

Kolarctic CBC Programme 2014–2020

PROJECT IMPLEMENTATION MANUAL

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Table of contents

1	INTRODUCTION	4
2	COMMUNICATION WITH THE KOLARCTIC CBC MANAGING AUTHORITY AND THE BRANCH OFFICES	4
3	PARTNERSHIP AGREEMENT	5
4	GRANT CONTRACT	5
5	RECOMMENDATIONS ABOUT PROJECT IMPLEMENTATION	6
6	DURING PROJECT IMPLEMENTATION, PREPARE FOR REPORTING	7
6.1	Activities and deliverables	7
6.2	Documentation	8
6.3	Archiving and saving documents	8
7	COMMUNICATION AND VISIBILITY INSTRUCTIONS	9
7.1	In short: Basic compulsory requirements – MUSTs - for the projects funded by Kolarctic CBC	9
7.2	Planning of communication and visibility activities	11
7.3	Recommendations about text and photos	13
7.4	Examples of possible communication materials, activities, tools and channels	14
7.5	Capitalization	17
8	FINANCIAL MANAGEMENT	18
8.1	Accounting instructions	18
8.2	Expenditure verification	18
8.3	Eligible and ineligible project costs	22
8.4	Value added tax (VAT)	24
8.5	Use of EUR	24
8.6	Project costs by budget lines	25
8.7	Procurement procedures	29
8.8	Financial Report and its supporting documents	32
8.9	Payment Request	36
8.10	Payments to the project	37
8.11	Own contribution, revenues and interest	39
8.12	Recovery order	40
9	PROJECT REPORTING	40
9.1	Project Update	40
9.2	Interim Report	40
9.3	Final Report	43
10	MONITORING AND EVALUATION	45
10.1	Monitoring and evaluation in principle	45
10.2	Internal Project Monitoring and Evaluation	45
10.2.1	Internal Project Monitoring	46
10.2.2	Internal Project Evaluation	47
10.3	External project Monitoring and Evaluation	49
10.3.1	Day-to-Day Monitoring	49
10.3.2	Project Qualitative Monitoring (PQM)	50
10.3.3	External Evaluation	53
10.3.4	External Audit	54
11	AMENDMENT OF THE GRANT CONTRACT AND OTHER CHANGES IN THE PROJECT	55
11.1	Change Request	55
11.2	Modification of the budget of the project	55
11.3	Other changes in the project	56
12	CLOSING THE PROJECT	56
13	IRREGULARITIES, FRAUD AND CORRUPTION	57

Tables:

Table 1. Main supporting documents which need to be provided to the auditor for different types of cost	20
Table 2. Terms for the eligibility of costs incurred outside of the implementation period of the project	22
Table 3. Filling instructions for the timesheets	35
Table 4. Types of Payment Requests	36
Table 5. Payment options	38

FREQUENTLY USED ABBREVIATIONS

Audit Authority	AA
Branch Offices	BOs
Cross Border Cooperation	CBC
Control Contact Point	CCP
European Neighbourhood Instrument	ENI
European Union	EU
European Commission	EC
Group of Auditors	GoA
Joint Monitoring Committee	JMC
Joint Operational Programme	JOP
Kolarctic Cross Border Cooperation 2014 – 2020 Programme	Kolarctic CBC Programme (or the Programme hereinafter)
Managing Authority	MA
National Authority	NA
Regional Assessment Group	RAG
Thematic Objective	TO

1 INTRODUCTION

This Project Implementation Manual is intended to assist Lead Partners and project partners in the implementation of actions funded under the Kolarctic Cross Border Cooperation Programme 2014-2020. This Manual provides practical information and guidance on the procedures related to administrative and financial management, monitoring, reporting, accounting and visibility, as well as other project implementation related requirements for. Please pay attention that this Manual does not replace the obligations and provisions set out in the Grant Contract signed between the Lead Partner and the Managing Authority, and its annex: Conditions applicable to Grant Contracts financed by the Kolarctic CBC Programme 2014-2020 (referred to later as Conditions). In case of doubt, the rules as set there, prevail over this Manual. Apart from reading this Manual, project partners are encouraged to consult the relevant parts of the Grant Contract and its annexes.

Some procedures, especially financial ones, are in Norway different from the other participating countries. In these cases the Norwegian practice is described in the end of the chapter as a note, written in **bold**.

2 COMMUNICATION WITH THE KOLARCTIC CBC MANAGING AUTHORITY AND THE BRANCH OFFICES

The Managing Authority is the contact point for any required guidance throughout the project implementation process. For each project, the Managing Authority designates a contact person. As a rule, all communication between the project, i.e. Lead Partner and the Managing Authority, should go through the contact person of the project. The contact person will provide the Managing Authority's guidance throughout the project implementation process and reporting stages. It is the responsibility of the Lead Partner (LP) to communicate with the contact person and to give a regular updated picture of the development of the project.

The contact person from MA, and the Branch Office in the country where the action takes place, must be provided with the

- Invitation to steering group meetings, (or any group that leads the work in the project). This does not mean that the contact person participates in decisions about the project actions.
- Messages and materials that are distributed to this group

The Branch Offices in different countries are a source of guidance and information especially to the partners in that country. They can also offer their participation in events, and possibilities in visibility and networking. The Branch Office staff is also in close cooperation with the Managing Authority, (but has no role in approving project reports or costs.)

Kolarctic CBC Branch Office in Norway is the body funding the Norwegian activities of projects. For the Norwegian part of the project, the Kolarctic CBC Branch Office in Norway makes a financing decision concerning Norwegian Kolarctic funding, and designates a contact person for the Norwegian part of the project. This Norwegian contact person has the same role in the project as the contact person in the Managing Authority, and must be given the same information.

3 PARTNERSHIP AGREEMENT

The Managing Authority requires that The Lead Partner and the Partners make and sign a Partnership Agreement before the Managing Authority signs the Grant Contract with the Lead Partner.

The partnership agreement is usually formulated according to the practices of the organization in question, on Lead Partner's responsibility.

In the Partnership Agreement, the Lead Partner and the Partners agree about

- The project's objective and content
- The decision making of the project, e.g. steering group (and / or other cooperation bodies)
- The tasks and responsibilities of each organisation
 - in carrying out the actual the project activities,
 - in producing the reporting materials to be delivered to the MA,
 - the timetables for the above,
- About the conditions and timetables for delivering the programme resources (financing) from the Lead Partner to the Partner.
- Other necessary issues

When necessary, the project can use a Partnership Agreement Checklist written by the MA.

4 GRANT CONTRACT

After the JMC has approved a project to be financed, the contact person of the project in the Managing Authority will get familiar with the project plan and the budget. These may need some adjusting, and this is the time to discuss about the possible adjustments. This is referred to in the programme document and the guidelines as "Grant Contract negotiations".

The contact person drafts a Grant Contract. A template for Grant Contract can be seen on the Kolarctic CBC website <http://kolarctic.info>. Each signed Grant Contract will be in PROMAS when it is signed.

The following annexes are in every Grant Contract.

Annex I: Project Plan

Annex II: Conditions applicable to Grant Contracts financed by Kolarctic CBC programme

Annex III: Project budget

Annex IV: Terms of Reference for an expenditure verification of a grant contract

Annex V: Contract-award procedures

Annex VI: Award of procurement contracts by Russian private beneficiaries

Depending on project, other annexes may be necessary.

NOTE: Grant Contract does not lead to a payment. The MA pays financing to the project **ONLY ACCORDING TO A PAYMENT REQUEST** submitted by the lead partner. This applies to all financing, including the first pre-payment at the beginning of the project. See more in chapter 8.9. Payment Request

5 RECOMMENDATIONS ABOUT PROJECT IMPLEMENTATION

This chapter contains practical advice on the basis on the experience gained in different projects. What is written here, can be considered as “friend’s advice”, not as official requirements.

The project usually needs various competences. A project’s substance, the specific objective, is in a field of specialty – biology, logistics, commerce or other. In addition to the experts who are specialised in these, the project needs management and administration. In recruiting personnel to carry out the tasks of the project, it is worthwhile to consider, if the same person(s) have both the specialised knowledge of the project’s field of expertise, and the management and administrative skills. If not, then the project should get the needed administrative staff for bookkeeping, financial reports and payment requests. In a big and complex project you may need someone who is specialised in coordinating the cooperation and leading the project’s everyday work.

The project’s focus is in achieving its specific objectives – by producing the planned outcomes and results. Remember that also, all projects must disseminate them. How to disseminate, depends on the project. The project has promised to serve the societies of the programme region, it has a target group, be it broad or narrow, and it stays the target group.

All project personnel must be kept aware of the specific objectives. This applies to personnel regardless of the nature of their tasks.

Cross Border Cooperation is demanding. Kolarctic CBC projects are always projects that are supposed to be carried out in cooperation with partner organisations. What makes it even more challenging and interesting is that the partners are in different countries and within different organisational cultures. It would be a serious mistake by the project Lead Partner and Partners to neglect this fact. Many failures happen in CBC projects because a Lead Partner / Partner does not take into account that different participants of their project have different experiences, different skills, different needs, tasks, gender, backgrounds etc. Failure to respect each other is fatal.

So, how to take care of the good cooperation? It is good if the project parts already know each other and even better if they have carried out a cooperation project before. Especially if you do not have this common experience: Have one more conversation! Do not take your own assumptions for granted, but remember that the partner organisation may have a slightly different understanding of, e.g.

- The objectives and activities of the project (yes, it is possible, even if you have done planning together)
- The practical arrangements concerning the project activities
- Decision making about the project and its activities
- Decision making from gender equality point of view

Pay special attention to the project activities. In the financing application, section “implementation” you have already filled in “*Describe the proposed team and the administration structure of the project*”. Read this part of your plan again, and handle with your partners what this means in practice. Central topics to agree are listed below.

Agree on a Steering group

Steering group means here a group of project partners AND stakeholder and target groups, that is assigned to give its competence and contacts to support and monitor the project. It is not obligatory that a project must have a group called a steering group, but it is a good way to ensure two-way information flow between the project and the outer world. Does the project have a (this kind of) steering group? Exactly what role and authority will it have? What specifically are this group's tasks? Agree on this in the partnership agreement.

Agree on a group of project participants to coordinate the implementation:

This would be the group where you actually co-operate between the project partners. Who are the participants, and what tasks does the group have?

Agree on other groups / bodies

What about potential other groups in the project's implementation? Exactly what authority will they have? What specifically are their tasks?

Many projects have started to go wrong when a partner has experienced that the task, or the cooperation has not met its expectations. The partners need to get evidence that they really play a role in the project and that they can influence in the decision making in it.

Also agree on regular contacts, updating of common information, meetings, language, travels, etc. at the beginning of the project.

Notice also that every project has to take into account the gender equality point of view, especially decision-making groups. Gender equality in decision making groups should be preferably 50/50 nevertheless at least 60/40 according to the bases of sex.

In addition to the Work Plan given in the application, the project partners usually need a more detailed work plan, including schedule, for their own work. They also need to know what other partners do. It is essential that the project manager / leader / coordinator is always aware of what is going on in the different partners. All project partners must also know what authority and tasks the project leader has.

6 DURING PROJECT IMPLEMENTATION, PREPARE FOR REPORTING

6.1 Activities and deliverables

The activities of a well-planned project are clearly defined in the Work Plan part of the application. The outcomes, deliverables and results are to impact the target groups (– not to satisfy the Managing Authority). In the interim report the project describes what has been implemented.

In the Managing Authority, each project has a contact person, whose task is to approve the interim report. The contact person checks the report in cooperation with the Financial Officer. The contact person focuses on the narrative part of the report, while the Financial Officer examines the financial part of the report. A central topic to assess is: has the project delivered what it has planned? This is possible to assess when the deliverables and other outputs are

clearly defined at the beginning of the project, and when the project, in its reports, pays attention to describing the activities and outputs according to the work plan given in the application. The contact person will see if the project will keep its promise about delivering results to the target groups.

6.2 Documentation

During the project implementation, you should pay attention to collect the following documents which will be needed for reporting and making the reporting documents:

- Indicator data
- Visibility materials, publications
- Accounting material as general ledger, payrolls, pay slips, invoices, receipts
- Work contracts
- Timesheets for part time employees
- Proof of commitments (procurement documents, contracts and order forms)
- Proof of payment (bank statements)

More information and requirements for financial reporting and its supporting documents is described in Chapter 8.8. Financial Report, and Table 1: Main supporting documents which need to be provided to the auditor for different types of costs.

6.3 Archiving and saving documents

During the project implementation, you should note that the partners must keep all records, accounting and supporting documents related to the project for **five years** following the final balance payment for the programme. The Managing Authority will inform the projects of the timetable after the programme has been closed

Projects shall archive materials related to the project application and the contract, project´s meeting minutes, reports, receipts, accounting/bookkeeping and bank documents as well as procurement documents, supply contracts and examples of the visibility materials and other produced materials.

All documents must be easily accessible and filed to facilitate their examination. All supporting documents shall be available either in the original form, including in electronic form, or as a copy if the original is not available.

NOTE: In case of Norwegian partners the supporting documents related to the project must be kept up for ten years after the final balance payment.

