

ANNEX K

GUIDELINES and CHECKLIST for assessing ACTION BUDGETs and SIMPLIFIED COST OPTIONS for Union financed GRANT CONTRACTS

Introduction

This document includes guidance and a checklist for the Contracting Authority to assess Action Budgets (further referred to as 'Action Budget' or 'Budget') including simplified cost options for Grant Contracts for External Actions of the European Union ('Grant Contract') at the stage of proposal.

The Action Budget is attached as Annex III to the Grant Contract. It includes inter alia a mandatory justification worksheet ('Justification Sheet') to be completed by the Beneficiary. This worksheet is a key document and will be further referred to as 'Justification Sheet'.

In many cases the European Commission will be the 'Contracting Authority' but sometimes (e.g. under the implementation mode indirect management) the Contracting Authority can be another entity (e.g. the National Authorising Officer under EDF). The term Contracting Authority ('CA') is used throughout this document and it usually refers to CA staff who are charged with assessing the Action Budget and simplified costs options.

The guide and checklist can be used to assess the plausibility and reasonableness of Grant Contract Action Budgets which are:

- not based on or do not include simplified cost options;
- based in full or in part on (a combination of) simplified cost options

Simplified cost options may take the form of:

- **unit costs:** these cover all or certain specific categories of eligible costs which can be clearly identified (as indicated in the Budget at proposal stage) and are expressed in amounts per unit.
Example: unit cost per working month for personnel costs based on internal policies and average (payroll) costs; unit costs for small local transportation or other expenses in rural areas (often in expense categories with many small value items and/or with poor documentation), per diems¹ etc.
- **lump sums:** these cover in global terms all or certain specific categories of eligible costs which can be clearly identified (as indicated in the Budget at proposal stage).
Example: global cost for the organisation of an opening event, global cost for the production of information videos etc.
- **flat-rate financing:** this covers specific categories of eligible costs which can be clearly identified (as indicated in the Budget at proposal stage) and are expressed as a percentage of other eligible costs.
Example: local office costs and related expenses (maintenance, security, a shared car etc.) charged as a percentage of staff costs, indirect costs, etc.

Simplified cost options can apply to one or more of the direct cost headings of the budget (i.e. cost headings 1 to 6), or to sub-cost headings or to specific cost items within these cost headings.

¹ Per diems are not considered as a simplified cost option for the purposes of Union financing when a Grant Beneficiary reimburses a fixed amount to its staff in accordance with its staff rules and requests for the reimbursement of that amount in the Action Budget. Such per diems are considered actual costs.

Section I of this document sets out **general and guiding principles** for assessing the plausibility and reasonableness of Action Budgets - i.e. with or without simplified cost options - at proposal stage. Section II is a **checklist** which describes the procedures and checks that CA staff can perform for assessing common expenditure categories as well as common and major expenditure items in these categories. It is structured around the expenditure categories in the template for Action Budgets.

The checklist is not comprehensive and the specific circumstances and context of the Action should be taken into account on a case-by-case basis.

ATTENTION

- This document is **not a formal approval document**. It is a supporting tool to determine whether an Action budget for a Grant Contract proposed by a Beneficiary is plausible and reasonable. Consequently the checklist serves as a basis for a decision to be taken by the CA whether the Action Budget is acceptable.
- Applicants can propose simplified cost options at proposal stage. The CA will decide whether such costs can be accepted during the contracting phase on the basis of the Budget submitted. The CA will base its decision on an analysis of the Budget performed through the checks in these guidelines.
- As a general rule² the total amount of financing on the basis of simplified cost options that can be authorised by the CA (excluding the indirect costs) cannot exceed EUR 60 000 per beneficiary (including simplified cost options proposed by its own affiliated entities). More particularly:
 - a) The threshold of EUR 60 000 does not necessarily apply to the entire grant amount. The CA may decide that simplified forms of grants can be used for low value grants. The CA may also authorise simplified forms of grants for only one or several categories of eligible costs up to EUR 60 000.
 - b) The threshold of EUR 60 000 corresponds to the amount awarded in the form of reimbursement of unit costs, lump sums or flat-rate financing. The final amount granted at the end of the Action in the form of reimbursement of unit costs or flat-rate financing³ may exceed EUR 60 000 in case budget transfers between contributions to eligible costs or categories of eligible costs are authorised, without prejudice to the conditions, amounts and percentages established in the Grant Contract.
 - c) In case of multi-beneficiary grants, the threshold of EUR 60 000 refers to the amount awarded per beneficiary. In the case of multi-beneficiary grants, the CA can award grants or part of grants in simplified forms exceeding EUR 60 000, provided that the amount per beneficiary is equal to or less than EUR 60 000
 - d) The Financial Regulation provides for flat-rate financing of indirect costs on the basis of a rate up to 7% of the total eligible direct costs. The threshold of EUR 60 000 is considered as exclusive of the funding of eligible indirect costs on the basis of a 7% or lower flat-rate applied to total eligible direct costs.

