

The Financial Management of your Culture sub-programme Project

Please note that this document is based on [the e-tutorial](#) provided by the Education, Audiovisual and Culture Executive Agency (EACEA) and is relevant to all of Creative Europe's Culture sub-programme funding strands: www.eacea.ec.europa.eu



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Section I - Important points and terminology

There are several financial tasks:

- The first is to keep track of your budget compared to your initial estimated budget – only by doing this will you be able to request a budget amendment on time, should you need it.
- You can do this by filling in the Financial Statement with your expenses preferably after each activity, or at least at regular intervals. The Financial Statement will need to be submitted to the EACEA within two months after the end of the eligibility period of your project, or when requesting further pre-financing or interim payments.
- In order to keep track of your budget and to complete the Financial Statement properly, it is essential to keep good accounting records. Without reliable up-to-date records it is difficult for you to know the financial status of the project
- Ensure that supporting documents are available to show that the costs claimed meet the conditions in the Grant Agreement. Failure to do so may result in the EACEA deciding to recover the unsubstantiated expenditure. We recommend that you appoint one person to be responsible for the financial management of your project. Please note that this is a time-consuming task that should not be underestimated.

There are some important reference documents to read:

Both the person responsible for the implementation of the project and the person responsible for its financial management should familiarise themselves with these documents. In Cooperation Projects, both the Project Leader and Project Partners should read the following:

First of all everyone involved should read these documents in detail, as they are the basis for your project:

- the Guidelines of the scheme they applied for
- the Call for Proposals
- the Project Application

It is important to have a thorough understanding of the Grant Agreement and all its annexes:

- For 2-Year Category 1 Literary Translation projects the contract can either be a Grant Agreement or a Grant Decision.
- For Networks, Platforms and Category 2 Literary Translation Projects: the contract is a Framework Partnership Agreement covering the entire duration of the project, with specific Partnership Agreements each year, plus amendments and annexes.
- In Cooperation Projects the Project Leader must provide its Partners with a copy of the Grant Agreement so that all the Partners are aware of all rights and obligations which result from it. Project leaders should also invite their Partners to follow this guide.

If the EU grant you applied for is higher than €60,000 you must also consult the Guidance Notes on the Report of Factual Findings on the Final Financial Report, which can be downloaded from the EACEA [website](#).

Financial Reporting

- The Financial Statement must be compiled using an Excel template (which is available on the EACEA website on the [Beneficiaries page](#). Please note, if you do not use the Excel template your Financial Statement will be rejected) and must adhere to the following requirements:
 - The Financial Statement must be submitted in euros.
 - It must give an overview of the budget (including receipts and expenditure) by filling in the list of income sources and the list of invoices.
 - You will also have to provide an overview of procurement and sub-contracting exceeding the value of €60,000 per contract.
- For EU grants above €60,000 a certificate on the Financial Statement and underlying accounts must be provided, called the Report of Factual Findings on the Final Financial Report.

There are two types:

- For grants above €60,000 and under €750,000, Type I must be provided.

- For grants of €750,000 or more, Type 2 must be provided.
- If the EU grant you requested is lower than or equal to €60,000 you will need to submit copies of the documents justifying a sample of expenses.

Main Categories of (Financial) Involvement

- There is the Coordinator (Project Leader/Beneficiary), meaning the organisation that submitted the project application. The Coordinator is the operational and financial leader of the project. In Cooperation Projects, the Coordinator, also known as Project Leader, has been mandated to apply for an EU grant on behalf of a number of Partners who have an operational and financial role in the project;
- They are called Co-Beneficiaries in the context of the Grant Agreement.
- The Coordinator/Project Leader and its Co-Beneficiaries or Partners together are referred to as the Beneficiaries.
- All other organisations or people contributing in one way or another to the project without having a contractual relationship with the EACEA are considered as Third Parties; this includes private or public organisations that contribute financially to the project.
- Note that if Third Parties incur expenses in the framework of the project, these expenses will not be eligible unless they are reimbursed in full by either the Project Leader or one of the Partners. If they provide goods or services they must be considered as Sub-contractors and the general rules concerning sub-contracting apply (see section 2).