7 COMMUNICATION AND VISIBILITY INSTRUCTIONS

A duty of all approved projects is to make a communication plan. In this, the contact person of the project in the Managing Authority will be in contact with the Lead Partner, during the process of financial negotiations and preparation of the Grant Contract. In

Why should the project care about these communication instructions?

Kolarctic CBC financed project has certain obligations. This you have already noticed when putting the effort in making the application with all its parts: budget, financing plan, logical framework... Also, as financier, Kolarctic CBC as well as the participating countries Sweden, Norway, Finland, and Russia, have demands towards your project: the programme and the participating countries do not mean to be anonymous benefactors. You must not hide its financial contribution to the project. The project must carry out communication and visibility activities which raise public awareness of

- The objectives, activities, outputs, results or/and impacts of the project, and
- The Kolarctic CBC and the participating countries' support to the project. These activities are referred to in this manual by "visibility".

On the other hand, the communication actions of Kolarctic CBC, and its stakeholder groups and contacts might offer your project visibility in different contexts. The programme and its financiers need to show project examples, and your project could be one of them!

This chapter contains both

- compulsory requirements for all LPs and partners, and
- recommendations and guidance, to help the LP and partners in their information activities

7.1. In short: Basic compulsory requirements – MUSTs - for the projects funded by Kolarctic CBC

In this chapter, some samples of the following chapters have been selected. They represent "musts", minimum requirements concerning all communication and visibility actions of all projects.

A MUST: The graphic identity of the Kolarctic CBC programme

The implementing partners and contractors of the project may use their normal visual design in documents, but should add the logo given to projects by the Managing Authority when communicating on matters related to the project. The Kolarctic CBC project logo must enjoy an equally prominent place and size as that of the project actors. The same applies to supplies and equipment, especially those that are going to be prominently placed, or used on a longer term than the project duration.

Note that the project does not use the logo which the Managing Authority of Kolarctic CBC uses. A separate logo has

been designed for the projects to use. The logo is available in colour and grey, in <http://kolarctic.info>



The projects must also in their written communication indicate that the project is funded by the Kolarctic CBC, EU, Russia, Norway, Sweden and Finland. (Select appropriate countries)

What is written above, applies in practice to

- Training and education materials and
- Information materials such as
 - websites,
 - brochures and leaflets,
 - press releases,
 - promotion materials
 - roll-ups and posters
 - social media applications

If your project is constructing permanent structures, get instructions from your contact person in the Managing Authority in how to indicate the Kolarctic CBC and the participating countries' support to the construction.

A disclaimer must be included in all publications where information, views etc. are presented. The wording is:

"This publication (website, video) has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of <name of the author / contractor / implementing partner> and can in no way be taken to reflect the views of the European Union."

MUSTs when preparing press releases and arranging media events

Like other information materials, also a media release must visually and in its text indicate the Kolarctic CBC funding.

The project must always inform the contact person of the project and the Kolarctic CBC Branch Office in the country, about press conferences and press visits to come.

At the media event itself, an EU flag *or the Kolarctic CBC logo, including an EU flag*, should be displayed if other flags (e.g. national flags) or symbols are being displayed.

Where appropriate, the project should arrange a journalists' visit so that representatives of the Managing Authority, or the Kolarctic CBC Branch Office in the country, can join the visit.

A MUST concerning publications: brochures, leaflets, guidebooks, media releases

The project must send copies, including electronic copies of the publications, to the MA (the contact person) and the Kolarctic CBC Branch Office in the country.

MUSTs concerning websites

As a minimum, the project must make links to the Kolarctic CBC website as follows:

<http://kolarctic.info> , and <http://www.kolarctic.no>

At the end of the action, the Lead Partner must copy the website onto a suitable form of data and deliver it to the MA for possible further use in its general communication activities and for archival purposes.

MUSTs in construction actions and infrastructure projects ***Display Panels***

Infrastructure-related projects funded by the programme should identify themselves as such by means of display panels describing the action. The display panels should be clearly visible so that those passing are able to read and understand the nature of the action. The project should erect the display panels beside access routes to the site where the action, e.g. construction is taking place, and they should remain in place from the start of the action until six months after its completion. Get more detailed information and material from your contact person in the Managing Authority.

Signs and panels are recommended in premises rented for the project actions, especially when it is likely that a significant number of the target group is passing by or visiting the premises.

MUSTs Photos, pictures, videos

The project must send copies of photos, other pictures or videos that are shown in the project's communication materials, to the contact person of the project in the Joint Managing Authority of Kolarctic CBC.

The files should be provided with the following information):

- The name and contact details of the person sending the pictures.
- The name of the action to which the picture relates, its duration (e.g. 2018-2020)
- and the country in which it was taken, preferably also the region / place

The MA and the European Commission will be entitled to use or reproduce photos submitted to the above archives without payment of royalties.

7.2.Planning of communication and visibility activities

Content of the information and communication plan:

Messages: What do we (we=the project) want to tell?
Target groups: To whom do we want to deliver the messages?
Tools and channels: What channels do we use in order to deliver the messages?

Activities:	What are the concrete communication activities?
Responsibility	Division of communication tasks
Timeframe	Schedule for separate communication activities
Budget	How much resources do we spend on communication?
Evaluation	How did we succeed in the communication actions?

Messages

What do you want the audience to know about your project? A list of potential content is

- The activities of the project
- What the project is going to achieve
- What the expected impacts of the project are,
- How the project reflects the gender equality issues and environmental friendly approach through the communication?
- A special case might be: your project needs attention and participation from the audiences in order to succeed

Target groups

In order to communicate effectively, target audiences should be clearly identified in communication plan. Are they:

- Stakeholders working in the special field of the project?
- Citizens of the regions that are affected by the project?
- Decision makers

Depending on the case, the target groups may be in different countries.

Tools and channels

This is something that has been rapidly changing during the recent years and is changing now. Whereas in the 1980s and 1990s, a traditional media (television and newspapers) was central, and publication series was the second "must", a variety of channels exist today. In selecting tools, find out how your target groups can be reached.

Examples of channels, and some advice:

- The web: define if the project is going to establish a domain, or if it is going to be presented under another domain, or if it is going to establish several domains for several purposes (one could be for the Project, and one for the dissemination / outcome / result / reaching target groups.
- Social media: note that they are changing and various, and there are differences between countries. What do you need social media for?
- Traditional media (newspapers, radio and television)
- Books and other publications: They are for e.g. reporting and disseminating project results.
- Light printed publications like brochures and newsletters
- Live events: If you arrange these, to whom are they directed? Remember planning of the appropriately, according to message and target group.

Responsibilities

Define in the communication plan who / which organisation is responsible for communication in general, and for single activities. A couple of hints: involve a person who is truly interested in e.g. photography, and one who is truly interested in writing texts. Unless there are no such persons available in the projects staff, consider external services.

Timeframe

It is not meant that all information activities must happen in the beginning of each project. If you need publicity in the beginning, plan the timeframe according to that need. If, in your opinion, the project has something interesting to show later, during some phase of implementation, take advantage of that situation. Maybe your project's "show time" is near the end of the project? Always could be the right time to spread information.

7.3. Recommendations about text and photos

To whom are you writing? Different texts are for different purposes. The text in a press release or an information leaflet is different from that in a scientific report. Publications should always be tailored to the audience in question. Communication texts should be short and simple.

In formulating the messages, concentrate in writing the most essential thing first. Most essential is probably not "*we have this project called XXX ...*" or "*Project XXX has started*". From the project background or objective you find the most essential things. It would be very useful if you can pick a pin-point: one or two of the most interesting activities / outputs / persons / in the project and use it as a "cover photo" or headline of your communication. Find heroes and heroines! This applies especially to actions towards the media and the big, general audiences.

Photographs must be used or available to illustrate the project. Photographs should be of the people involved in the action, rather than the officials responsible for its management. In Kolarctic CBC projects, the arctic conditions, the arctic environment, infrastructure and industries are, besides people, also suitable content in photos. Please notice also that the photographs are one the best way to highlight equality between men and women, older and younger, people with different backgrounds etc.

The project must always have a permission of the person(s) in question, when publishing photos where single persons can be identified / recognized. It is practical to inform the audience or other group in advance that the project is going to take photos in the event.

Choose those photos which will best illustrate the results and impact of the action and match any written information on the action.

For producing printed materials, 300 dpi is the minimum quality standard. The projects must send the photo files that have been used in publications, to the Managing Authority of Kolarctic CBC. The files should be provided with the following information:

- The name and contact details of the person sending the pictures.
- The name of the organisation or person that owns the picture copyright.

- The name of the action to which the picture relates, its duration (e.g. 2018-2019)
- The country, and preferably also the region and town where it was taken.

The Managing Authority of Kolarctic CBC and the European Commission will be entitled to use or reproduce photos submitted to the above archives without payment of royalties.

7.4. Examples of possible communication materials, activities, tools and channels

Materials:

Be open-minded about what to do! Material that you publish can consist of

- Text (see previous chapter),
- Visual material that is either
 - o still, or
 - o moving (see previous chapter about photos)
- Audio material consisting of
 - o speech,
 - o music, or
 - o other audio, and
- Different combinations of those above.

Actions:

Materials are not meant to just exist, they must be used in communication actions. To give some examples that seem to be used and favoured – starting from the most traditional ones:

Contacts to the media:

Consider what are the most appropriate media for your project content and your target group?

Press releases

A press release is something traditional in communication. What used to apply to a press release, applies today to texts and visual material meant to any media, that then modifies the material in a more or less journalistic way. Let's call this a media release.

Like other information materials, also a media release must visually and in its text indicate the programme funding, as described above.

A media release may be published connected to a media event, e.g. press conference or a media visit. But it may also be published without connection to a certain event, in which case it should be *news*.

The release must be dated at the top and it should also indicate when the information may be released. Generally, journalists prefer to be able to use the release immediately; in this case 'For immediate release' should be written at the top of the document. However, it is sometimes appropriate to embargo the release until, for example, the publication of financial figures. In this

case, a simple expression such as 'Not to be used before 10:00 hours, 15 October' should be included at the top of the document.

A newsworthy media release should focus on the aspects of the project that would probably interest the big audience. It is interested in topics that are close to itself, or topics that are current in the public discussions. One good example how to formulate the media release is to select a person or a case that the project concerns and point out what has happened or developed in the life or work of him / her / it. A press release may contain a heading, a strong leading paragraph summarising the essential facts, the main body of the story, quotes, some background information, and contact details for further information.

In the end of a media release, the writer should provide the name of at least one person whom the journalist can contact for further information.

Remember to send the media release to the contact person of the project in the Managing Authority!

Press conferences and visits

Group visits by journalists to project sites may offer additional visibility opportunities. They must concentrate on tangible achievements. They must be well-timed, also from the journalists' point of view. Invitations must be sent with as exact information as possible about the timetable, the topics to be handled and the persons participating and persons available for interviews.

The project must always inform the Managing Authority about press conferences and visits to come. Where appropriate, the project should arrange a journalists' visit so that representatives of the MA, or the Kolarctic CBC Branch Office in the country, can join the visit.

At the media event itself, the Kolarctic CBC project logo, should be displayed if other flags or symbols are being displayed.

National flags are a good way of reminding about the participating countries (Norway, Sweden, Finland and / or Russia, depending on project), and about the cross-border nature of the project.

Events

Organising a public event (or participating in an event organised by some other project or body) may offer excellent opportunities for generating interest in the project and its achievements. Such events can include conferences, workshops, seminars, fairs, and exhibitions.

Please notice also to highlight equality between men and women, older and younger, people with different backgrounds etc., for example how many speakers are men and how many are women

The project must keep the Managing Authority of Kolarctic CBC, or the Kolarctic CBC Branch Office in the country, aware about the preparation and implementation of such events, including contacts with the media.

Websites

Websites are increasingly a basic requirement for communication. Own, separate websites are not required for all projects since information could simply be made available e.g. via the Lead Partner's and the Partners' websites.

If the action is designed to have a long life and will give rise to significant material that could be communicated on a website (photographs of the evolution of the action, short interviews, material for the press, etc.), your project may establish a website related to the action. You should take this into notice in making the communication plan.

Maybe your project has the need to establish several domains for several purposes (marketing, dissemination, reaching target groups, and / or informing about the project itself). Or maybe, these tasks can be handled under the same domain under different subpages.

When a project establishes a website, co-operation with the Managing Authority can ensure coherence, and provide links to relevant sites. Remember that the MA is in the social media (profile name Kolarctic CBC) and you could cooperate with it.

As a minimum, links should be made to the website of Kolarctic CBC as follows:
<http://kolarctic.info>

At the end of the action, the Lead Partner must copy the website onto a suitable form of data, e.g. a mass memory), or when appropriate, just send it as a HTML or JPEG file, to the MA for possible further use in its general communication activities and for archival purposes.

Leaflets and brochures

Publications such as printed leaflets and brochures can be useful in communicating the results of a project, or a sub-action of the project, to specific audiences.