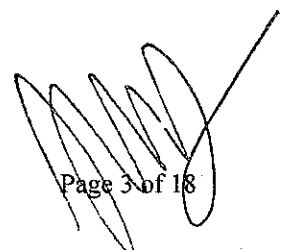
² The European Commission by decision could set a higher threshold and different conditions that will then be reflected in the Call for Proposal as appropriate.

³ Since lump sum amounts do not contain any variable component, budget transfers impacting contributions in the form of a lump sum or eligible costs declared as a lump sum are not possible.

- e) The threshold of EUR 60 000 should not be interpreted as a final ceiling for lump sums, unit costs or flat-rate financing. Higher amounts can be accepted but must be **authorized by a Commission decision**.

- Once simplified cost amounts (as specified in the Action Budget) have been assessed and approved by the CA such costs will no longer be subject to a detailed ex post verification of actual underlying cost data. Hence, Auditors will not be required to check supporting documents to verify the actual costs incurred but they must focus on a correct application of the formulas for the calculation of the cost based on related inputs and relevant quantitative and qualitative information. Nevertheless, the Beneficiary must keep all underlying data and records relating to actual costs for inspection by the Court of Auditors and/or the European Commission or anti-fraud service as set out in Article 16 of the General Conditions of the Grant contract.

- If a verification/audit reveals that the calculation methods used by the beneficiary(ies) or its affiliated entity(ies) to determine unit costs, lump sums or flat-rates are not in line with relevant conditions or factual information (e.g. the generating events have not occurred), the CA may establish such costs as not eligible and recover up to the amount of the simplified cost options used.
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I General and Guiding Principles

Budget – definitions

The budget for a Grant Contract should be a realistic plan for the future expressed in quantitative terms. The budget should be based on the objectives and activities set out in the Grant Contract and it constitutes an essential part of it. The budget should be based on a combination of financial, quantitative and qualitative information. The budget is an essential part of the financial report for the Action financed by the Grant Contract.

- The budget is a **planning** tool. An organisation with objectives and activities in the form of a budget will be able to plan and make better decisions.
- The budget is a **control** tool. A budget helps an organisation to control expenditure by setting cost guidelines, benchmarks, estimates and criteria. The budget must reflect all expenditure in line with the planned activities.
- The budget is a tool for **financial compliance**. The contractually agreed budget categories and lines are overall spending limits.
- The budget **mirrors the financial report**. Actual expenditure incurred will be presented in the financial report and be compared with budgeted expenditure.

Responsibilities of the Grant Beneficiary

Beneficiaries of Grant Contracts should:

- Draw up a reliable, plausible, transparent and realistic Action Budget in line with the objectives, activities and time period defined for the Action.
- Explain in the Justification Sheet the assumptions used to draw up the Budget and the methods and sources used to:
 - quantify the project inputs (e.g. number of assets to be acquired, staff numbers to be employed / allocated and time period).
 - value Action inputs (e.g. prices of assets to be acquired, salaries of staff, fees of consultants)

The beneficiary should be able to provide – on request of the CA and in addition to the Budget and the Justification Sheet – further explanations, documents and sources used to draw up the budget. Failure to do so casts doubt on the reliability and plausibility of the budget.

NB: Information to be included in the Action Budget in case of simplified cost options

Applicants proposing simplified cost options must clearly indicate in the first worksheet of the Action Budget, each heading/item⁴ of eligible costs concerned by this type of financing, i.e. state in capital letters "UNIT COST" (per month/flight etc.), "LUMP SUM" or "FLAT RATE" in the Unit column, as in the example below.

Budget for the Action		All Years		
Costs	Unit	# of units	Unit value (in EUR)	Costs (in EUR)
1. Human Resources				
1.1 Salaries (gross salaries including social security charges and other related costs, local staff) ⁴				
1.1.1 Technical	per month	12	4.000	48.000
1.1.2 Administrative/ support staff	UNIT COST per month	12	3.500	42.000
1.3 Per diems for missions/travel ⁵				
1.3.1 Abroad (staff assigned to the Action)	per diem	60	100	6.000
1.3.2 Local (staff assigned to the Action)	UNIT COST per diem	200	20	4.000
Subtotal Human Resources				100.000
2. Travel⁶				
2.1. International travel	Per flight	5	1.000	5.000
2.2 Local transportation	UNIT COST Per month	12	200	2.400
Subtotal Travel				7.400
4. Local office	FLAT RATE		3%	2.700
4.1 Vehicle costs	Per month			
4.2 Office rent	Per month			
4.3 Consumables - office supplies	Per month			
4.4 Other services (tel/fax, electricity/heating, maintenance)	Per month			
Subtotal Local office				2.700
5. Other costs, services⁸				
5.1 Publications ⁹				
5.2 Studies, research ⁹	LUMP SUM			8.000
Subtotal Other costs, services				8.000