Section 2 – Eligible Costs

Eligible costs for your project may include costs for staff, travel, subsistence, equipment, procurement, sub-contracting, VAT, and third-parties.

- To be eligible, costs must be incurred by one of your Beneficiaries; costs incurred by any other person or organisation not identified in the Grant Agreement are not eligible unless they are reimbursed to this Third Party by one of the Beneficiaries.
- Costs must be incurred in relation to an activity taking place during the eligibility period of the project with the exception of costs relating to the Report of Factual Findings and the Final Financial Report. For example, if you had a meeting before the start of the eligibility period these costs would not be eligible. However, if you booked plane tickets before the start of the eligibility period for a meeting taking place within the eligibility period, these costs would be eligible.
- Please keep in mind that all invoices included in your Final Report must be paid when you submit it.
- Costs must have been foreseen in the estimated budget of the action.
- They must be incurred within the action for which you have received funding.
- They must also be necessary, reasonable and justified and comply with the principle of sound financial management, in particular, regarding economy and efficiency.

- In addition they must comply with the requirements of the applicable tax and social legislation.
- Finally, costs must be identifiable and verifiable; this means that they must be recorded in the accounting records of either the Project Leader or the Partners. This must be done with regard for the accounting standards of the country they are located in and using their accounting practices.
- Please note that all invoices must make reference to the project by mentioning the title of the project or the Grant Agreement number.
- As the Project Leader is responsible for the overall financial management of the project and for providing the EACEA with the Report of Factual Findings in the Final Financial Report, the Partners will have to provide the Project Leader with all the necessary supporting documents to substantiate their expenses.

Staff Costs

- There is no limit for staff costs but please keep in mind that they must follow the usual remuneration policy of the Beneficiaries and that they must be in line with the activities and proportionate to the budget. The corresponding salary costs of personnel at national administrations are eligible to the extent that they relate to activities which the public authority concerned would not have carried out had the project not been undertaken.
- The cost of staff assigned to the project may include:
 - Actual salaries;
 - Social security contributions;
 - Other statutory costs included in their remuneration.
- In the list of invoices you will need to provide the full name of the staff involved and the number of days worked for the project. Both names and working days are verified using the information provided in the rest of list of invoices. If a staff member is involved in several projects, the consistency of the information provided is also checked between these different projects. In the Final Report you will need to explain which task each staff member was responsible for in the project. Staff who are involved in the implementation of the project on a part-time basis are only eligible for the equivalent percentage of the time worked.
- You will need to provide several documents to substantiate staff costs. If a person is specifically hired for the project you will need to present a contract, job description and salary slips.
- If a person already working for the organisation is seconded to the project you will need to present a clear secondment decision, job description and salary slips.
- If a person in either case is not working on the project on a full-time basis you will need to submit timesheets that cover the staff member's total time working for the organisation and that specify the time spent working on the project. So if the person works for the organisation on a full-time basis but only 50% on the project, the timesheet must cover both 50% for the project and the other 50% for the organisation.
- Staff costs must be paid and proof of staff costs must be readily available.

- You can download an example of a timesheet from the EACEA website. The timesheet must, as a minimum, include the following:
 - Full name of the staff member contributing to the project;
 - An indication of the periodicity with which the timesheet is filled in (daily/weekly/monthly);
 - The total number of hours worked and the number of hours claimed for the project; all hours claimed must be verifiable in a reliable manner;
 - If an employee works on multiple projects in parallel activities, this must be recorded separately for each project;
 - The timesheet must also mention the full name of the supervisor;
 - The timesheet must be dated and signed by the employee and his or her supervisor.