- **Leaflets** can provide basic factual information and the address (such as a mailing address or web site) where further information can be found;
- **Brochures** can go into greater detail, highlighting the context, including interviews with stakeholders, beneficiaries, and so on;

The project must make a distribution plan for material in paper form. In general, all material that a project produces in paper form, it should also make available in electronic form, so that it can be sent by e-mail and posted on a web site.

Newsletters

Newsletters are characterised by their regularity and can be issued to inform on the progress of a project. This is useful for example for infrastructure projects, training programmes, and so on, where the impact of an action can be appreciated over time.

Display panels, commemorative plaques, other signs and panels

Infrastructure-related projects funded by the programme should identify themselves as such by means of display panels describing the action. The project should erect the display panels beside the site where the action is taking place. The panels should remain in place from the start of the action until six months after its completion. Get more detailed information and material from your contact person in the Managing Authority.

Permanent commemorative plaques are meant for permanent structures such as houses, roads, bridges, etc.

Signs and panels are recommended in premises rented for the project actions, especially when it is likely that a significant number of the target group is passing by or visiting the premises.

7.5. Capitalization

Capitalization – the use of "capital" (knowledge).

Capitalisation is

- a **use of available knowledge** to improve programme and project practices;
- (re)use of knowledge gained and of the project results;
- transfer of the thematic knowledge generated by the projects to the policy-makers;
- delivery of inputs to future strategy and programme or project development.

The purpose of capitalization is to increase **the visibility of programme and project results to citizens and key decision-makers at all territorial levels**, as well as to promote the (re)use of project outputs, foster the use of synergies and complementarities between projects, and avoid double funding of similar project interventions.

Some of the activities that fall under **capitalisation** are carried out by projects regularly, such as:

- Keep in touch with projects addressing similar challenges;
- Promote projects results to the wider audience;
- Share and promote solutions developed in the project.

But what else can be done by the projects LP and Partners for capitalization purposes?

- Involve the policy makers since the beginning!
It will ensure the dissemination of projects results on the policy-makers level.
- Build a network of partners interested in the project theme and use the available knowledge to develop new projects.
It will help to build up the firm platform of gained knowledge under the specific theme and exclude the doubling of projects ideas in the future.
- Support others in use of the outputs or results produced by the project.
It will help to sustain the projects results.

8 FINANCIAL MANAGEMENT

8.1. Accounting instructions

All partners shall keep accurate and regular accounts of the implementation of the project, by using an appropriate accounting and double-entry bookkeeping system. Project accounts, expenses and revenues related to the project must be easily identifiable and verifiable. This can be done by either using a separate accounting system, or by using adequate accounting code/cost centre in the accounting system for all project-related transactions. Only the cost and revenues of each single project are recorded under that cost centre. External auditor must have access to the accounting system and bookkeeping documents of the project, in order to carry out the expenditure verification.

The Lead partner and Partners should open a separate bank account for project purposes, in order to be able to follow up the financial flows and accrued interest. If a separate bank account cannot be opened, the partner has to set up a reliable method to calculate the accrued interest from pre-financing paid from the Managing Authority.

The Lead partner has the overall responsibility for financial management, but each partner must monitor its spending and keep its own records on expenditures of the project. One task of the Lead partner is to make sure that project partners report expenditure in line with their original budget, do not exceed the budget for different categories of costs, or do not claim costs under headings where they have no budget. The Lead partner has to ensure that the expenditure presented by the partners

- have been incurred for the purpose of implementing the project
- correspond to the realized activities of the project and
- correspond to the division of the tasks agreed between all partners.

8.2. Expenditure verification

The expenditure of a project shall be verified by an external auditor. Criteria for choosing the auditor, and instructions for the expenditure verification procedure, are presented in Annex IV to the Grant Contract; Terms of Reference for an Expenditure Verification (EV1 Expenditure and Revenue verification procedure).

As a result of the verification, it should be possible to conclude that the costs declared by the beneficiary and the revenue of the project are:

- real (expenditure was really incurred and revenues are identified and quantified);
- accurately recorded (amounts are stated and recorded according to the supporting documents);
- eligible (in line with eligibility criteria) in accordance with the Grant Contract.

Each partner has to designate a competent auditor who fulfils the specific conditions mentioned in the Terms of Reference for an expenditure verification (Annex IV to Grant Contract). The auditor has to be approved also by the Managing Authority. The partners shall inform the Managing Authority of their choice of auditor within six months of the beginning of implementation of the Project. Procurement rules have to be obeyed when choosing the auditor.

The partner can use external auditors with whom its host organization already has a contract, if this auditor fulfils the Programme's criteria. Partners from the same country can use a common auditor.

The auditor shall meet at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is member of the International Federation of Accountants (IFAC);
- The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in the Terms of Reference;
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state);
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in Russian Federation and this register is subject to principles of public oversight as set out in the legislation of the country concerned.

The auditor shall undertake the engagement in accordance with:

- International Standard on Related Services ("ISRS") 4400 *Engagements to perform Agreed-upon procedures regarding Financial Information* as promulgated by the International Federation of Accountants ("IFAC");
- the IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC's International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the ENI CBC Implementing Rules requires that the Auditor is independent from the Beneficiary(ies) and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

The Lead partner and partners shall organize the expenditure verification in accordance with the expenditure verification procedures set up by the Managing Authority and use the provided templates.

Documents for the expenditure verification:

EV1 Expenditure and revenue verification procedure

- ✓ Instructions for the auditor and project partners
- ✓ Annex IV of the Grant Contract

EV2 Service contract for the expenditure and revenue verification

- ✓ Contract between the partner and auditor when the separate contract done

- EV3** Expenditure and revenue verification report
 - ✓ To be filled in by the auditor
 - ✓ Mandatory template model for the auditor’s report
- EV4** Checklist for the expenditure verification
 - ✓ To be filled in by the auditor
 - ✓ Mandatory
- EV5** List of factual findings
 - ✓ To be filled in by the auditor
 - ✓ Mandatory
- EV6** Report on suspected fraud and/or established fraud
 - ✓ Auditor submits direct to the Managing Authority

The templates are available on the Programme website <http://kolarctic.info>. All templates have to be filled in in English and the use of these templates is compulsory for the auditor. In a case when the same auditor makes the expenditure verification for more than one partner, the Expenditure and Revenue Verification Report and its annexes have to be made for each partner separately.

The auditor verifies at least 65% of the total expenditure relating to the project. In the verification reports, the auditor lists the expenditure verified, actual findings, errors and exceptions. As well, the auditor gives an opinion of the eligibility of the reported costs and describes difficulties and problems encountered during the procedure.

Table 1. Main supporting documents which need to be provided to the auditor for different types of cost

Project background material	<ul style="list-style-type: none"> ✓ Grant Contract with its Annexes and all amendments ✓ Project Partnership agreements and all amendments ✓ Access to the accounting system (either separate accounting system or adequate accounting code/cost centre) for all project-related transactions ✓ Document from the taxation authority showing that VAT that has been paid cannot actually be reclaimed (see chapter 7.4. Value added tax)
Project reporting material	<p><i>NOTE: More detailed information about requirements for filling in the attachments of Interim and Final Reports are described later in Chapter 7.8. "Financial Report and its supporting documents"</i></p> <ul style="list-style-type: none"> ✓ Interim Report (narrative part and financial part) with the annexes. ✓ Final Report (narrative part) ✓ Accounting records; general ledger, payrolls ✓ Proof of purchases and procurement procedures, price comparisons ✓ Service, supply and work contracts; proof of delivery ✓ Invoices and the proof of payments, bank statements ✓ Receipt of the grant paid by Managing Authority to Lead partner/Partners and from Lead partner to other partners
Personnel costs	<ul style="list-style-type: none"> ✓ Payroll records and pay slips ✓ Timesheets (manual or electronic follow up)

	<ul style="list-style-type: none"> ✓ The method for calculating the hourly/daily rates and the calculation of the staff costs
Travel costs	<ul style="list-style-type: none"> ✓ Agenda/minutes or similar of the meeting/seminar/conference ✓ Proof of participation (e.g., email or signed list of participants) ✓ Daily allowance and kilometre allowance claims ✓ For fuel and oil expenses, a summary list of the distance covered
Equipment and purchases	<ul style="list-style-type: none"> ✓ For equipment used only partially for the project: Calculation method showing the share allocated to the project and justification for the share allocated ✓ Proof of existence (pictures, delivery note, etc.)
Office costs	<ul style="list-style-type: none"> ✓ Rent and lease contracts ✓ For office premise costs (rent, electricity, warming, cleaning) used only partially for the project: Calculation method showing the share allocated to the project and justification for the share allocated
External services	<ul style="list-style-type: none"> ✓ Proof of delivery of services such as approved reports, timesheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc. ✓ Proof of completion of works, such as acceptance certificates ✓ Deliverables and other evidence of the work carried out by external experts ✓ Copies of main project deliverables such as studies, agendas of meetings, etc., in line with the Interim report ✓ Publicity items such as brochures, publications, website, etc.
Infrastructure investments	<ul style="list-style-type: none"> ✓ Proof of delivery of services such as approved reports, timesheets, transport tickets, proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc. ✓ Proof of completion of works, such as acceptance certificates ✓ Deliverables and other evidence of the work carried out by external experts ✓ Proof of existence (pictures, delivery note, etc.)

The auditor also has the right to request any additional material (not listed in above table) in order to verify the eligibility of reported costs.

The Managing Authority assesses the factual findings reported by the auditor and draws its own conclusions from these factual findings. Based on the Expenditure and Revenue Verification Report, the Managing Authority rejects ineligible costs and determines the total amount of eligible expenditure that may be approved under the Grant Contract. In the case of irregularities or fraud, the Managing Authority has the right to cut the project's budget with an equal amount as regarded as ineligible in order not to allow the re-use of the irregular sum.

The Expenditure and Revenue Verification Report has to be attached to any Interim Report accompanied with a Payment Request. The report covers all expenditure not covered by any

previous verification report. The report has to be made for each partner who has expenditures during the reporting period in question.

If a partner has had only a small amount of expenditures during a reporting period, the partner can request from the MA a permission to report the costs without expenditure verification. In that case all other reporting documents of the Interim Report (except of Expenditure and Revenue Verification Report) have to be submitted to the MA. The expenditure verification of the reported, but not verified costs, shall be included in the verification report of the following reporting period and expenditures must be clearly divided according to the periods of the Interim reports.

NOTE: The expenditure verification of Norwegian partners is to be made only at the end of the project. The Expenditure Verification Report for the whole implementation period of the Norwegian partners has to be submitted only with the Interim Report of the last reporting period.

Note that all organisations getting financial support of the programme, can be subject also to a verification carried out by the Managing Authority, the European Commission, the European Anti-Fraud Office, the European Court of Auditors, the Audit Authority/Group of Auditors, representatives of national authorities involved in the implementation and financing of the Programme and any representatives or external auditor authorised by the Managing Authority.

8.3. Eligible and ineligible project costs

Project costs are eligible if they are actually incurred, related to the project, and can be easily identified and verified. These costs would not be incurred in the organisations without the project implementation. Costs must be recorded in organisation’s bookkeeping records and they can be identified, e.g. either by using a separate accounting system, or by using adequate accounting code/cost centre in the accounting system.

Only the costs that were recorded to the project’s bookkeeping records during the project implementation period are eligible. The only exceptions to this rule are **preparatory costs** and **final costs** (see Table 2).

Table 2. Terms for the eligibility of costs incurred outside of the implementation period of the project

Preparatory costs:	<ul style="list-style-type: none"> ✓ costs are eligible for approved projects and incurred after the Call for proposal was opened till the application was submitted in PROMAS. ✓ costs are included in the approved budget and they fulfil programmes’ eligibility requirements ✓ costs are limited to travel costs (travel tickets, accommodation) of the staff employed by partner’s organizations; ✓ costs do not exceed 2 000 € per project; ✓ costs have to be reported within <u>first Interim report</u> in the <i>Annex 4 Preparatory costs</i> and included in the auditors Verification Report;
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Final costs:

- ✓ costs are included in the approved budget and they are incurred after the end date of the project
- ✓ costs are limited to the salary costs of the personnel finalizing the final reports, costs of final expenditure verification and final evaluation of the project;
- ✓ costs must fulfil the eligibility requirements;
- ✓ costs have to be reported within Interim report for the last reporting period by filling in the *Annex 5; 5.1 Final costs*
- ✓ if the costs are not verified by auditor the copy of the invoices and the proof of payments must be submitted to the Managing Authority.

Please note that under EC rules, the project may include in the financial report only costs (salaries, invoices etc.) that have been *paid*. The project actor may actually pay the invoice (or other cost) after the end of the reporting period, but it must be paid before the Lead Partner submits the report to the Managing Authority. The costs which are incurred during the last reporting period, but recorded in the bookkeeping after that, needs to be clarified.

To be accepted as eligible costs, expenditures have to meet the requirements set in Art. 14.1. of the Conditions applicable to Grant Contracts financed by the Kolarctic CBC Programme 2014-2020.

