

## **REPORTING PROCEDURE**

The Project Promoters shall be fully responsible for appropriate compliance with legislation and other regulations of the Republic of Lithuania on the project-related activities. In the accounting of the Project Promoters and their partners, the project expenditure shall be clearly distinguished from other expenses. The accounting documentation shall be processed in line with the Accounting Law of the Republic of Lithuania and other regulations.

The ACF Programme can provide funding of up to 90% of the eligible costs of the project budget (the exact percentage is provided in the Project contract, it remains the same throughout entire duration of the project). The co-financing shall be provided in the form of cash or in-kind contribution in the form of voluntary work. The in-kind contribution in the form of voluntary work may constitute up to 100% of the cofinancing required for the project (10 % of the total project budget). The Project promoter shall report for 100% of project expenditure.

Expenditures are considered incurred when:

- 1) the contract was concluded and (or) cost was invoiced,
- 2) the subject matter was delivered (in case of goods) or performed (in case of services and works);
- 3) the expenses were paid.

The expenditures are considered incurred when all three conditions mentioned above have been met. Exceptionally, costs in respect of which an invoice has been issued in the final month of eligibility are also deemed to be incurred within the dates of eligibility if the costs are paid within 30 days of the final date of eligibility.

### ***Public procurement***

When implementing the project, the Project Promoters and their partners shall choose goods and services with respect to the best quality-to-price ratio. The price of goods and services procured shall not exceed the market average.

Implementation of ACF Programme and projects is subject to requirements on public procurement set by the regulations of the Republic of Lithuania and the European Union. Contracting authorities, defined as such by the Law on Public Procurement of the Republic of Lithuania, shall act in line with the procedures established for such authorities. Non-contracting authorities shall adhere to the procedures provided for by the Guidelines for Applicants. Only the costs incurred in line with the Law on Public Procurement and the Guidelines for Applicants shall be deemed eligible for contracting and non-contracting authorities, respectively.

To ensure proper and effective use of funding, we recommend a tender inquiry when choosing suppliers, as a tool to compare and measure expenses. If the procurement exceeds 5.000 EUR, the Project Promoters and partners shall invite at least three suppliers to submit bids. The bids shall be included in the financial report along with copies of the costs receipts and other supporting documents.

Applicants and partners are not allowed to split the agreements on purchase of same-type goods or services to avoid the duty to invite at least three providers to submit bids. If prohibited contract splitting is suspected, the Fund Operator of ACF Lithuania is entitled to demand repeating the procurement procedure, or declare the procurement results null and void, and deem the costs non-eligible.

Notably, services cannot be purchased from the project partners.

### ***On-the-spot verifications and audit***

Please note that, at any moment, the Fund Operator of ACF Lithuania is entitled to:

- auditing receipts proving costs and payments, or goods and services purchased;

- requiring more information and documents to justify activities and expenses;
- pursuing any other actions related to the project implementation and financial verification.

On-the-spot verifications and audit are performed randomly and when necessary. The Fund Operator shall notify a Project Promoter about the upcoming verification five working days (or ten working days, in a case of audit) prior to the beginning of the verification. Large and medium-size projects shall undergo an on-the-spot verification at least once per implementation period.

The Project Promoters and their partner(s) have to let the Fund Operator or other Operator-authorized persons or institutions conduct audits and on-the-spot verifications and provide access to receipts, accounting documents, and all other documents linked to the project funding, in the course of three years after the approval of the ACF Lithuania's Programme final report by the Financial Mechanism Office (donors).

### ***Amending the Project Contract***

Since the day when Project Contract is concluded, its Parties shall inform each other about all Project contract implementation-related changes. Project contract can be changed by signing the respective amendment annexed to the project contract in the following cases:

- change of project implementation schedule;
- re-allocation of project budget (when more than 10% of a total project budget, that was approved on the date of conclusion of the Project contract, is requested to be moved from one expenditure category to another and when a change in any expenditure category exceeds 25% of the amount of that category that was approved on the date of conclusion of the Project contract);
- unforeseen circumstances that could not be known or identified to any party at the moment of conclusion of the Project contract but are likely to make significant impact to the obligations of one party towards another one;
- change of project activities and (or) technical solutions that have essential impact to project scope, goals and objectives;
- significant decrease (more than 10%) of planned results indicated in project contract or its annexes;
- change of legal form of the Project Promoter;
- change of Project partner;
- other cases regulated in the Project contract.

The Project Promoters can agree on minor adjustments with the project manager of the Fund Operator by email. Deviations unauthorised in writing are not allowed.