Travel and Subsistence Costs

- Travel and subsistence costs should be in line with the Beneficiaries' usual practice on travel and subsistence costs.
- These costs should be necessary and reasonable.
- If they are considered to be over-estimated, they will be revised in accordance with the flat-rate ceilings approved annually by the Commission. The applicable rates are included in the ISO sheet in the Financial Statement.
- The list of invoices relating to travel and subsistence costs should include: the name of the person travelling, the departure place, the destination place and the number of days.
- For travel by plane we will only reimburse economy-class tickets.
- For travel by train, a first-class ticket is allowed.
- For travel by car, the costs are reimbursed based on km allowances currently fixed at 0.22 EUR per km. If national rules or rules adopted by your organisation allow for a higher flat rate, this can be accepted provided you submit proof of the applicable rule. If a higher rate is used you will have to explain this in the final reports. When using a kilometre allowance you cannot also claim fuel costs.
- Taxi costs and expenses for parking are part of the daily allowance. However if subsistence expenses are being reimbursed on the basis of real costs, taxi costs can be accepted in justified cases, for example, when travelling early in the morning, or late in the evening, and when there is no other alternative. However, the cost may never exceed the daily allowance accepted by the Commission for the country in which the expense was incurred.
- In order to substantiate travel cost you must keep:
 - Airline tickets or travel agent invoices;
 - Boarding passes;
 - Bus/train tickets;
 - Taxi receipts must be completed in full;
 - When travelling by car a declaration or expense report is needed, which includes the amount of kilometres, the date of the travel and the project activity for which the travel was required.

- Subsistence costs can be paid on the basis of real costs, or on the basis of a flat-rate. The flat-rate shall cover a breakfast, two meals and local transport including taxi costs and car parking.
- Ensure you prepare a document explaining the calculation of the per diem.
- The person receiving the daily allowance must sign a receipt.
- When reimbursing subsistence costs on the basis of real expenditure you will need to keep the invoices from hotels and restaurants and all proof of payments.

Equipment Costs

- The purchase of new or second-hand equipment necessary for the project is eligible provided that it is written off in accordance with the national tax and accounting rules.
- Only the equipment's depreciation corresponding to the duration of the activity and the rate of actual use for the purpose of the activity may be taken into account, except when the nature or the context of its use justifies a different treatment.
- For example, a project has an eligibility period starting on the 1st May 2014 and ending on 30th April 2016. A projector needed for the implementation of the project is bought on 1st October 2014 and the price is €10,000. Projectors usually depreciate at a rate of 10% per annum according to national accounting rules. This means that only the depreciation costs over a period of 19 months are eligible. If the projector is also being used for another project over the same period of time the depreciation will have to be spread over the two projects.

Procurement and Sub-contracting Costs

Where the project requires the procurement of goods, works or services:

- National rules apply;
- You must obtain competitive tenders from potential contractors;
- And award the contract to the bid offering best value for money, or, as appropriate, offering to the bid offering the lowest price;
- You must observe the rules of transparency and equal treatment of potential contractors;
- Conflicts of interest must be avoided;
- In the event of an audit you must be able to present the different quotes received and the reason for selecting that particular contractor.

Sub-contracting is the outsourcing to a Third Party of specific tasks or activities which are part of the project.

Sub-contracting must satisfy the conditions applicable to procurement contracts as well as the following conditions:

- It may only cover a limited part of the project;
- It must be justified having regard to the nature of the project;
- It must be clearly stated in the application or prior written authorisation from the EACEA must be obtained;
- The estimated costs must be clearly identifiable in the estimated budget;
- Note that only supported activities can be sub-contracted. Beneficiaries remain responsible for the conception and the development of the project; the attainment of its objectives, the implementation of the work programme and the use of appropriate tools.

For procurement contracts and sub-contracting over €60,000 the tendering procedure must be:

- Clearly documented;
- And you must submit a copy of the relevant documents together with the Final Report and retain the documentation in the event of an audit;
- You will need to detail all procurement contracts and sub-contracts for an amount higher than €60,000 per contract in a specific sheet in the Financial Statement;
- You will also have to provide the contracts together with the Final Report.

Duties, Taxes & Charges

Duties, taxes and charges that are paid by Beneficiaries are eligible costs:

- VAT is only eligible if it cannot be recovered.
- Make sure to correctly indicate whether Beneficiaries can or cannot recuperate VAT in the list of incomes in the Financial Statement.
- If a beneficiary can recuperate VAT, expenses in the list of invoices must be noted as amounts excluding VAT.

Financial Guarantee

If the Coordinator's financial capacity is found to be non-satisfactory via the EACEA's services, the EACEA may ask the Coordinator to provide the EACEA with a financial guarantee before signing the Grant Agreement:

- This financial guarantee serves to limit the EACEA's financial risk linked to pre-financing;
- The costs related to this Financial Guarantee are eligible;
- If the Agreement foresees two pre-financing payments the Coordinator will have to provide two guarantees each one corresponding to the pre-financing instalment being paid.