Eligible costs shall meet the following criteria:

- Incurred during the implementation period of the project
 - exception is made for project's Preparatory costs and Final costs (see Table 2);
 - supplies and equipment shall be delivered and installed during the implementation period of the project unless otherwise indicated in the approved project plan;
 - procedures to award contracts for goods/services/works may have been initiated but the contracts may not be contracted before the start of the implementation period of the project. In duly justified cases, if agreed with the Managing Authority, the contracts can be concluded beforehand with beneficiaries' own risk when it benefits the implementation of the project. Implementation of the contract (service, supply, work) may not start before the Grant Contract is signed and the payments regarding to the contracts are eligible only after that;
 - all payments must be made before the submission of the final report;
- Indicated in the project budget;
- Necessary for the project implementation;
- Identifiable and verifiable, in particular being recorded in the accounting records and determined according to the accounting standards of the country where the partner is established and usual cost accounting practices of the partner;
- Reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency;
- Comply with the requirements of applicable tax and social legislation of the country where the partner is established;
- Supported by invoices or documents of equivalent probative value.

The following costs are considered as ineligible:

- Debts and debt service charges (interests);
- Provisions of losses or liabilities;
- Costs already financed in another framework (for example by the EU budget);
- Purchases of land or buildings for an amount exceeding 10% of the total eligible costs of the project;
- Currency exchange rate losses;
- Duties, charges and taxes, including VAT, except where non-recoverable under the relevant national tax-legislation;
- Loans to third parties;
- Fines, financial penalties and expenses of litigation;
- Contribution in kind (any provision of non-financial resources free of charge by a third party, e.g. payment in kind, voluntary work etc.)

8.4. Value added tax (VAT)

Value added tax is eligible cost only when it cannot be reclaimed and remains as final cost for the project. Before the Grant Contract is signed, the partner has to submit to the Managing Authority a certificate from the taxation authority, proving that VAT is not recoverable.

8.5. Use of EUR

The Managing Authority of Kolarctic CBC will make the payments to the projects only in Euro. Amounts claimed in the financial reports have to be presented in Euro. Any amount originally invoiced in other currency than Euro must be converted into Euro at the InforEuro **monthly** exchange rate published by EC. The official InforEuro monthly exchange rates are available on the following internet address:

http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/index_en.cfm

When converting expense into Euro in financial reports, the project must use the InforEuro exchange rate of the month during which the expense **was recorded in the accounting records**, not the month when the expense was incurred or paid.

Example:

The invoice for hotel accommodation during 15-16 Jul 2017, RUB 5000,00

- receipt date in accounting records 10th August 2017
- paid later on 1st September 2017

The expense converted in the financial report by using the InforEuro exchange rate of **August 2017** - RUB/EUR 0,01357.
The result is EUR 67,85 (5000,00 x 0,01357).

For converting non-Euro amounts into Euro use the InfoEuro exchange rate with **all decimals** (e.g. SEK/EUR 0,10391). The resulting EUR amount is to be included into the financial report with **two decimals** (e.g. EUR 150,99). The use of two decimals also applies for all expenditures incurred directly in EUR, no rounding is allowed.

Any currency exchange losses are not eligible costs.

NOTE: The Norwegian Kolarctic financing is paid in Norwegian krone (NOK) from Kolarctic Norwegian Branch Office (Vadsø) straight to Norwegian partners.

8.6. Project costs by budget lines

In the Financial Report the project costs have to be allocated between the budget lines according to the approved project budget. Only costs which were budgeted are eligible. More about eligibility of costs in chapter 7.3. Eligible and ineligible project costs.

Budget lines:

1. Personnel
2. Travel
3. Equipment and purchases
4. Office costs
5. External services, sub-contracting
6. Infrastructure investments
8. Indirect costs (max 7%)
10. Project revenues

Budget line 1: Personnel

Includes the salaries, social security charges and other remuneration-related costs of the project's personnel. The costs of staff assigned to the project under the following conditions are eligible:

- costs related to the costs of activities which the partner would not carry out if the project was not undertaken;
- costs related to actual gross salaries including social security charges and other remuneration-related costs;
- social security charges include the costs the employer must pay according to the national legislation;
- salaries and social costs may not exceed the normal salary level of the organization and country in question;
- salaries with holiday compensations are based on normal working hours of the organization in question and following the national legislation;
- holiday compensations are eligible only after they are paid;
- the annual holiday payments, holiday bonuses and holiday compensations are eligible when they are based on national legislation. Other compensations like bonuses may be considered as eligible only if they are based on the national legislation and they are provided with equal conditions to all employees in organisation;
- part-time work must be identified with the reliable follow up of the working hours (manual timesheets or electronic system).

Ineligible costs:

- natural benefits (telephone, car etc.)
- salary costs, which can be recovered from other authority (compensation of sick leave or maternity leave salaries, etc.)
- volunteer work

- scholarships

Budget line 2: Travel

Includes travel and subsistence costs of staff and other persons taking part in the project, for example:

- travelling tickets
- car rents
- daily and kilometre allowances
- accommodation
- visa costs
- preparatory costs (see Table 2)

The travel costs under the following conditions are eligible:

- travel costs of the project staff and other persons must be clearly related to the project activities and follow the principle of cost effectiveness.
- travel reimbursements (daily allowances, kilometre allowances etc.) are approved according to the criteria and amounts laid down in national rules and regulations. They may not exceed the national tax-exempt level.

Ineligible costs:

- lump sums (per diems)
- cost of passport

Travel costs shall be tendered when relevant.

Budget line 3: Equipment and purchases

Includes the equipment and other purchases needed for the implementation of the project, for example:

- IT equipment and software
- mobile devices
- machines, tools
- materials
- office furniture
- publications (purchase of books, magazines etc.)

The items can be purchased, rented or leased. If the items are partly used in the project, only the share which is clearly justified as project cost, is eligible.

Purchases, rent and leasing contracts of the equipment needs to be tendered according to the national and Programme procurement rules (see chapter 7.7. Procurement procedures).

As a main rule, these items are needed and meant to be used during the implementation of the project and thus they should be purchased in the beginning of the project or certain activity if not otherwise justified in the project plan.

The costs of the equipment and purchases costs are eligible under the following conditions:

- purchase or rental costs for equipment and supplies (new or used), specifically for the purpose of the project, and provided they correspond to market prices;
- the cost of consumables specifically purchased for the project;
- costs entailed by contracts awarded by the Partners for the purposes of the project;
- any tendering requirements have been respected;
- all purchases are related to the purposes of the project;
- equipment and purchases bought for the project with the value over 300 EUR/ 21000RUB/ 3000 SEK/ 3000NOK has to be reported within Interim report by filling in the *Annex 3 List of Purchases*.

Budget line 4: Office costs

Includes office expenses of the staff involved in the project, for example:

- office rent
- electricity, warming, cleaning
- telephone/internet services
- IT services
- postage, copying
- office supplies

Project can use existing premises of the Partner organization in question, or a separate office premises can be rented. If the premises which the project uses are already rented by the Lead Partner or Partner for their regular operations, project costs are calculated by counting the actual cost per square meter multiplied with area used by the project. **Rents of the part-time employees are appraised in proportion to their working times and included in this budget line.** Internal rent is not eligible.

If the project staff works in the premises owned by the organisation, only actual costs of full-time employees (warming, electricity, cleaning) can be allocated to the project with the same principles as in rental premises.

Office costs include also the use of telephone and internet connections, IT-services, postage, copying (to be verified with a counter if a common copying machine) and other office supplies.

The office costs under the following conditions are eligible:

- they are based on the lease and services contracts
- calculation method showing the share allocated to the project and justification for the share allocated are available
- includes only office costs of full-time employees (excl. rent of the premises)

Office costs (excluding rents) of part-time employees are not appraised in proportion to their working time but included to the budget line 8. Indirect costs.

Budget line 5: External services, sub-contracting

The budget line includes outsourced services, for example:

- conference and meeting costs
- consulting costs
- interpretation and translation costs

- auditing costs
- evaluation costs
- accounting services (when outsourced)
- visibility actions
- design and publication services (production of own publications)
- bank charges

These types of costs are paid according to invoices based on contracts/written agreements and shall be verified by receipts and bookkeeping documentation. **Travel and accommodation costs of the external service providers are included in this budget line.**

Evaluation is not obligatory for the projects, but it can be done as an internal evaluation made by the employees of the project (1. Personnel costs) or the service can be outsourced to an external evaluator (5. External service, sub-contracting).

Purchases between the project partners are eligible only in limited cases and the Lead Partner must **always ask a permission for that from the Managing Authority beforehand**. In case the service is bought from a project partner, the eligible price can only include justified real costs (working hours, materials) – but the price cannot include profit.

External services must be acquired through competitive tendering according to the national and Programme procurement rules (see chapter 7.7. Procurement procedures).

External services and sub-contracting costs are eligible under the following conditions:

- The costs derive directly from the requirements of the Grant Contract (dissemination of information, project evaluation, audits) including financial service costs (costs of bank transfers and financial guarantees);
- The costs are specifically for the purpose of the project, and they correspond to market prices;
- Any tendering requirements have been respected.

Budget line 6 Infrastructure investments

This includes the costs of the investments in infrastructure. Infrastructure investments are, for example, construction of

- roads, bridges,
- water and sewage systems,
- energy production,
- construction of telecommunication, IT networks

In this budget line, costs for the equipment, external services, work contracts, construction material etc. needed for the infrastructure investment, shall be reported. The costs must be specified during Grant Contract negotiations in a separate document: Specification of Infrastructure Investment.

Budget line 8 Indirect costs

Indirect costs (administrative overheads) may include project administration costs which, due to Programme regulations or impossibility to appoint the costs as direct cost to the project,

cannot be included in budget lines 1. Personnel or 4. Office costs. Indirect costs may include, for example:

- salaries of financial management and other administration costs,
- IT services,
- daily office costs (supplies, copying, etc.)
- office costs (excluding rents) of the part-time employees

Indirect costs are calculated on a flat-rate of up to 7 % of the eligible direct costs excluding infrastructure investment costs. The share of indirect costs of an individual Partner can differ, depending on the cost structure of the organization. The indirect costs percentage on a project level is indicated in the article 4.3 of the Grant Contract. The content of the indirect costs is checked and approved during the Grant Contract negotiations.

In the Financial Report, the partners report the indirect costs and calculate them using the percentage indicated in the approved partner budget of the project. At the stage of Financial reporting, the partner doesn't need to specify cost items included under this budget line, because the Managing Authority has checked the content of the indirect cost beforehand during the Grant Contract negotiations.

Indirect costs under the following conditions are eligible:

- The fixed percentage must be fair and equitable and must be based on a verifiable calculation method. Indirect costs do not need to be supported by accounting documents in the financial reports.
- Indirect costs are eligible provided that they cannot be identified as belonging to any category of eligible direct costs.
- Indirect costs may not include any ineligible costs or costs that have been indicated under other headings in the budget of the project.

Ineligible costs:

- costs not related to the project implementation
- cost already reported under another budget line

Budget line 10 Project revenues

Project can earn revenues from the sales of produced material, participation fees, entrance tickets etc. The revenues are indicated here and deducted from the total eligible costs.

8.7. Procurement procedures

All equipment, purchases and external services has to be bought through tendering procedures. If the implementation of project activities requires procurement, the contract must be awarded to the tender offering the best value for money used which can mean the lowest price but also the quality and expertise of the supplier. The procurement procedure shall respect the principles of transparency and fair competition for potential contractors and avoid any conflicts of interest. Tender documents shall give a full, clear and precise description of the subject of the contract and specify the selection and award criteria applicable to the contract. All tender procedures shall be documented and the selection criteria justified.

Project's external auditor shall verify the procurements within the projects' Interim Reports and the Managing Authority may carry out ex post checks on Lead Partner's and Partner's compliance with the rules. All procurements shall comply with the applicable national legislation and regulations, as well as EU and Programme regulations, and to the conditions set in the Grant Contract and its annexes.

Procurement procedures may be initiated before the signature of the Grant Contract but the binding contracts may not be contracted before the start of the implementation period of the project. In duly justified cases, if agreed beforehand with the Managing Authority, the contracts can be awarded beforehand when it benefits the implementation of the project, taking in to notice that contracts are awarded with the own risk of the partners. Implementation of the contract (service, supply, work) may not start before the Grant Contract is signed and the payments regarding to the contracts are eligible only after that.

If the partner organization has a framework contract which has been awarded according to the criteria set for procurement procedures of the Kolarctic CBC, it can be used in the project also.

Applicable procurement rules depend on the location of the Lead Partner or Partner (Finland, Russia, Sweden, Norway) and the type (public, private) of the organization in question.

Procurement in Finland and Sweden (public and private organizations)

Value of the procurement over the national threshold values

- National legislation of the public procurement to be obeyed
 - Finland www.hankinnat.fi
 - Sweden www.upphandlingsmyndigheten.se www.konkurrensverket.se
- Applies also to the private organizations if the public funding exceeds 50 %
- Documentation of the whole procedure

Value of the procurement from 3 000 € / 30 000 SEK (rate 1€=10SEK) to the national threshold value

- The request for the tender must be asked in writing from 3-5 tenderers
- Procedure shall be documented and the criteria for the decision justified

Value of the procurement under 3 000 € / 30 000 SEK (rate 1€=10SEK)

- The request of the price is asked by phone/e-mail/webpages
- Documented shortly

Procurement in Russia

Procurement practises of the Russian entities are agreed in the "Agreement of the financing and implementation of Programme Kolarctici2014-2020"

The public entity or a legal entity, which is a subject to the national procurement legislation established in the Russian Federation, shall apply the legislation of the Russian Federation.