If the project implementation is delayed for objective reasons, the Project Promoters can ask to prolong the project by a maximum of three months, even if the project duration is maximum, i.e. 18 months for small and medium-size projects, and 36 months for large projects. The Fund Operator shall consider the request. The prolongation of a project shall have no impact on the project budget.

If Project Promoters have doubts whether their Agreement has to be amended due to changes in their obligations or funding terms and conditions, they shall contact the Fund Operator of ACF Lithuania in writing. The Operator shall give an explanation within 10 working days.

### ***Drafting the financial report***

There are two types of financial reports: interim and final. Interim reports shall cover a certain period of the project implementation, with the deadline for submission thereof indicated in the Project contract, while the final report covers the entire project implementation period.

The final financial report, which is the spreadsheet of costs with supporting documents, shall be submitted for the final period of the project implementation. The information submitted in interim reports does not need to be repeated. However, this practice does not apply when submitting the final narrative report, which covers

the entire project implementation period. Both interim and final reports shall include the financial report form, submitted in *.xlsx* format, and copies of original accounting documents that support the costs and payments. The recommendation for submitting the copies of documents is to use file-sharing web software, such as WeTransfer, with a special folder for each expenditure category. Submitted in an appropriate expenditure category folder, costs of separate budget lines (Column B in the sheets *interim report*, *final report* of the financial report, Annex 6) shall be divided to separate sub-folders named after budget lines as in the report spreadsheet, e.g. 1.2.3, 2.1.1. etc., as noted in Column B. Documents shall indicate the expenditure category and the activity number. Copies of the documents shall be placed in folders in the same order as listed in financial reports.

Describing the project expenditure categories, the information below will be helpful for proper documentation of project costs in your organisation's accounting and drafting a project report(s).

***Expenditure Category 1. Costs of personnel (remuneration costs)***

The report shall be accompanied by following documents to support this expenditure:

- labour contract (or another agreement, if working under an individual activity certificate) and relevant amendments thereof;
- an order/edict by the chief executive of the Project Promoter/partner on appointing employees to the project, if no special project contract is concluded;
- timesheets indicating working hours dedicated to the project, if the labour contract is shared between the project and other work;
- payroll reports;
- orders on paying for work on weekends and public holidays;
- orders on vacations;
- payment documents (account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts).

If the project expenditure includes a part of a salary, make sure that labour relations are in line with the Article 42 of the Labour Code of the Republic of Lithuania. The documents shall clearly indicate the amount of salary accrued, taxed and paid. If there have been labour contract amendments, reports shall be accompanied by copies of the labour contract amendments. If the chief executive ordered an employee on an ongoing labour contract to work in the project, please submit the copy of the order with a clear indication of the share of working time that the employee shall dedicate to the project, and his/her tasks and functions.

Eligible costs of personnel (remuneration):

- Wage accrued to project employees in accordance with the working time spent on the project, or a share of a salary accrued for the part of the working time dedicated to the factual project work, calculated as a share of days/hours worked;
- Public social insurance contributions paid by the insurant (employer);
- A part of leave allowance accrued and paid during the project implementation, within the amount of vacations due for the time spent in the project;
- In case of a disease, employer's allowance for two first days away from work (if the allowance is due).

The personnel costs category can also include employees working as free-lancers (on 'individual activity'), if they are project team members. The functions performed must fit the type of the 'individual activity'.

***Expenditure Category 2. In-kind contribution in the form of voluntary work***

The report shall be accompanied by following documents to support this expenditure:

- the order on voluntary work with an indication of persons, their functions, the number of working hours, and the value of a working hour;
- voluntary work agreements;
- timesheet of voluntary work.

For the calculation of the in-kind contribution, the cost for each hour of voluntary work shall be defined on a case by case basis, depending on the character of work delivered. The unit prices shall be set in accordance with a usually paid salary for such work. They shall fall within the range between €3,72 per hour (minimum gross hourly wage in Lithuania) and €7.70 per hour (the average gross hourly wage in Lithuania), including the employer's social contribution.

The chief executive's order shall define the voluntary work and indicate the value of one hour of voluntary work, the names of volunteers, their functions, and the number of working hours. Agreements shall be signed with volunteers. Their work is registered in a timesheet or schedule of voluntary work.

The voluntary work agreement for the project needs cannot be concluded with full-time employees of Project Promoters and/or partners (if any), i.e. those working for these organisations at least 40 hours per week. If a voluntary work agreement is concluded with an employee of the Project Promoter, voluntary functions and tasks cannot duplicate functions and tasks as in the labour contract.

The organisational accounting shall register gratuitous services and voluntary work within a reporting period in off-balance-sheet accounts, with information added in an explanatory note.