Financial Support to Third Parties

- Only within the Support to European Platforms scheme does the coordination entity have the possibility to distribute part of the EU grant to the members of the Platform which are

in fact Third Parties. In order to do so the coordination entity must have foreseen the support in the description of the action and in the estimated budget.

- The support may not exceed €60,000 per member of the Platform.
- The application on the basis of which the Platform was selected for funding should in addition detail the criteria for determining the exact amount of the financial support, the different types of activities for which financial support may be received, the definition of the Third Parties that may receive financial support and the criteria for selecting who will be awarded financial support
- If the financial support is provided as a prize, the application must detail:
 - The conditions for participation;
 - The award criteria;
 - The amount of the prize;
 - The payment arrangements;
 - The prize should be specified in the description of the action. This option of having a prize is available for Cooperation Projects, Networks and Platforms.
- In order for the support to Third Parties to be eligible the following supporting documents must be readily available:
 - A list of expenses incurred by the Third Party covering the amount received;
 - A certified copy of documents substantiating those expenses;
 - Notification of the activity for which the expenditure was incurred;
 - Proof of payment to the Third Party.

Indirect Costs

Indirect Costs are only eligible if they are foreseen in the Grant Agreement.

- These are expenses that are not identifiable as specific costs directly linked to the project but they can be identified and justified as having been incurred in connection with the project;
- They may include for example, rent, heating, gas, electricity, communication and postage costs;
- Indirect costs may not exceed 7% of the total eligible direct costs;
- Indirect costs incurred in direct connection to an action grant will not be eligible under that action grant for a Beneficiary already receiving an operating grant from the EACEA or the Commission for the same period;
- You are not obliged to detail the indirect costs in the list of invoices beyond how they are split between Beneficiaries. However these expenses must be recorded in the respective accounting systems and must be traceable and verifiable in the event of an audit

Third Country Costs

A Third Country is a country not participating in the Creative Europe programme. Third Country costs are all expenses relating to citizens of a Third Country, organisations based in a Third

Country, activities taking place in a Third Country, or European Partners travelling towards a Third Country.

- Third Country expenses may represent a total of 30% of the total eligible costs
- For each expense, enter it in the list of invoices; you must identify whether the expense is a Third Country cost or a not.

Section 3 - Ineligible Costs

These are expenses which are not eligible for funding:

- Return on capital;
- Debt and debt service charges;
- Provisions for losses or debts;
- Interest owed;
- Doubtful debts;
- Exchange losses;
- Excessive or reckless expenditure;
- Deductible VAT;
- Costs charged by your bank when receiving a payment from the EACEA;
- Costs declared by a beneficiary in the framework of another action co-financed by another EU programme:

Imagine that you are running two projects financed by two European Programmes. The same expense cannot be claimed under both programmes and people working on several projects should avoid double-funding of staff costs. If a member of the Beneficiary's staff travels and combines different activities belonging to different projects, the travel costs will be reimbursed only once or can be attributed to each project on a pro-rata basis.

- Contributions 'in-kind':
A contribution in-kind is any non-cash contribution to the project by the Project Leader, the Partners or a Third Party which can be given a measurable cash value but which is not being paid for by the Project Leader or one of the Partners. Contributions in-kind are not eligible costs as you cannot be reimbursed for money that has not been spent. Examples of contributions in-kind are voluntary work and being allowed to use buildings, equipment or advertising space free of charge. Please note that staff costs of Project Partners are not contributions in-kind as long as they are based on salaries or wages actually paid out.

Section 4 - Important Rules and Advice

Exchange Rate

- The exchange rate to be used in your Financial Statement: any conversion of costs incurred in other currencies shall be made by applying the monthly accounting rate established by the European Commission and published on its website.

- Please be careful to use the conversion of euros into the other currency in which you incurred the cost and not the other way around;
- You must use the exchange rate of the month mentioned in the Grant Agreement;
- For an Interim Report the exchange rate of the month of the preparation of the Interim Financial Statement must be used;
- For the Final Report the same exchange rate as used for the last request for pre-financing or interim payment must be applied;
- All exchange rates used in your Financial Statement must only be provided once in the sheet 'Overview – Financial Statement';
- In the list of invoices always use the original currency mentioned in the invoice by entering the ISO code of the currency; the exchange rate mentioned in the overview of the Financial Statement Sheet will be applied automatically.