The private entity shall comply with the regulations set up in Annex VI of the Grant Contract "Award of procurement contracts by Russian private beneficiaries"

In addition to these regulations, following procurement rules set up by the programme shall be followed in the cases where national thresholds are higher:

If the value of the procurement is over 3 000 € / 210 000 RUB (rate 1€=70 RUB) but under the national threshold value

- The request for the tender must be asked in writing from 3-5 tenderers
- Procedure shall be documented and the criteria for the decision justified

Value of the procurement under 3 000 € / 210 000 RUB (rate 1€=70 RUB)

- The request of the price is asked by phone/e-mail/webpages
- Documented shortly

Procurement in Norway

Value of the procurement over the national threshold values

- National legislation of the public procurement to be obeyed
 - www.regjeringen.no
- Documentation of the whole procedure

Value of the procurement from 100 000 NOK to the national threshold value

- The request for the tender must be asked in writing from 3-5 tenderers
- Procedure shall be documented and the criteria for the decision justified

Value of the procurement under 100 000 NOK

- The request of the price is asked by phone/e-mail/webpages
- Documented shortly

Documentation

Documentation for public procurement includes following documents and shall be available for the auditor. The project sends the documents to the Managing Authority only by request.

- Tender documentation:
 - Procurement publication/notice
 - Terms of reference
 - Offers/quotes received
 - Evaluation/selection report (Report on assessment of bids)
 - Information on acceptance and rejection
 - Contract, including any amendments

- Documents required by auditors to check the procurement can vary depending on national public procurement laws and Programme rules.
- Price comparison for small purchases (from what companies the offers have been asked, given prices and the basis for the decision)
- Copy of invoices, service reports etc.
- Copy of payment documents (cash receipt or payment order)
- Annex 3 List of Purchases

More detailed guidelines are presented in the annexes to the Grant Contract - Annex V: "Contract-award procedures in the projects financed in the framework of Kolarctic CBC Programme 2014-2020" and Annex VI: "Award of procurement contracts by Russian private beneficiaries Kolarctic CBC Programme 2014-2020", available in the Kolarctic web pages.

Rule of the independence of the supplier

If the Project management (administration) or other tasks in the project are outsourced, and included in the budget line External services, the partners have to ensure that the independence of the suppliers applies.

This means, among other things, that those entities or persons who have participated in the planning phase of the project, are not eligible as service providers. This regulation is meant to ensure fair competition, and to avoid a situation where one of the tenderers has access to wider information of the project than other tenderers.

8.8. Financial Report and its supporting documents

The Lead Partner shall ensure that the expenses reported by the Partners are directly related to the implementation of the Project and that they respect the provisions of the Grant Contract, project's budget and the partnership agreement. Each report must provide a full account of all aspects of the Project's implementation for the period covered. The level of detail provided in financial reports must equal with the Project Plan and matching with the project's budget.

Requirements for Financial Report and supporting documents

- All reported costs are according to the project budget – there are not costs which are not budgeted
- Only costs which are incurred during the reporting period in question, are reported
- All costs are recorded into the bookkeeping records of the project and verified
- Costs are reported in the currency used in the bookkeeping records and converted in Euro
- For currency conversion to Euro, the InforEuro monthly exchange rate must be used
- Figures in the Expenditure and Revenue Verification Report and Financial Report with supporting documents have to match

Financial Report is part of Interim Report. The period of the Financial Report has to be equal with the period stated in the written Interim Report (see chapter 9.2 Interim report). The Financial Report with the required annexes has to be attached to the Interim Report in PROMAS. Some documents (see Chapter 9.2. Interim Report) must be printed out, signed and sent to the

Managing Authority. If the Managing Authority requests from the Lead Partner some other supporting documents, the Lead Partner must submit them with a clarification or translation in English. Please note, that the project does not need to send timesheets to the Managing Authority, the auditor of the project will check them.

Due to the regulations to protect personal data (General Data Protecting Regulation GDPR), we recommend that you do not load in PROMAS documents which include project staff's personal data like social security number, bank account etc. When you report salaries, please use only the documents provided by the programme.

Financial Report documents

Templates for Financial Report are available as electronic versions on the Programme website <http://kolarctic.info>. All financial reporting documents has to be filled in by each project's partner. All documents has to filled in in English.

- **Annex 1. Financial report with General ledger specification**

Sheet 1.1. Financial report the amounts must be indicated in Euros.

In the report, the project partner indicate the budget of the partner in question, and realised expenses of the project during the reporting period and allocate them between the main budget lines with the same principles as in approved budget.

Sheets 1.2. General ledger specifications by budget lines. The partner must indicate the cost amounts in the currency which has been used in bookkeeping records. And then convert the amounts in Euro by using InforEuro **monthly** exchange rate published by EC (see Chapter 8.5. Use of Euro). Each expense is indicated separately and allocated to the appropriate main budget line, including the date of record, verification number, amount in bookkeeping currency and euro, exchange rate, short description of the expenditure.

In addition, the auditor has to mark checked receipts to the report during expenditure verification and sign the form.

Sheet 1.3. Financing

Indicate received financing: payments from the Managing Authority/Lead Partner or other financiers of the project (excl. own contribution)

In addition, the auditor has to mark checked receipts to the report during expenditure verification and sign the form.

Annex 1 is a mandatory annex of the Interim report.

- **Annex 2. Personnel cost specification**

Sheet 2.1 Personnel list

The partner has to indicate details of each employees of the project, incl. name, position, tasks in the project, start and end date of work in the project, monthly/hourly gross salary, full or part time worker. To be updated with in each report.

Sheet 2.2 Salary specification.

The partners indicate the details of monthly salary costs of each employee of the project.

Annex 2 is a mandatory annex of the Interim report.

- **Annex 3. List of Purchases**

Details of each purchase, incl. supplier, value, date and method of tender, must be indicated on the list. All purchased items with value over **300 EUR/ 21000 RUB/ 3000 SEK/ 3000NOK** shall be listed here.

Annex 3 is a mandatory annex of the Interim report, if purchases have been made.

- **Annex 4. Preparatory costs**

If the budget of the project includes preparatory costs, this annex must be submitted within the first Interim Report. In this annex, the travel costs which were incurred after the Call for proposal was opened till the application was electronically submitted in PROMAS. (See Table 1)

In addition, the auditor has to mark checked receipts to the report during expenditure verification and sign the form.

Annex 4 is a mandatory annex of the first Interim report, if the project budget includes preparatory costs.

- **Annex 5 Templates for the last Interim Report**

Sheet 5.1. Final costs If applicable, the annex shall be submitted within the Interim Report for the last reporting period including only costs incurred after the end date of the project. Costs are limited to salary costs of the personnel finalizing the final reports, and cost of final expenditure verification. If an evaluation of the project is included in the project plan and finalized after end date of the project, the LP can include costs of the evaluation in this annex. If the costs are not verified by auditor, the copy of the invoices and the proof of payments must be submitted to the Managing Authority.

Sheet 5.2. Accrued interest from pre-financing To be filled in only from the organizations which are not public bodies/government departments. The statement has to be provided by bank and indicates the amount of interest accrued on the bank account from pre-financing paid by the Managing Authority during the whole implementation period. If no bank account statement is available the partner has to provide the reliable method for calculating the accrued interest. (Article 15.8. of Conditions applicable to grant contracts)

Annex 5 is a mandatory annex of the Interim report for the last reporting period.

- **Annex 6 Timesheets**

Organization can use the records generated from their own electronic recording system to follow working hours if the records provide the same information as the official timesheet templates provided by the managing Authority. Only part-time employees of the project must fill in the timesheets. In the table 3 below you can find more instructions of how and when to fill in the timesheets.

Timesheets shall not to be submitted to MA, they are verified by the auditor!

- **Annex 7 Consolidated financial report**

The Consolidated Financial report includes the summary of approved/reported expenditure on country and project levels. For each Interim Report you shall fill in the own sheet and if needed, add more sheets for Interim Reports. In the report has to be indicated total project budget and

realized expenditure. The realized expenses are allocated only between the main budget lines. Only the Lead Partner fills in this form and all figures are provided in Euro.

Note! As the Norwegian partners report their costs to their financiers only in kroner, the costs of Norwegian partners are converted to euro using the same exchange rate as in the project's original budget.

Annex 7 is a mandatory annex of the Interim report.

Table 3. Filling instructions for the timesheets

	<p>Examples for filling in the timesheets in certain situations:</p> <ol style="list-style-type: none"> 1. Part-time employee in project, no other duties in the organization. <ul style="list-style-type: none"> - Employee is working all working hours in the project and the total salary comes from the project, treated as full-time employee and timesheet is not needed. 2. Part-time employee in project, who is working normal working day in the organization and doing extra work (outside normal working time) in the project and gets extra salary of that work. <ul style="list-style-type: none"> - Timesheet has to be filled in. Only hours and activities of the project work are reported in timesheet. - Timesheet benefits both employee and employer in following up the work done. - Separate work contract of the project work must be done. 3. Part-time employee in project, whose working hours are shared between "normal" work and project work. <ul style="list-style-type: none"> - Timesheet has to be filled in. Both project working hours and other working hours are reported in the timesheet. Activities of project work must be described. - Part of the total salary is divided to project according to percentage of project work. 4. Full-time employee in project, no other duties in the same organization. <ul style="list-style-type: none"> ➤ Timesheet is not needed. <p>Employee fills in the timesheets and supervisor approves it. If employee works in several projects, all hours must be followed in same timesheet by adding own column to each project.</p>
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8.9. Payment Request

Note that the MA pays financing to the project **ONLY ACCORDING TO A PAYMENT REQUEST** submitted by the lead partner. THIS APPLIES TO ALL FINANCING, INCLUDING THE FIRST PRE-PAYMENT AT THE BEGINNING OF THE PROJECT.

To request grant from the Managing Authority of Kolarctic CBC, the Lead Partner shall fill in a Payment Request (electronic form) in PROMAS and submit it. The Payment Request has to be printed out, signed by authorized person and sent to MA. Also, in the case when the Managing Authority pays part of the grant direct to other partner, only the Lead Partner submits the Payment Request, covering the whole amount of the requested grant.

The Kolarctic financing from the Norwegian state must be requested separately, from the Kolarctic Branch Office in Norway.

Table 4. Types of Payment Requests

First pre-financing Payment Request	<ul style="list-style-type: none"> ✓ First pre-financing Payment Request can be submitted only after the Grant Contract is signed. ✓ If the grant exceeds EUR 60 000 the MA may request a financial guarantee for the amount of the first pre-financing payment as required by the Article 15.6. of Grant Contract Annex II: Conditions applicable to the Grant Contract. The guarantee has to be attached to the Payment Request. ✓ With the first pre-financing Payment Request, the Lead Partner has to attach the Financial Identification Form if it has not been submitted earlier. Each partner who receives financing direct from the Managing Authority must submit it. ✓ Pre-financing is not available in Norwegian Kolarctic financing
Interim Payment Request	<ul style="list-style-type: none"> ✓ The Lead Partner must submit an Interim Payment Request to the MA with each Interim Report (if it requests an Interim payment). An Interim Payment Request can be submitted also after the Interim Report has been approved and the exact amount of the next pre-financing is calculated by the MA. ✓ In a case when the bank account details are changed, the new Financial Identification Form must be attached to the Payment Request. ✓ Norwegian Kolarctic financing is paid against realized costs
Final Payment Request	<ul style="list-style-type: none"> ✓ The Lead Partner must submit a Final Payment Request to the MA with the Final Report, or after the Final Report has been approved and the exact amount of the final balance payment is calculated by the MA.

The MA may request additional information concerning payment request at any time. Partners must submit requested information to the MA within 30 days of the request.

The Managing Authority will make a final decision of the eligibility. Any costs that are claimed but found to be ineligible will be deducted from the eligible costs. After the approving of the Payment Request, the Payment Order will be send to the Lead Partner in PROMAS.

8.10. Payments to the project

The Managing Authority pays Programme financing which includes EU financing, Finnish state co-financing and Russian state co-financing. The amounts and equivalent percentages of the project financing are set out in the Grant Contract in Article 4.2.

The Managing Authority pays the grant to the Lead Partner. The Lead Partner is responsible for distributing the pre-financing to other partners, as agreed in the Partnership Agreement and in the Project Plan. The Lead Partner must ensure that these payments to the Partners are made without unjustified delay.

Indicative payment schedule and maximum amounts of payments are set out in the Grant Contract. The total amount of the first pre-financing payment and interim payments shall not exceed 80 % of the grant.

NOTE: The Norwegian Kolarctic financing is paid in Norwegian krone (NOK) from Kolarctic Norwegian Branch Office (Vadsø) straight to Norwegian partners.