### ***Expenditure Category 3. Travel costs of personnel and volunteers***

The report shall be accompanied by following documents to support this expenditure:

- orders on duty trips for employees or reimbursement of travel costs for volunteers;
- advance payment reports or equivalent documents;
- (VAT) invoice for tickets and/or accommodation, issued on the Project Promoter/partner;
- if travelling by car:
  - order on fuel consumption rate;
  - journey form / spent fuel form;
  - car rental or lending contract (if any), and a copy of vehicle registration certificate;
- trip tickets and receipts or/and cashier's cheques;
- transportation service contracts (if concluded);
- reimbursement documents, if employees or volunteers cover their travel costs personally;
- payment documents, such as the account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts.

The organisation's chief executive shall issue a written order for proper documentation of personnel trips, with an indication of the person travelling, the destination, the purpose of the trip, the dates, and the reasons showing the trip's connection with the project. Costs shall be granted upon tickets, receipts and invoices provided. If you use a personal car on a lending contract, the order shall establish the fuel consumption rate per 100 km, the fuel write-off certificate and fuel receipts (VAT invoices or invoices, and cash receipts).

Public transport costs cannot be reimbursed if tickets do not indicate a date and company details. During their domestic or international trips, the project personnel shall be paid per diems; meals are not covered, therefore. If breakfast is indicated separately on accommodation receipts, this amount shall be deducted from per diems and cannot be covered from the project funds.

#### ***Travel costs of project volunteers***

The organisation's chief executive shall issue a written order for proper documentation of volunteers' journey to an event, with an indication of the person travelling, the destination, the purpose of the trip, the dates, the reasons showing the trip's connection with the project, and the items of costs to be reimbursed to volunteers. Costs shall be granted upon receipts provided by the volunteer.

Meals can be reimbursed to volunteers, if the voluntary work lasts at least four hours a day.

### ***Expenditure Category 4. Depreciation of long-term assets (Equipment depreciation)***

The report shall be accompanied by following documents to support this expenditure:

- contracts with suppliers (if concluded);
- VAT invoices / invoices or equivalent documents;
- certificates of completion (if concluded);
- the order on minimum price of assets designated as long-term, depreciation rates and disposal value;
- long-term assets commissioning certificate;
- long-term assets commissioning certificate;
- a copy of a long-term assets card;
- payment documents, such as the account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts.

The depreciation of long-term assets (equipment) is accounted since the beginning of the month following the long-term assets commissioning certificate. The certificate shall indicate the method and term of depreciation, the disposal value, the net cost on purchase, and the depreciation amount per month.

Costs of long-term assets depreciation are deemed eligible only in the course of the project implementation.

Costs shall be deemed incurred when documented in accounting of the Project Promoter and partners. The part of the depreciation of the long-term assets purchased prior to the project that falls within the project implementation period can be deemed eligible costs, the main condition being that these costs are included in the approved project budget.

***Expenditure Category 5. Purchase of long-term assets (equipment)***

The report shall be accompanied by following documents to support this expenditure:

- contracts with suppliers (if concluded);
- VAT invoices / invoices or equivalent documents;
- certificates of completion (if concluded);
- the order on minimum price of assets designated as long-term, depreciation rates and disposal value;
- long-term assets commissioning certificate;
- payment documents, such as the account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts.

Purchase of long-term assets, as included in the project agreement upon a budget planned and approved by the Fund Operator, shall be deemed eligible costs if purchased in the beginning of the project and used for project activities.

***Expenditure Category 6. Costs of consumables and supplies***

The report shall be accompanied by following documents to support this expenditure:

- contracts with suppliers (if concluded);
- VAT invoices / invoices or equivalent documents;
- certificates of completion (if concluded);
- a copy of an individual activity certificate or business license, if purchased from an individual;
- if an organisation employee purchases goods or accessories, (VAT) invoices issued on an organisation, payment documents proving the actual payment to the supplier, and advance payment reports shall be provided. Documents of reimbursement paid to the employee shall be attached.
- payment documents (account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts).

This category includes expenses on low value assets, e.g. stationery, small items of equipment or inventory etc.

This category also covers travel costs of participants of the project activities linked to their participation, including the catering and accommodation. If such costs are included, the report shall be accompanied by following supporting documents:

If costs are reimbursed to participants

- a request to reimburse the travelling costs;
- an order on participant's trip and compensation of costs;
- travel costs documents: tickets, receipts, cashier's cheques, and invoices for tickets, accommodation and catering, indicating the name of the project participant;
- in case of a trip by car, a copy of the vehicle registration certificate;
- if a project participant paid the travel expenses by a bank transfer or a bank card, a copy of his/her bank account statement shall be added; if payment was made in cash, other payment documents shall be submitted, such as cash orders and cashier's cheques;
- payment documents proving that costs were reimbursed to the participant.