Budget Changes

- When preparing your application, you need to present the EACEA with an estimated budget. It is very likely that your budget will experience changes. This is not a problem so long as it does not considerably alter the nature of the project;
- If a budget chapter increases or decreases more than 10% of the total eligible budget an amendment to the budget must be requested;
- In this case please note that the total eligible budget, the EU grant and the percentage of co-financing should remain the same;
- Although shifts of up to 10% do not require a formal amendment to the Agreement, the Coordinator must inform his or her Project Officer at the EACEA of such shifts;
- However, keep in mind that the original budget as attached to the Agreement will be used as a basis to evaluate your Final Financial Report;
- If you complete your Financial Statement on a regular basis, you will be able to compare your estimated budget with the current state of affairs in the Overview Sheet – if an amendment is needed, you will be alerted

Bank Account

- All payments by the EACEA will be made to the Coordinator mentioned in the Grant Agreement;
- We highly recommend opening a euro bank account in order to avoid exchange losses;
- The Coordinator will then have to distribute the grant to its Partners from this bank account;
- Please note that any change in bank account details should be communicated as soon as possible in order to avoid payment delays.

Cash Payment

- We advise you to avoid the use of petty cash and cash transactions and to pay costs by bank transfer whenever possible;
- In exceptional cases where cash payments might be needed the following documents need to be collected:
 - Proof of the cash withdrawal;
 - A copy of the invoice to justify the withdrawal;
 - A signed receipt.

Global Invoices

Imagine that a Third Party contributes a considerable extent to your project, incurring a number of expenses related to the project. However, as it is a Third Party, it cannot incur eligible costs. In order for these expenses to become eligible in the framework of the project they must be reimbursed by one of the Beneficiaries. This can be done one-by-one but it can also be done through the use of a global invoice.

This global invoice addressed by the Third Party to one of the Beneficiaries should detail the activities or services carried out within the framework of the project and all the costs incurred which are then summed up in an annex to the global invoice. The Third Party will need to submit a copy of each invoice concerned and proof of payment. If the Third Party wants to contribute financially to the project its financial contribution can be deducted from the total amount of expenses incurred. The balance will then have to be paid by the beneficiary to the Third Party. Proof that the global invoice was paid should be readily available. This is particularly relevant for Third Parties receiving financial support in Platform projects. Please consult the section on 'Financial Support to Third Parties' under 'Eligible Costs' (section 2).

Income of the Project...

- All income related to the project must be listed in the Final Financial Statement in the list of incomes;
- And will need to be verified by the auditor when producing the Report of Factual Findings in the Final Financial Report;
- Please be aware that the total amount of self-financing in the estimated budget is considered as being secured;
- And must have, as a minimum, been entered in the list of incomes of the Financial Statement.

Section 5 - Pre-financing, Interim Reports and the Final EU Grant

Pre-financing

- In most cases the Coordinator receives the first pre-financing payment after signature of the Grant Agreement. Whether the Coordinator will receive another pre-financing payment depends on the duration of the project;
- Projects lasting longer than 24 months will receive a second pre-financing as foreseen in the Grant Agreement;
- In order to receive this, at least 70% of the first pre-financing must have been spent;
- If a bank guarantee was needed in order to receive the first pre-financing a new bank guarantee will have to be submitted to cover the second pre-financing.

Interim Report(s)

- For those who did not receive any pre-financing payments upon signature of the Grant Agreement, one or two interim reports will need to be submitted, depending on the duration of the project;
- Interim reports must be submitted when a certain percentage of the total eligible budget has been spent;
- The applicable percentages are specified in the Grant Agreement;
- If the EU grant requested for the project is €750,000 or higher and if the payment request submitted through the Interim Report is €325,000 or higher, a Report of Factual Findings on the Financial Report Type I or Type II will need to be submitted as mentioned in the Grant Agreement.