The amount of the final balance payment will depend on the total eligible costs of the project which Managing Authority has approved after verification of the Final Report. The final balance payment covers the balance between the Programme financing to the approved total eligible cost of the project (calculated using the percentages stated in the Grant Contract Art. 4.2.) and the earlier payments already paid to project by MA. For details, please refer to Articles 14 and 17 of the Conditions applicable to Grant Contract.

NOTE! The final balance payment to the project will be paid only after the Final Report has been approved which might happen even 6 months after the project has ended. Pre-payments are maximum 80% of the financing, so the partners shall have sufficient financial resources to take care of the final costs of the project until the Managing Authority pays the final balance payment.

PAYMENT SCHEDULE FOR EU-FUNDING AND FINNISH AND RUSSIAN CO-FUNDING

Payment procedures for EU-funding and Finnish and Russian co-funding are set out in Articles 4 and 5 of the Grant Contract and correspond to one of the three options bellow. The MA will pay the grant to the Lead Partner as following:

Table 5. Payment options

<p>Option 1</p>	<ul style="list-style-type: none"> ✓ The first pre-financing payment is maximum 30% of the total grant awarded by the Managing Authority in the Grant Contract Art. 4.2. Payment is made within 45 calendar days from the date when the MA has received the first pre-financing Payment request. ✓ Interim payments are paid against the verified and approved expenditures reported by partners in Interim Reports. The amount of the interim payment is calculated by multiplying the approved reporting costs by the percentage of the grant awarded by Managing Authority (set out in the Grant Contract Art. 4.2). Payment is made within 45 calendar days from the date when the MA has approved an Interim Report (both narrative and financial) and received the Interim Payment request. <p>The total amount of the first pre-financing payment and interim payments shall not exceed 80 % of the grant awarded in the Grant Contract.</p> <ul style="list-style-type: none"> ✓ Final balance payment (amounting to at least 20 % of the total grant) is made within 45 calendar days after the Managing Authority has approved the Final Report and received the Final Payment Request.
<p>Option 2</p>	<ul style="list-style-type: none"> ✓ The first pre-financing payment is maximum 80% of the awarded grant for the estimated budget for the first 12 months. Payment is made within 45 calendar days from the date when the Managing Authority has received the first pre-financing Payment Request. ✓ Interim payments are based on the verified and approved expenditures reported by partners in Interim Reports. The amount of the interim payment is maximum 80% of the grant awarded by Managing Authority for the estimated budget for the next 12 months. If the consumption of previous pre-financing payment is less than 70%, the amount of the new interim payment will be reduced by the unused amounts of the previous pre-financing payment. Payment is made within 45 calendar days from the date when the MA has approved an Interim Report and received the Interim Payment Request. <p>The total amount of the first pre-financing payment and interim payments shall not exceed 80 % of the grant referred in the Grant Contract.</p> <ul style="list-style-type: none"> ✓ Final balance payment (amounting to at least 20 % of the grant) is made within 45 calendar days of the MA has approved Final Report and received the Final Payment Request.

Option 3

- ✓ The partners will not receive any pre-financing payments.
- ✓ All payments are paid against the verified and approved expenditures reported in Interim/Final Reports. The amount of the interim/final payment is calculated by multiplying the approved costs by the percentage of the grant awarded (set out in the Grant Contract Art. 4.2). Payment is made within 45 calendar days from the date when the MA has approved an Interim/Final Report and received the Interim/Final Payment Request.

8.11. Own contribution, revenues and interest

Own contribution

Own contribution is a co-financing from the Lead partner and Partners of the project. Own contribution has to cover at least 10% of the total eligible costs on the project level. Usually, this financing comes from the Lead partners' and Partners' host organization. But it can also come from other public or private sources.

Lead Partner and Partners jointly agree upon the structure of the own financing. The amount and share of the own contribution per each partner is agreed between the partners and stated in the Partnership Statement. Partners' percentual share of the own contribution can vary from 10 %, but in the project level it must be at least 10 %.

In the Grant Contract (art. 4.2.) the own contribution is indicated on project level.

Only budgeted, eligible costs of the project can be covered by own contribution, in-kind costs or volunteer work are not eligible.

The project costs covered by own contribution are reported together with other project costs, not separated from the other costs in accounting and reports. Auditor verifies the costs covered by own contribution together with other project costs.

As a rule, own contribution of the project will be calculated by multiplying the approved costs of the Interim/Final report by the percentage of own contribution which is set out in the Grant Contract.

Revenues

The project can earn revenues from the sales of produced material, participation fees, entrance tickets etc. The revenues are deducted from the total eligible costs.

The revenues of the project have to be reported in the Interim Reports and verified by auditor.

Interest

Any interest accruing from pre-financing paid by the MA to the partner organisations which are not public bodies/government departments must be reported in the Interim Report for the last reporting period, by providing the *Annex 5, 5.2 Interest*. The bank should provide a bank account statement on the amount of interest accrued from pre-financing. If no bank account statement is available, the partner has to provide a reliable method for calculating the accrued interest. The auditor shall verify the interest and it will be deducted from the final balance payment.

Interest will not be deducted from government departments or public bodies.

8.12. Recovery order

In a case when the total of pre-financing payments from the MA to Lead partner/Partner exceed the final amount of approved financing, the Lead Partner shall repay to the MA any amounts paid in excess. The MA will send a Recovery Order to the Lead Partner and the Lead partner has to pay it during 45 days. The Partners concerned shall repay the Lead Partner any amounts recovered with respect to the provisions of the partnership agreement obtaining between the Partners.

In a case when the Lead Partner fails to make repayment within the deadline set by the Managing Authority, the Managing Authority may increase the amounts due by adding interest.

If the Grant Contract is terminated for any reason, the possible guarantee for securing the pre-financing may be invoked in order to repay the balance of the pre-financing still owed by the Lead Partner.

See more in the Art. 18 of Conditions applicable to Grant Contracts.

The same rules apply with the Norwegian Kolarctic financing.

9 PROJECT REPORTING

9.1. Project Update

A Project Update is a light version of an Interim Report. The Managing Authority may ask the project to fill in and submit a Project Update, for example in situations when the MA needs some information and the project is not supposed to submit an Interim Report. The Project Update is filled in and submitted in PROMAS.

9.2. Interim Report

Interim Report consists of two separate parts - **narrative part** and **financial part**.

The reporting period of Interim Report may not be longer than twelve months. First reporting period begins on the start date of the project. Following reporting periods begin on the date following the end date of the previous reporting period. **Reporting period of the Interim Report has to be the same for every partner**. The Interim Report must also accompany the

Payment Request, excluding the first pre-financing payment when relevant. For the purposes of fulfilling this requirement, the reporting periods may be shorter than twelve months. The reporting periods will be planned during the Grant Contract negotiations.

The Lead Partner must submit Interim Reports to the Managing Authority no later than three months after the end of the reporting period. Interim Report for the last reporting period must be submitted together with the Final Report no later than four months after the end of the project implementation.

The Lead Partner submits the Interim Report with all attachments in PROMAS. The Interim Report has to be printed out from PROMAS and signed by an authorized person in the LP and sent to the Managing Authority. As well some of the required annexes must be printed out, signed, and sent to the Managing Authority.

The date of submission of the Interim Report is the date of electronical submission in PROMAS. The Managing Authority has **45 calendar days** to check the narrative part and the financial part of the Interim report. During this period the MA can request clarifications and additional information from the partners. Partners must submit requested information to Managing Authority within **30 calendar days** of the request. The time limit stops until requested information has been submitted and starts running again on the date when the Managing Authority receives the required information.

The time limits are followed **separately for narrative part and financial part** of the Interim Report. After both the narrative part and the financial part of the Interim Report have been approved, and the Interim Payment Request has been submitted, the decision on the interim payment and the Payment Order is made during **45 calendar days**. The Managing Authority can suspend this time limit in the cases mentioned in the Article 15.3. of Conditions applicable to Grant Contract.

➤ **Narrative part of the Interim Report**

The meaning of the narrative part of the interim report is

1. to describe the project activities that have been carried out during the reporting period
2. in doing this, to show that the project has been implemented according to the plan (= the approved application)
3. to list the outcomes of the project
4. to inform about what needs to be done in the project and possibly amend in the project's work plan

Kolarctic CBC monitoring system PROMAS contains the electronic template for the interim report, which the LP must fill in. Filling in the narrative parts of the interim report in PROMAS is described below. User guide for PROMAS is available in programme's web pages. The interim report is divided in tabs, which partly resemble the tabs of the application form in PROMAS.

Tab: Summary

NOTE: It would be easiest if you write the Summary after you have written the other parts of the report. The Summary sums up generally what has been done in the project during the period, and the state of the project. You are free to choose to the summary information that you have

written in the other parts, or maybe you want to write in the Summary some information for which there is no place in the other parts of the report.

Tab: Work Plan:

The activities that the applicant wrote in the table “activity planner” of the financing application in, now appear in a table “Work Plan” in the Interim report template. Concerning each activity, the LP must fill in the status of it.

Tab: Indicators

Indicate here the realized values for indicators: thematic indicators and Project specific Indicators

Tab: Communication and visibility

Describe the communication and visibility activities during the reporting period.

Tab: Annexes

Write a name for the annex and browse your computer to add the file.

Tab: Signature

Fill in the needed information, submit and print out the document.

➤ **Financial part of Interim Report**

The financial part provides information of the realized expenses versus budgeted expenses in accordance with the approved project budget (Annex III Project budget). Financial part contains of the **Financial Report** and the **Expenditure and Revenue Verification Report**. The Financial Report and Expenditure and Revenue Verification Report with all required annexes has to be loaded as an annex to the Interim Report in PROMAS.

More detailed information about requirements for filling in Financial Report and its annexes are described in chapter 8.8. Financial Report and its supporting documents.

Templates for financial reporting are available as electronic versions on the Programme website <http://kolarctic.info>.

Documents for financial part of the interim report

• **Financial report**

- ✓ Annex 1 Financial Report with General ledger specification
 - Lead Partner and each Partner have to fill in own report.
 - Filled Excel file to be loaded in PROMAS, signed paper version to be submitted to MA
- ✓ Annex 2 Personnel cost specification
 - Lead Partner and each Partner have to fill in own report.
 - *Signed, scanned copy to be loaded in PROMAS*
- ✓ Annex 3 List of Purchases
 - *Scanned copy to be loaded in PROMAS*

- ✓ Annex 4 List of Preparatory the costs (to be reported in the first interim report)
 - *Signed, scanned copy to be loaded in PROMAS*
- ✓ Annex 5 Templates for the last interim report
 - *Signed, scanned copy to be loaded in PROMAS*
- ✓ Annex 6 Timesheet
 - *Don't need to be submitted to the Managing Authority, but they have to be presented to auditor for verification*

- ✓ Annex 7 Consolidated financial report.
 - Excel-file to be loaded in PROMAS, signed paper version to be submitted to MA

- **Expenditure and Revenue verification report**
 - ✓ EV1 Expenditure and revenue verification procedure
 - Instructions for the auditor and project partners
 - ✓ EV2 Service contract for the expenditure and revenue verification
 - *Signed, scanned copy to be loaded in PROMAS*
 - ✓ EV3 Expenditure and revenue verification report
 - *Signed, scanned copy to be loaded in PROMAS and a paper version (copy or duplicate) to be submitted to MA*
 - ✓ EV4 Checklist for the expenditure verification
 - *Signed, scanned copy to be loaded in PROMAS*
 - ✓ EV5 List of factual findings
 - *Signed, scanned copy to be loaded in PROMAS*
 - ✓ EV6 Report on suspected fraud and/or established fraud
 - *Auditor must submit **direct** to the Managing Authority (signed, original)*

The Managing Authority may request other supporting documents (e.g. invoices, tendering documents, timesheets etc.) during the check in order to approve the report.

In the addition to the manual forms (*Annex 2 and 3*), the Lead Partner can fill in the Personnel list and List of purchases in PROMAS under the section Project Management>Project Summary. That is not obligatory.

NOTE: Norwegian partners do not need an Expenditure Verification Report when sending the Interim Report. The expenditure verification of Norwegian partners made only at the end of the project. The Expenditure Verification Report for whole implementation period of the Norwegian partners has to be submitted only with the Interim Report of the last reporting period.

9.3. Final Report

What is the Final report for?

The final report is for different purposes than an interim report. The final report must describe the activities, outputs and results of the project to a wider audience than only the Managing Authority. It is meant to be read by people from outside the programme administration; professionals of your branch, journalists, any interested citizens. The final report represents you and your project to the outside world.

In PROMAS, there is a template for a final report of the project. The template is short and focuses on the minimum needed information and is not always sufficient.

The final report itself is also a (more or less central) result of the project. Many projects produce knowledge, information or recommendations. In these projects, it is not sufficient to include these knowledge, information or recommendations in the final report in PROMAS only, but you must do a dissemination of the results separately. A minimum is a publication or file, or any outcome that your project plan indicates. Produce what you have promised!

You may solve this by publishing the final report according to the dissemination, communication, and capitalization routines of your organization, and according to ad communication plan that you have prepared at the beginning of the project. Talk about this with the contact person of your project in the Managing Authority.

Many projects produce relations, competence and connections between people and organizations. These must be documented and saved as well as possible. NOTE also: Chapter 7.5. Capitalization.