If costs are paid by Project Promoters or partners

- an order on participant's trip and compensation of costs;
- (VAT) invoice for travel costs (tickets, accommodation and catering);
- tickets and receipts;
- lists of participants (if costs of event participants are covered);
- payment documents (account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts).

Travel costs are reimbursed upon a provision of documents proving the actual costs incurred by event participants. If participant's personal car is used for the trip, the fuel costs are reimbursed upon documents supporting the costs, with respect to the distance covered and the vehicle technical characteristics as indicated by the producer. For events in Lithuania, the reimbursement of catering per day cannot exceed 1 (one) basic social allowance, currently 39 €.

For events abroad, the reimbursement of catering per day cannot exceed the rate of per diems paid for foreign duty trips.

***Expenditure Category 7. Costs entailed by other contracts***

The report shall be accompanied by following documents to support this expenditure:

- contracts with suppliers (if concluded);
- VAT invoices / invoices or equivalent documents;
- certificates of completion (if concluded);
- a copy of an individual activity certificate or business license, if purchased from an individual;
- payment documents (account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts).

These costs originate from other contracts concluded by Project Promoters or their partners with a purpose of implementing the project activities.

This expenditure category may include services provided upon one-off service agreements; however, please note that such agreements may not include provisions associated with labour relations, such as agreement on a salary, place of work and functions, subordination, supervision, work discipline, vacation leave, or liability, nor should the worker be provided with working tools, etc.

Please choose an appropriate form of service agreement. It shall be concluded in accordance with Article 6.716 of the Civil Code, which defines the concept of service agreement. The service agreement confirms a commitment by one party (the service provider) to provide another party (the service recipient), upon an order

of the recipient, with certain intangible (intellectual) or other services not resulting in tangible outcome by carrying out some actions or pursuing some activities, and a commitment of the recipient to pay for the services rendered.

If uncovered by the service agreement, the travel costs of service providers, e.g. lecturers, trainers etc., shall also fall within this category.

For appropriate procedure of compensating travel costs incurred by lecturers or trainers, please use the procedure of compensating travel costs of project participants described in the Expenditure Category 6.

If phone/internet connection costs are included in the project budget, following documents shall be submitted:

- chief executive's order on attributing costs to the project;
- chief executive's order on attributing phone number to the project and amount allocated per month, if any;
- VAT invoices / invoices;
- payment documents, such as the account statements from banks or other credit institutions, cash orders and/or other documents proving the actual payment made upon costs receipts.

***Expenditure Category 8. Other costs arising directly from requirements imposed by the project contract***

This category shall include:

- visibility costs linked to the project, its activities and outcomes;
- bank fees, if a special project account is opened;
- translation and interpretation costs for better cooperation and communication with foreign partners, if any are involved in the project;
- costs of a survey for measuring a selected indicator (1a, 3b, 3c and 4c);
- costs of audit of report(s) provided by partners from donor countries (audit conclusions shall be submitted in English), etc.

If the project is implemented with a partner(s) from Donor states, exceptionally, with reference to expenditures incurred by project partners whose primary location is registered in one of the donor states or project partners that are international organisations or bodies or agencies thereof, the proof of expenditure may take a form of a report by an independent auditor, qualified to carry out statutory audits of accounting documents, certifying that the reported costs are incurred in accordance with the guidelines, bilateral cooperation initiative contract, the relevant law and national accounting practices. In such a case:

- The cost of the report is considered an eligible cost, providing that it complies with the eligibility rules defined in the guidelines, Project contract and it is included in the budget;
- Upon request by the FMO, EFTA Board of Auditors/The Office of the Auditor General of Norway a project promoter or project partner shall grant access to the supporting documents on the basis of which the report was issued;
- The certification process can be governed by the International Standard on Related Services (ISRS) 4400 "Engagements to perform agreed-upon procedures regarding financial information" as published by the IFAC (International Federation of Accountants).

The annually audited financial statement of an entity cannot replace the specific auditor's certificate confirming that the claimed costs are incurred in accordance with the guidelines, Project contract, the relevant law and national accounting practices.

***Indirect costs***

Indirect costs shall include all eligible administrative costs that Project Promoters / partners cannot attribute to project directly, yet identifiable and justifiable in their accounting as incurred and linked to the project implementation activities. Rather than with copies of documents, these costs shall be noted in organisation's accounting.