Framework Partnership Agreement

- In Networks, Platforms and Category 2 Literary Translation projects the Grant Agreement is a Framework Partnership Agreement;
- In addition, an annual specific Partnership Agreement must be also signed;
- The beneficiary will be requested to submit:
 - A work programme
 - An estimated budget each year for the next year
- Please note that the financial capacity will be analysed each year which may result in different payment arrangements. These will be specified in the specific Partnership agreements;
- At the end of each specific Partnership agreement the Beneficiary will need to submit a financial report;
- If the analysis of this report shows that part of the EU grant has not been used the left over amount cannot be transferred to the following specific Partnership agreement

Determining the Final Grant

- In order to be able to calculate the final EU grant of a project, the Coordinator will need to submit both a technical and a financial report;
- Upon receipt, the EACEA has up to 60 days to approve or reject these reports;
- Should the EACEA require additional information or documents, this period will be suspended;

- The Coordinator will have 30 days to provide the EACEA with the requested information;
- The final amount of the EU grant will be calculated taking into consideration the real eligible costs and possible penalties applied, for example, for the non-use of the EU logo;
- The EU grant will be determined by taking the lowest of the four following amounts:
 - The amount mentioned in the Grant Agreement
 - The amount obtained by applying the co-financing rate mentioned in the Grant Agreement to the total eligible costs accepted by the EACEA
 - The amount necessary to balance the budget
 - The amount requested by the Coordinator in the Financial Statement;
- Should the final EU grant be lower than the amounts already paid by the EACEA in pre-financing, a recovery order will be made.

Section 6 - Documents to be submitted with the Financial Statement

List of Supporting Documents

For grants below or equal to €60,000, the Coordinator will need to provide a list of supporting documents substantiating a specific sample of costs. This sample has the aim of providing the EACEA of a reasonable assurance of the quality and availability of documents supporting claimed costs and justifying their eligibility.

Documents substantiating the following costs will need to be provided:

- For staff costs, the three highest consolidated staff costs for the whole eligibility period, employment contracts or equivalent documents, payslips or remuneration receipts, proof of payments and timesheets must be provided. This does not apply to Literary Translation projects as staff costs are not eligible for these projects;
- The three highest value sub-contracts, providing the contracts, invoices, and proof of payments;
- And 25% of the highest expenses declared under the travel and subsistence budget items, providing a copy of the tickets, boarding passes, hotel invoices, and proof of payment documents;
- Please note that, if the EACEA identifies a risk associated with a budget item other than the three items listed above, the EACEA may also request the necessary supporting documents for this budget item;
- Please keep in mind that it is important to keep all invoices, timesheets, and proof of payment documents in order to substantiate expenses in case of an audit.

Report of Factual Findings on the Final Financial Report – Structure

- For all EU grants a Report of Factual Findings in the Final Financial Report will need to be provided;
- To avoid delay in the submission of the Final Report the Coordinator should select and contract the Auditor well in advance;
- The Auditor needs to fully understand the requirements of the certification;

- The Auditor must use the reporting format prepared by the EACEA which can be found in annex III section IV of the Guidance Notes Type I or II – any other documents will be rejected;
- The report must be written in English, French or German.
- The report is composed of two parts:
 - The first part is the Auditor's report using the reporting format attached in the annexes of the Engagement Letter. The Engagement Letter is composed of a cover letter which must be prepared using the mandatory text and issued on the Auditor's letterhead. This letter must be dated, stamped and signed by the Auditor. All information about the Grant Agreement, the procedures to be performed and the report format can be found in this document.
 - The second part is the costs breakdown relating to the project activities, which in fact correspond to the Financial Statement. This document will have to be signed by the legal representative of the Coordinator and the Auditor. All the pages in the list of invoices and incomes should be signed and stamped by the Auditor.