The practical and formal requirements about reporting at the end of a project:

A Final Report must be submitted together with an Interim Report for the last reporting period no later than four months after the end of the Project implementation. The Final report focuses on narrative description of the project, as described in the previous chapter.

The Interim Report for the last reporting period is for checking the costs, and the narrative part of it must serve the purposes of checking the costs of the last reporting period. The financial report from the last interim reporting period acts also as a final report of the financial issues, including *Annex 5* in addition to the regular Interim report documents.

The Lead Partner must submit the Final Report with required attachments in PROMAS. The Final Report has to be printed out from PROMAS and signed by authorized person and sent to the Managing Authority.

The date of submission of the Final Report is the date of electronical submission in PROMAS. The Managing Authority has **45 calendar days** to check the report. During this period the MA can request clarifications and additional information from the partners. Partners must submit requested information to Managing Authority within **30 calendar days** of the request. The time limit stops until requested information has been submitted and starts running again on the date the required information is received. After the Final Report has been approved and the Final Payment Request has been submitted, the decision on the final balance payment and the Payment Order is made during **45 calendar days**. The Managing Authority can suspend this time limit in the cases mentioned in the Article 15.3. of Conditions applicable to Grant Contract.

10 MONITORING AND EVALUATION

10.1. Monitoring and evaluation in principle

Monitoring and evaluation is a process of continued gathering of information and its analysis to check whether **progress is being made** towards project goals and objectives and highlight whether there are any **unforeseen (positive or negative) effects** from a project and its activities.

Monitoring involves systematic collection of data to provide the project management/steering group about project implementation with indications of the project progress and objectives achieved in the use of allocated funds.

Evaluation is the systematic and objective assessment of an on-going or completed project or, programme, its design, implementation and results. Evaluation explains in details the reasons for success or failure of the actions. It draws lessons and provides meaningful recommendations for on-going or future actions.

Monitoring and evaluation are both concerned with the collection, analysis and use of information, while **monitoring measures changes over the period of time** during project's implementation and **evaluation involves judgment about progress and impact during project implementation as well as after its closure**.

It is useful to understand the difference between monitoring and evaluation organized by the Programme and Lead Partner & Partners in terms of who is responsible, when it is required, why it is necessary and the link to the Logical Framework.

10.2. Internal Project Monitoring and Evaluation

	Who is responsible?	When it is required?	Why it is necessary?	Link to Logical Framework
Internal Project Monitoring and Evaluation	Project Lead Partner and Partners	On-going process	Allow Project Manager to check the progress, take improving and/or corrective action, collect data for interim report, and update Work plan	activities, outputs, Specific objective: outcomes; Overall objective: Impact

Effective project management means: thinking before acting, identifying and dealing with potential problems before they occur, and constantly monitoring and evaluating to determine whether your actions are achieving their desired results. It is an internal management responsibility of the Lead Partner and Partners to implement project monitoring and evaluation activities.

The goal for the Lead Partner and Partners is to make the Project Monitoring and Evaluation as a second nature, a way of thinking about the decisions you make in managing your project, not to control every single activity. Monitoring and evaluation should not be expensive and complicated.

10.2.1. Internal Project Monitoring

Monitoring activities should provide the mechanism by which relevant information is provided to the right people at the right time to help them make informed decisions. The main task in this process is to point out **those areas that are in need of monitoring**:

- Operational progress (activities undertaken and results achieved);
- Financial progress (budget and expenditure);
- Preliminary response by target groups to project activities.

The monitoring answers questions like:

- Have activities been completed as planned?
- Have deliverables been produced as foreseen?

Monitoring should highlight strengths and weaknesses in project implementation and enable responsible people to deal with problems, improve performance, build on successes and adapt to changing circumstances. Monitoring is an effective way to: *provide constant feedback on the extent to which the projects are achieving their goals; identify potential problems at an early stage and propose possible solutions; monitor the accessibility of the project to all sectors of the target group(s); monitor the efficiency with which the different components of the project are being implemented and suggest improvements; Improve project design etc.*

Thus, here are **three steps** to set-up internal project monitoring:

1. Establish monitoring procedure and the frequency (what to monitor, how to monitor, where to take the information for monitoring from and how often to report);

The use of **Logical framework** and **Work Plan** are highly recommended as practical tools, which directly support effective management, monitoring and review. It is good to set up the monitoring on a regular basis with the "comfortable" and suitable for everyone (Lead Partners and Partners) frequency, not to overload with additional unnecessary work. At the time to make the monitoring process often enough, in order to detect falls at an early stage.

2. Appoint responsible people to implement monitoring (organizing data collection, analysing information, reporting);

Most of the information that is needed to monitor your project will be produced by the project itself. These are possible sources of information for monitoring: *the Grant Contract; the Partnership Agreement; sub-contracts; data on project specific indicators at the level of Outputs and COI, SOI at the Specific objective: outcomes; the financial records - the bookkeeping system; quantitative surveys and questionnaires (e.g. evaluation forms filled by participants during project events, target groups etc.);*

3. Determine the right people to whom results of the monitoring will be reported (decision making personal);

To set up a Project Steering Committee/Project management group involving all partner organizations representatives and target group level representatives to meet on a regular basis is a good way to discuss the progress in the implementation and ensure the decision making process.

Depends on the result of the project monitoring, the Project Steering Committee/Project management group might take the following “corrective/improving actions” to ensure the smooth project implementation and bring project implementation on track:

- Re-scheduling the project (if the project runs behind the schedule);
- Re-planning activities in the Work Plan and Logical framework (if some of the activities are not relevant any more to reach results);
- Re-planning Specific objective(s): outcomes in the Logical framework (if some of the Specific objective(s) are not relevant any more to reach overall objective) **in duly justified reasons and after approval of the contact person in MA!**
- Re-designing project specific indicators, COI, SOI / it’s target value in the Logical framework (if some of the indicators do not fulfil its purpose / do not look realistic anymore);
- Re-budgeting the project (appropriating funds from one heading to another and/or avoiding expenses under unnecessary heading);
- Re – assigning the staff (shifting the staff from one area to another; recruiting temporary staff to meet the time schedule).

These actions will require the project modifications. More information can be found in the Chapter 8.

10.2.2. Internal Project Evaluation

Evaluations can also be an important tool to monitor your project. Usually, the evaluation is carried out in the middle of the project implementation – to find out if the project is performing as planned and consequently to improve the project efficiency and impact while the activities are still ongoing. And at the end of the project duration - to present the achievement of the project and lessons learnt.

The evaluation differs from monitoring by its scope, it is broader and concerned with whether the right Objective was chosen to solve problem. Evaluation data is collected and analyzed less frequently than monitoring and can be conducted either by the Lead Partner and Partners or by the external evaluators (subcontractors).

Before planning to carry out a project evaluation, first ask yourself **why** you want to implement the evaluation. Evaluation should never be carried out without having a clear picture of why and for whom the evaluation is being done.

Evaluation focuses on the tracking progress at the higher level of the Logical Framework – **Overall objective: impact** against Relevance, Effectiveness, Efficiency and Sustainability.

The best to define the focus and the evaluated questions is to consider limitation such as time, human resources and budget (e.g. How much money does the project have for the evaluation? How much time is available to implement the evaluation? Will the evaluation be done by Lead Partners and Partners or external evaluators?)

Common evaluation questions might include:

- **Relevance:** To what extent are the project's objectives justified in relation to the needs of the programme area?
- **Effectiveness:** To what extent have the overall objective been achieved? Has the project produced the expected effects?
- **Efficiency:** Have the planned outputs been achieved at the lower costs? Did the project have an impact on the target groups in relation to their needs? Are the chosen Result indicators appropriate?
- **Sustainability:** Will project results will continue if there is no more funding?

When selecting evaluation questions, it is important to ensure that these questions are answerable with the available data.

Depends on the result of the project evaluation, the Project Steering Committee/Project management group might take the following "corrective/improving actions" to ensure the smooth project implementation and bring project implementation on track:

- Re-designing project Result Indicators / it's target value in the Logical framework (if some of the indicators do not fulfil its purpose / do not look realistic anymore);

These actions will require the project modifications. More information can be found in the Chapter 8.

During monitoring and evaluation process, remember to:

- Communicate, communicate and communicate. Good communication is a major key success element of any project;
- Bring people together and give access to information. It will save a lot of time from explaining issues. Intranet or any other sharing information system is the good way to keep people in the same page always.
- Give feedback to your team members. It allows to improve the quality of the project implementation, and simply ensures that the message reached the receiver.

10.3. External project Monitoring and Evaluation

10.3.1. Day-to-Day Monitoring

	Who is responsible?	When it is required?	Why it is necessary?	Link to Logical Framework
Day-to-day monitoring of projects	Managing Authority (MA) with the support of Branch Offices (BOs) and NAs and CCPs	On-going process	To check the progress, update Work plan, financial flow, data collection, programme reporting	Inputs, activities, outputs, outcomes, overall objective

The day-to-day monitoring *or* in other words **project progress monitoring** is an ongoing process during the whole project implementation. The contact persons in the Managing Authority and Branch Offices are responsible for day-to-day monitoring of project implementation.

It is mutually beneficial for both Lead Partners, who gets continues feedback and guidance on project implementation, and for the Managing Authority, where contact persons review project progress in relation to agreed schedules and expected results through the analysis of the Interim report (Chapter 8.2).

The basic principle of the day-to-day monitoring is to check the activities and outputs reported against what was originally planned in the application form. Beyond this minimum requirement, the aim is also to get as much qualitative information as possible on the lessons learnt and results achieved within the reporting period. Projects have to be as precise as possible on the information they report. In day-to-day monitoring process, it is the Lead Partner's responsibility to inform other project partners.

Day-to-day monitoring activities involve:

- regular interactive communication of contact persons in the Managing Authority and Branch offices with the Lead Partner and Partners (e.g. by e-mail, telephone, skype);
- physical meeting(s) with the Lead Partner and Partners;
- participation of the contact persons, Branch offices in the Steering group meetings or other projects meeting/events;
- on-spot-check checks of Managing Authority, Branch offices to projects;
- approval of the Interim report;
- approval of the requests for project modifications.

In addition to day-to-day monitoring, the programme and the projects shall use other tools to monitor the progress of the project's implementation on a continuing basis.

10.3.2. Project Qualitative Monitoring (PQM)

	Who is responsible?	When it is required?	Why it is necessary?	Link to Logical Framework
PQM	Managing Authority (MA) and Branch Offices (BOs)	along with an interim report	To review the project performance with focus on results and take appropriate actions for improvement its quality	Inputs, activities, outputs, specific objectives, overall objective

Despite of good planning, adequate organizational structure and sufficient utilization of resources some projects have challenges in achieving desired results. There must be **warning mechanism** to provide better guidance to the ongoing projects with its implementation and to review the project performance with the focus on the results.

For this purpose, the Managing Authority and BOs will implement the PQM. It will be conducted along with the interim report. While interim report presents the already implemented activities for the **past** reported period and the progress achieved, the **PQM** enables a track of the project implementation **to alert** it about possible failures to avoid it in the **future**. Also, the PQM ensures the **qualitative side of the project implementation** and covers issues that are not reflected in the interim report.

Thus, the PQM is a practical tool from one side to improve the project implementation and as a consequence the project reporting and to support the *Internal project monitoring* implemented by the Lead Partner and Partners from another side. Additionally, the information gained by the PQM on the projects implementation is a useful source of information for other monitoring and evaluation activities implemented by the Programme/EC and Programme reports, e.g. Annual report.

By answering three questions What, How and Why, PQM is presented as follows:

What? PQM is a monitoring system to keep a track of projects implementation process additionally to the project reporting

How? PQM monitors the progress of a project against time, resources and performance schedules during the projects implementation.

Why? PQM helps to identify areas/problems requiring attention and action; allows improving project's implementation process towards **projects' objectives and delivering planned results.**

PQM meets needs not only the projects implementers but also allows the Managing Authority (MA) and BOs to get better understanding of the progress of the projects in relation to what was originally planned. The PQM builds a closer relation between the MA&BOs and the Lead Partners based on the understanding that the MA&BOs act in the interest of the project and is there to

provide it with all the necessary support, to catch in time implementing issues and taking appropriate measures to correct them.

Purpose of PQM

It is good to keep in mind that, although PQM is conducted by the MA&BOs along with the project reporting it does not have any influence on the approval of the interim report and payments to project

PQM is aimed to help and advice projects to guarantee delivering planned results and successful outputs by:

- improving design and implementation of projects;
- providing the systematic feedback to projects;
- constant interaction between MA and projects;
- stimulating thinking in results-oriented terms of the projects implementers;
- self-checking for the project implementers;
- awareness of the projects implementers and MA on the progress of the projects.

As an added value, PQM provides constant lessons learnt and collected data that can be utilized in the future evaluation and audit on the projects' as well as Programme level.

PQM is treated as an additional competent support projects and not targeted to replace or diminish the significance of any other monitoring/evaluation activities, e.g. Internal project monitoring (Chapter 9.2).

Actors and responsibilities in PQM

It should be kept in mind that PQM is not aimed to highlight and point out mistakes of the projects while it is being implemented, but to name problems in order to solve and avoid them in the future!

