the journey
- proof of payment of costs incurred
- evidence that these costs have not been reimbursed (by the travel agency, airline, hotel or insurance company). Please provide a scanned copy of a request for reimbursement, and a reply that no refund is possible. If no reply was received following a request for reimbursement, then you could alternatively provide a sworn statement certifying that no reimbursement was received for the concerned expense.

In your financial report, in the 'detailed list of expenditure', you can add an explanation in the 'comment' box next to the relevant expenditure line(s). The same applies if you had to cancel an event you were organising due to, for example, lockdown or limitations on the number of people allowed to gather. If, for example, you paid a deposit for a meeting room and subsequently had to cancel the event, try to obtain a refund, but if this is not possible, provide proof as outlined above that you tried to get your money back.

#### **(vi) Main compliance risks**

##### ***General points***

- All expenditure lines must be supported by proof of payment, e.g. bank statement showing payment made, or a formal receipt. An invoice alone will not be accepted as proof of payment.
- Expenditure must be completed within the project dates. Any receipts or invoices beyond the project end date will be dis-allowed. Please speak to your lead organisation if you think this will be an issue.

- Receipts and supporting documentation can be in any language.

### **Staff time**

Salary costs charged to the project must be accompanied by the following documentation as a minimum requirement:

- Employment contract
- Payslip
- Timesheets
  - these must be signed by both the member of staff, and their supervisor / manager
- Proof of payment
  - e.g. bank statement showing corresponding payment from organisation's account.

Each organisation may use its own standard timesheet, as long as this records the total hours worked, and time spent on the funded project. Alternatively, organisations may use this:

[https://ec.europa.eu/europeaid/fmt-module-5-timesheet-templates\\_en](https://ec.europa.eu/europeaid/fmt-module-5-timesheet-templates_en)

There are three very important points to note on timesheets:

- The amount charged to the project must reflect the actual time spent on the project. It will be considered ineligible if you just charge the amount budgeted without any evidence that this was the time spent on the project.
- Therefore, the time recorded on the timesheet must match the time (and proportion of salary) reported in the financial reports. Both of these should also match your accounting records.
- All documentation should be retained and easily accessible on project files after completion of the project. There should be no risk of documentation being unavailable if the postholder moves on.

It is assumed that the allocations of staff part-charged to the project will not be spread evenly across the project (e.g. they will work more in some months than others). However, if it appears that the variance is going to extend throughout the project, you should alert your lead organisation to discuss how to adapt your budget and/or project.

### **Per diems**

Staff travel and subsistence expenses can be covered in line with your organisational policies and procedures. If these apply a standard rate for travel and expenses by country, then these may be applied (up to the very generous limits contained [here](#)). The documentation required in this case will be:

- written organisational policy
- supporting documents (e.g. receipts) submitted by the staff member to request the payment
- proof of payment

If you do not have an organisational policy for payment of fixed per diem rates, it will be necessary to pay travel and expenses according to actual costs. In this case, receipts will be required for all expenditure, however small (e.g. bus tickets).

### **Flights**

Flights are regularly selected for the expenditure verification, so it is important to ensure that the supporting documents are provided:

- Flight ticket (if issued) – scan, or screenshot of e-tickets
- Boarding passes – for all parts of the journey
- Invoice
- Proof of payment

### **Procurement**

Any procurement of equipment or supplies (e.g. consultancies, publications) should comply with your organisational policies. If you do not have formalised policies, you may adopt the policy of your lead

organisation, or that of Christian Aid. Please consult with Christian Aid or your primary contact on any major procurements to be undertaken (e.g. contracts worth in excess of €2,400).

Documentation required is:

- Procurement policy
- Copies of quotes obtained
  - These can be copies of formal quotes, or emails, screenshots of alternates etc.
  - In general terms, it would be expected that a minimum of three quotes are obtained
- The criteria against which the quotes were assessed
- Decision making matrix / scoring sheets
- Invoice and proof of payment for the costs.

It is not assumed that the cheapest quote must be accepted, but that criteria against which the decision has been made should be robust and clearly set out.

Please also note that the EU has a 'rule of origin'. This states that 'all goods (supplies and materials) purchased under a contract financed under an EU instrument must originate from the EU or from an eligible country.' All organisations receiving EU funding must provide proof of origin for supplies with a unit cost above €5,000.

### **Office rent**

Rent, or proportion of rent, must be supported by adequate documentation, including:

- Copy of lease agreement / contract with landlord / property agent
- Invoice
- Proof of payment

### **(vii) Value Added Tax (VAT)**

VAT is not an allowable expense unless we are able to prove that it cannot be recovered from the tax authorities. It is anticipated that in most countries VAT will be recoverable on certain types of expense, but not on others. This is typically an area of assessment for auditors, so where taxes are included in invoices they should be clearly marked and justified.

### **(viii) Variations against budgets**

The Funding and Reporting Agreement requests prior information from grant partners if they need to spend funds on items not included in the original agreed budget, or for changes over 10% against the main headings (not individual lines). There will not usually be a problem in agreeing such changes as long as they do not alter the intended results of the project, as it is quite normal to need to adapt projects as they progress. However, to be eligible it is important that the variations are agreed in advance, and the costs are correctly allocated within the financial reports.

### **(ix) Exchange rates**

If EUR is your organisation's statutory reporting currency, please follow your accounting practice to convert any non-EUR costs to EUR for reporting purposes (*e.g. costs incurred in London or Warsaw*).

If EUR is NOT your organisation's statutory reporting currency, you should use the EUR exchange rate recorded in your accounts when you received the EU funding transferred by Christian Aid to convert all costs to EUR for reporting. Evidence of this rate (e.g. bank statement showing receipt of transfer) must be submitted with your financial report as evidence.

Your invoice list that accompanies your financial report should show costs in the currency of expenditure, the exchange rate used for conversion, and evidence to support the use of the rate used.

### **(x) Documentation retention**

As noted, the EU may (and often will) contract an external audit of the project up to seven years following completion. At this point the original supporting documentation may be requested, so **this should be stored safely until January 2028**. A major lesson from recent audits is that the accessibility of documentation needs to be assured for project so as to avoid costs having to be repaid.

It is also worth emphasising that the documentation needs to provide evidence of the full process of expenditure, rather than just the final invoice, e.g.:

- Evidence of time spent for staff
- Evidence of process for selection of suppliers
- Evidence of being on flight (retain boarding passes – and print them out if you usually use an electronic boarding pass)
- Evidence of participation in events (e.g. list of attendees with their signatures).

All documentation should be numbered (preferred) or named as presented in your final financial report.