Report of Factual Findings on the Final Financial Report – General Information

- Please note that the submission of this audit report does not mean that the EACEA, the Commission, or the Court of Auditors waive their right to carry out their own audits;
- The Auditor only has a contractual relationship with the Beneficiary, not the EACEA;
- This means that the EACEA will not intervene in any dispute between the Auditor and the Beneficiary;
- The following documents serve as a basis for the Auditor's certification:
 - The Call for Proposals and Guidelines under which the application was submitted
 - The Project Application
 - The Grant Agreement, any amendments and annexes
 - And the Guidance Notes on the Report of Factual Findings on the Final Financial Report;
- In order to work effectively the Auditor must have access to any supporting documents for the accounts, accounting documents and any other documents relevant to the financing of the project;
- It is the Coordinator's responsibility to obtain the supporting documents from each Co-Beneficiary so as to enable the Auditor to verify their costs;
- Originals or certified copies of the expenses of each Co-Beneficiary as well as proofs of payments must be sent to the Coordinator's office in order to justify the costs of the project;
- The Auditor is only required to check whether the Coordinator has respected the rules for accounting and record keeping;
- This does not apply to the Co-Beneficiaries as the Auditor will not have direct access to the accounting systems of the Co-Beneficiaries. However, evidence of transactions between the Coordinator and the Co-Beneficiaries, such as the transfer of funds, must be recorded in the accounting system of the Coordinator;
- The Auditor will check that required supporting documents are available in order to substantiate any expense incurred by a Co-Beneficiary. If the required documents are not

available the expenses will become ineligible and will have to be removed from the Financial Statement;

- It is not possible to submit several audit certificates produced by a different Auditor for each Co-Beneficiary;
- It is the Coordinator's responsibility to select and contract the Auditor;
- It will be the Auditor, selected by the Coordinator, who will produce the consolidated audit report Type I or Type II covering the costs of the entire project;
- The Audit can be performed by any accountant that is recognised as an Auditor under national legislation;
- The external Auditor must be qualified to carry out statutory audits of accounting documents;
- He/she must be independent from the Beneficiary;
- The Beneficiary must ensure that there is no conflict of interest between the chosen Auditor and him/herself. This means, for instance, that the Auditor cannot be involved in the preparation of the Final Financial Statement or that he/she may not have a close relationship with any person representing the Beneficiary or organisation;
- If the Coordinator is a public body the audit can be carried out by a competent public officer. A competent public officer is someone who cannot be involved in any way in drawing up the Final Financial Statement and he/she must be independent from the legal representative signing the Final Financial Statement. To be in a position to deliver the report the competent public officer should meet at least one of the following competency criteria:
 - Professional experience of at least 3 years duration in accountancy, taxation and auditing;
 - Or have a level of education which corresponds to completed university studies of at least 4 years attested by a diploma in the accounting, finance and/or auditing field or a training or a professional qualification or an equivalent level relevant to these fields.

Report of Factual Findings on the Final Financial Report – Type I

The role of the Auditor for a Type I (<€60,000> Action Grant <€750,000) audit is as follows:

- The Auditor will limit his/her checks to the supporting documents and the accounting movements;
- The Auditor shall confirm that 100% of direct costs declared in the Final Financial Statement are clearly justified by the relevant supporting documents and the accounts;
- The EACEA decides on the eligibility of costs declared in the Final Financial Statement;
- The Auditor will certify that:
 - All costs mentioned in the list of invoices and all incomes mentioned in the list of incomes are justified by the relevant supporting documents;
 - All costs were incurred during the eligibility period mentioned in the Grant Agreement;
 - Expenses incurred in another currency than the euro have been converted correctly;
 - That rules concerning sub-contracting and procurement are correctly applied;
 - And that rules relating to accounting and record keeping are respected;
- If the Auditor discovers discrepancies:

- He/she will have to correct the Final Financial Statement before its submission to the EACEA. The Auditor will also need to mention the connections made in the relevant section of the report;
- For example, if the exchange rate has been applied incorrectly the Auditor will make the necessary corrections in the Financial Statement and mention that he/she corrected it in the report;
- For example, if the Auditor's checks reveal that the necessary supporting documents to substantiate travel are missing, he/she will exclude these costs from the Financial Statement and mention this in his/her report. In case of doubt, the Auditor should also mention this in the report, providing the necessary details so that the EACEA will be able to decide on the issue.