The responsibility to conduct and implement PQM is with the MA&BOs as well as the Lead Partner (LP) organization is responsible for participation in PQM on the behalf of the project, while the results of it will be distributed to all Partners within the project.

Main tasks of the MA&BOs within PQM include:

- coordination of the process of PQM (collecting questionnaires, processing and analyzing data);
- providing needed support to project.

The LP organization acts as a link between the MA and the projects partners and completes PQM Questionnaire on behalf of all Partners, since the Lead Partner is responsible to the MA&BOs for the implementation and management of the project. For the efficient work it is recommended that the LP organization nominates the PQM contact person for the communication with the MA.

The Lead Partner is responsible for:

- accomplishing PQM (submitting Questionnaire; communication with MA; providing clarifications, if required);
- implementation of tasks that are developed by MA in a frame of the support activities.

Linkage to the Logical Framework Approach (LFA)

During project implementation the LFA provides a key management tool

The LFA is an extremely useful tool to support the design and establishment of effective monitoring and evaluation of the project. While Logframe serves as a tool for PQM, it should be up to date by the time the project starts, and therefore the original Logframe needs to be reviewed, improved and/or updated at the start of project implementation. The Logframe Matrix should also be revised (if necessary) on an annual basis, for example as part of the *Internal Project Monitoring*. The focus should be on *Activities and Outputs*, **as the Specific Objectives and Overall Objectives should not be changed except in exceptional case and with prior approval of MA!**

Methodology of PQM

PQM is keeping a track of all on-going projects financed under the Kolarctic CBC Programme, whether it is at the beginning, in the middle or at the end of its implementation phase.

One of the main principles of the PQM is to keep it simple, practical and not time-consuming for projects implementers to report, as well as for MA&BOs to process and analyze reported data. Therefore, PQM system is performed as the **Questionnaire**, which is framed within the five quality criteria:

- **Relevance** - the appropriateness of project objectives to the problems which it was supposed to address (e.g. *Is the project plan still feasible and relevant?*)
- **Efficiency** - the cost-effectiveness with which inputs and activities were transformed into results and the quality of the results achieved. Actual schedule compared with the activities from the Work Plan (e.g. *Have the project activities been implemented in accordance with the action plan (activities schedule)?*)
- **Effectiveness** - the monitoring of the contribution made by results to achievement of the specific objectives of the project, and how assumptions have affected project achievements (e.g. *Are there any possible risks that might prevent the implementation of the project activities or the achievement of the expected results?*)
- **Sustainability** - possibility of continuation of benefits produced by the project after the project ends (e.g. *Have any activities been implemented to enhance the sustainability of the project impact after the project end?*)

Each question in the Questionnaire includes optional answers (a/b/c) for project implementer to choose the most applicable with the possibility to give short clarifications (if required). By choosing the answer and /or providing clarifications, it is crucial **to reflect the actual situation** in the project, since it will effect on defying issues that may require follow-up and as a consequence the designed support for each project.

In order to enhance the quality of information collected during the PQM, the questionnaire method is supported by **other sources of information** relevant to monitoring of the project. This might include: analyzing the project’s reports; ROM reports; interaction with the MA contact person of the project; information from Internal Project Monitoring; the clarification from the LP, if required.

Implementation and timing of PQM

The Lead Partner shall fill in PQM questionnaires and upload it to PROMAS under tab “Annexes” along with other obligatory Annexes of the Interim report. The contact person will provide the feedback to the Lead Partner on the list of issues that required follow-up and special attention.

The Questionnaire should be submitted via PROMAS to MA together with the interim report.

After the revising Questionnaires from the ongoing project, the MA&BOs will process and analyze the data with using additional information from relevant sources, such as Project Reports, Steering Group Meetings, etc.

This phase will be finalized by providing feedback to projects on issues that required follow-up.

10.3.3. External Evaluation

	Who is responsible?	When it is required?	Why it is necessary?	Link to Logical Framework
Evaluation	Programme (performed internally or externally)	Ex-ante, mid-term/ ongoing , ex-post	Mid-term/ ongoing : for programme major shifts/readjustments wherever necessary Ex post: to learn broad lessons applicable to other programmes, policy review	Expected results, specific objectives, overall strategic objectives

The Programme may carry out mid-term evaluation around the middle of the Programme implementation. Also, the Programme will perform an ex-post evaluation on both the Programme priorities as well as on TOs and the Programme as a whole. These evaluations will be carried out by external experts and will focus on relevance, effectiveness, impact and sustainability of benefits. The evaluation of the entire Programme will produce information that can be used both for preparation of future Programme and improving the existing one.

During the evaluation processes, the projects financed by the Kolarctic CBC Programme shall be interviewed in order to evaluate where projects e.g. have been successful, have encountered

significant problems and, how sustainability of results and impacts has been incorporated and ensured in projects¹. The Partners shall be ready to commit to the evaluation processes(s) and provide all needed information and documentations to the evaluation experts.

10.3.4. External Audit

	Who is responsible?	When it is required?	Why it is necessary?	Link to Logical Framework
Audit	MA (external experts), AA, GAs, EC	mid-term, Ex-ante (systems reviews), closure of the project, Ex-post of the projects (selected projects)	Provides assurance and accountability to stakeholders; provide recommendations for improvement of current and future projects	Inputs, activities, expected results

The MA (external experts) Audit Authority (AA) and Group of Auditors (GAs) are responsible for the audit on sample of the projects.

The audit on sample of the projects are carried out in order to re-perform the expenditure verification and examine whether the costs declared by the Lead Partners and the revenue of the project are real, accurately recorded and the eligibility rules are followed. Audits on sample of projects will, where applicable, include on the spot visit and interviews with responsible personnel in the projects. The sample selection method of projects for audit is a matter for the AA's professional judgement.

The AA will follow the Sampling Guidance provided by the European Commission and will use professional judgment to evaluate the programme's population to choose most appropriate sampling method.

The following principles are to be followed:

- Non-statistical sampling
- High-value stratification
- Equal probability selection method (Random)
- Sampling unit: Project partner

The Partners shall allow verifications to be carried out by the EC, AA, GAs and any representatives or external auditor authorised by the Managing Authority. The Partners have to take all steps to facilitate the verifications. The Partners shall allow the above bodies to:

- Access the sites and locations at which the Project is implemented;

¹ [Key tasks of the evaluation of the Ex-post Evaluation of the Kolarctic ENPI CBC Programme 2007-2013](#)

- Examine its accounting and information systems, documents and databases concerning the technical and financial management of the Project;
- Take copies of documents;
- Carry out on-the-spot-checks;
- Conduct a full audit on the basis of all accounting documents and any other document relevant to the financing of the Project;

Where appropriate, the findings may lead to recovery of funds already paid by the Managing Authority.²

11 AMENDMENT OF THE GRANT CONTRACT AND OTHER CHANGES IN THE PROJECT

11.1. Change Request

In some cases, there may be a need to change the project's content and / or budget. This may require making an addendum of the Grant Contract

In the Conditions applicable to Grant Contracts (Annex II of the Grant Contract)

"An addendum may not have the purpose or the effect of making changes to the Grant Contract that would call into question the grant award decision or be contrary to the equal treatment of applicants. The maximum grant referred to in the Grant Contract may not be increased in any case. "

This means, among other things, that the project cannot be changed into a form which would probably not pass the selection procedure of projects. Its specific objectives, outputs, results, impacts cannot be changed. The LP should contact the contact person of the project concerning minor changes in the project plan / work plan.

The Lead Partner must fill in and submit the change request on PROMAS. Also, the Lead Partner must print it out from PROMAS and send it to the Managing Authority, signed by an authorized person.

If the MA approves the change, it drafts an addendum of the Grant Contract, to be signed by the MA and the Lead Partner.

11.2. Modification of the budget of the project

The budget of the project can be changed, if the changes are necessary for project implementation, reasonable, and justified. The maximum grant referred to in the Grant Contract may not be increased in any case.

Changes within the same budget line

Where the budget change does not affect the basic purpose of the project, and the financial impact of the change is limited to transfers between the headings within the same budget line,

² Conditions applicable to Grant Contracts financed by the Kolarctic CBC Programme 2014-2020, ARTICLE 16 - ACCOUNTS AND TECHNICAL AND FINANCIAL CHECKS, 16.2

including cancellation or introduction of an item, the change can be made without prior permission from the MA. For example, funding can be transfer in budget line 2. Travel form heading "Accommodation" to heading "Traveling tickets". However, it is advisable to inform project's contact person about the changes.

Changes between the budget lines max 15%

Where the budget change does not affect the basic purpose of the project, and the financial impact of the change is limited to a transfer between main budget lines involving a variation of 15% or less of the budget line with the smaller amount, the change can be made without prior approval from the MA. Lead Partner has to inform the project's contact person about the changes latest in the next report. This method may not be used to amend the budget line 8. Indirect costs.

Changes between the budget lines exceeding 15%

If the changes between the main budget lines are exceeding 15% of the budget line with the smaller amount, the Lead partner has to apply for project's budget modification by filling in the Change Request in PROMAS. In the Change Request the Lead partner has to indicate the grounds for budget change and attach the proposal for the new Project Budget. The Change Request has to be submitted one month before the date on which the amendment should enter into force, unless there are special circumstances which are accepted by the Managing Authority. If the Change Request is approved, the MA will prepare the Grant Contract Addendum which has to be signed by the MA and the Lead Partner. The expenditures can be incurred in line with the changed Project Budget only after the Grant Contract Addendum has been signed by both parties.

11.3. Other changes in the project

In case the project actors want to change the planned activities, the LP must first discuss it with the MA (the contact person) to get approval. In some cases, the change requires that the MA and LP make an addendum in the Grant Contract. Change of partners always requires an addendum of the Grant Contract.

Extension of the project implementation period can be made in duly justified cases. In practice, the MA and the LP make an addendum to the Grant Contract. (Article 11 of the General Conditions).

In case

- The Lead Partner's address,
- The name of the Lead Partner organisation, or
- the bank account

change, the Lead Partner must notify the MA writing and provide a new, original Financial ID form or Legal Entity Form (where e.g. name and address are indicated)

12 CLOSING THE PROJECT

The partners of the project must keep all records, accounting and supporting documents related to the project for **five years** following the final balance payment. They must be easily accessible

and filed to facilitate their examination. All supporting documents shall be available either in the original form, including in electronic form, or as a copy.

NOTE: In case of Norwegian partners the supporting documents related to the project must be kept up for ten years after the final balance payment.

13 IRREGULARITIES, FRAUD AND CORRUPTION

All partner participating to the project are responsible to be aware that Programme funds are used for the purposed agreed in the Grant Contract and the Project plan. Partners have a responsibility to prevent and mitigate the risk of irregularity, fraud and corruption. They have to ensure that they take appropriate measures to minimize the risk of conflict of interest.

The Auditor has a responsibility to report direct to the Managing Authority if any risks for the fraud has been recognized.

Irregularity is an act which doesn't comply with Programme rules and has a negative impact on Programme's financial interests. They are often results of genuine errors e.g. not filling out a form correctly or not respecting proper tendering procedures. Irregularity is any administrative or financial mismanagement that lead to the misuse of the Programme funds.

Irregularities is a wide term that covers both intentional and non-intentional irregularities committed by economic operators. Article 1(2) of Regulation (EC) No 2988/955 defines "irregularity" as:

"any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure".

Fraud is deliberately committed irregularity constituting a criminal offence.

The regulation cited above defines "fraud" as any intentional act or omission relating to:

*"- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of the European Communities;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they were originally granted."*

The Managing Authority and the Branch Offices carry out the preventive actions to prevent and recognize possible risks for the irregularities and to detect fraud. The project **is** supervised and controlled with the procedures like periodic reporting, monitoring, on-the-spot checks and auditors' verifications.

Irregularities can lead to recovery e.g. in following cases; the beneficiary

- uses wrong procurement procedure
- doesn't follow visibility regulations (use of EU-flag etc.)
- errors resulting from the mistake in calculations
- costs occurred outside the implementation period

Fraud can be identified e.g. in following cases; the beneficiary knowingly

- avoids required competitive procedures by splitting purchases or awarding unjustified single source or not even organizing a tendering procedure.
- manipulates competitive procedure by rigged specifications in order to favor certain bidder
- manipulates bids beforehand by leaking information to help a favored bidder or manipulates bids afterwards
- claims false labor costs for activities which has not been carried out or manipulates timesheets

Active corruption is deliberated action where whoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official for himself or for a third party for him to act or refrain from action in accordance with his duty or in the exercise of his function in breach of his official duties in a way which damages or is likely to damage the Programme's financial interests

Passive corruption is deliberated action where an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties in a way which damages or is likely to damage the Programme's financial interests.

Managing Authority encourages all persons involved to the projects actively to report suspects of any kind of wrongdoing or fraud to the Managing Authority. Announcement of the possible irregularity can be sent to the Programme's e-mail kolarctic@lapinliitto.fi or anonymously to the post address Lapin liitto, Kolarctic CBC, PL 8056, FI-96100 Rovaniemi. All reports are handled with confidence in the Managing Authority.