Report of Factual Findings on the Final Financial Report – Type II

Type II audit (Action Grant >€750,000) is a complete audit which includes checking the eligibility of expenses:

- The Auditor ensures that the overall sample is at least 70%. If the discrepancy rate is less than 10% of the total amount of expenditure verified, the Auditor finalises the verification procedures and continues his reporting;
- If the discrepancy rate is higher than 10%, the Auditor is required to extend his verification procedures until the sample is at least 85% of the costs declared;
- It is the Beneficiaries' responsibility to:
 - give the Auditor access to all documents and databases related to the technical and financial management of the project;
 - obtain the documents necessary to enable the Auditor to verify costs incurred by the Co-Beneficiaries;
- The purpose of the audit report is to provide the EACEA with a reasonable assurance that expenses as well as receipts have been declared correctly in the Final Financial Statement;
- The Auditor must:
 - carry out procedures described in full and unaltered;
 - report any discrepancy in the report if he/she is not able to carry out or complete a procedure or if the findings are not consistent with the Final Financial Statement. In this case, the final decision on eligibility will be taken by the EACEA on a case-by-case basis;
- The Auditor will report on the eligibility of costs and will verify that:
 - the costs were incurred by a Beneficiary during the eligibility period;
 - the expenses incurred in a currency other than the euro have been converted correctly;
 - the expenditure has been reported under the correct chapter;
 - the costs were necessary for the implementation of the project;
 - the expenditure has not been incurred excessively or recklessly;
 - the rules concerning sub-contracting and procurement have been correctly applied;
- The Auditor will need to confirm the legal status of the Beneficiary and Co-Beneficiary and hence the correct treatment of VAT. He/she will also confirm the amount of revenues

confirmed in the Final Financial Statement and examine whether the Coordinator has complied with the rules for accounting and record keeping.

Section 7 - Checks, Audits and Evaluation

Technical and Financial Checks, Audit and Interim and Final Evaluations

- The EACEA and the European Commission may wish to carry out technical and financial checks and audits in relation to the use of the grant;
- They may also carry out final and interim financial evaluations of the impact of the project measured against the objectives of the Creative Europe programme;
- These checks, audits or evaluations either directly by staff or by any outside body authorised to do so on the EACEA's or Commission's behalf;
- The Anti-Fraud Office and the European Court of Auditors have the same rights as the EACEA and the European Commission.

Obligation to Keep Documents

- Beneficiaries are obliged to keep all original documents, especially accounting and tax records and proof of payment and bank statements stored on any appropriate medium for a period of:
 - Five years for grants >€60,000 starting with the date of payment of the balance;
 - This period shall be limited to three years if the maximum amount of the grant awarded does not exceed €60,000.

Obligation to Provide Information and On-the-spot Visits

- When a check, audit or evaluation is initiated, the Coordinator shall provide any information including in an electronic format requested by the EACEA, the European Commission or any other outside body authorised to do so;
- Where appropriate, the EACEA may also request such information to be provided directly by one of the Partners;
- During an on-the-spot visit you will have to provide the EACEA with access to the site or premises where the project was/is carried out and to all necessary information, including any electronic formats;
- If you do not comply with these obligations the costs, under verification, may be considered as ineligible.

Audit Procedure and Effects of Audit Findings

- On the basis of the findings made during an audit, a provisional report or draft audit report shall be drawn up and sent to the Beneficiary concerned who shall have 30 days from the date of receipt to submit observations;
- The Final Report or Final Audit Report shall be sent to the Beneficiary concerned within 90 days of expiry of the time limit for submission of observations;

- The EACEA or the European Commission may take measures which it considers necessary including a Recovery Order at the time of payment of the balance or after payment of the balance of the full amount or a part of the amount paid.

Section 8 - The Assistance of Creative Europe Desk UK

Alongside this guide, Creative Europe Desk UK's team offers free advice and support to prospective applicant organisations based in the UK. If you have any further queries about the financial management of a Creative Europe-supported project, contact us:

- Visit our website: www.creativeeuropeuk.eu
 - Take inspiration from successful projects on our website
 - Search for potential partners
 - Sign up to our regular e-newsletter
- Attend one of our free information seminars, workshops and networking events
- Follow us on social media for regular updates on events and funding opportunities:
www.facebook.com/CEDUKCulture
Twitter: @CEDUK_Culture #CreativeEurope
- Get in touch with us to arrange a meeting, phone call or Skype:
www.creativeeuropeuk.eu/contact-us

Creative Europe Desk UK is led by



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