In the above example:

- The costs for 1.1.1. Technical staff will be reimbursed on the basis of actual costs incurred. The costs for 1.1.2 Administrative/ support staff will be reimbursed on the basis of the UNIT COST per month. When actual payroll data are available, the amount of 42.000 EUR will be reimbursed (the auditor verifies the quantitative data (i.e. number of months and staff concerned) and checks whether the unit cost is the one which was approved as simplified costs option).
- The cost for the local office (heading 4) will be reimbursed by calculating the 3% on the final cost of salaries (1.1.Salaries) Additional information is provided in the Justification Sheet. (see below)

⁴ Use different lines for each type of simplified cost options and per beneficiary.

- If the study is carried out in accordance with the conditions agreed, a lump sum of EUR 8.000 will be reimbursed.

Moreover, applicants must in the second column of the Justification Sheet and for each corresponding budget item or heading:

- describe the information and methods used to establish the amounts of unit costs, lump sums and/or flat-rates for the costs to which these refer, etc.
- explain the formulas for calculation of the final eligible amount ⁵
- identify the beneficiary who will use the simplified cost option (in case of affiliated entity, specify first the beneficiary), in order to verify the maximum amount per each beneficiary (which includes if applicable simplified cost options of its affiliated entity(ies))

Responsibilities of the Contracting Authority ('CA')

The CA (i.e. its staff dealing with assessing the Action budget) should assess the plausibility and reasonableness of the Action budget and its underlying assumptions and principles.

NB: Approved simplified cost options

Each heading/item of eligible costs for which "UNIT COST", "LUMPSUM" or "FLAT RATE" is stated in the Unit column **in the final version of the Action Budget** which is attached to the final signed Grant Contract is deemed to have been assessed and approved by the CA as **simplified cost option** (see example above).

Tips for reviewing a budget

- The Justification Sheet of the budget should describe how the Budget has been established. The CA should review whether assumptions and principles used by the beneficiary(ies) to draw up the budget are plausible and realistic. Hence it is essential to have or obtain a good understanding of the objectives and activities of the Action. The first step is to identify the activities. Next resources and inputs should be listed in order to review qualitative, quantitative and financial data.
- The Budget should be clear, transparent and comprehensive.
- The Budget should be realistic. Rough estimates and amounts which are not explained cast doubt on the reliability of the budget. This involves a high risk of over- and underestimates.
- Quantitative and qualitative data should be clear and plausible taken into account Action objectives and activities. *Examples:* type and number of assets / items to be acquired (e.g. vehicles, equipment), qualifications and number of staff and time required (hours, weeks, months), types, units and measures of materials to be acquired (e.g. weight, distance, content etc.).
- Cost and price data should be plausible and verifiable with appropriate supporting documents and other sources, both internal (grant beneficiary) and external.

⁵ *Examples:*

- *Staff costs:* number of working hours/days * hourly or daily rate
- *Travel expenses:* distance in km * transport cost per km; number of days * daily allowance for the country;
- *Specific costs related to the organization of an event:* number of participants at the event * total cost per participant etc.

- Budgeted expenditure should be properly classified to avoid overruns which may result in ineligible expenditure.
- Budgetary principles - in particular cost allocation principles and keys- should be coherent with existing accounting policies (if applicable) and be based on plausible assumptions.
- The arithmetical accuracy of the budget should be checked.
- Budgeted expenditure should be eligible in accordance with applicable contractual conditions.

Sources of Information

The use of sources of information which can be used to assess budgeted costs can vary with the:

- nature of expenditure (e.g. capital expenditure salary costs, technical assistance fees);
- availability of sources and documents. For example: access to and availability of historical records at beneficiary or at the Delegation;
- use of actual or historical information.

In some cases it may be necessary or useful to use different sources to evaluate budgeted cost and to corroborate information obtained from another source.

A first distinction can be made between actual and historical information:

- **Actual information ('ACT')**

Actual information is **present** information about an organisation used to help forecast the organisation's future i.e. to draw up a budget.

- **Historical information ('HIST')**

Historical information is **past** information about an organisation used to help forecast the organisation's future i.e. to draw up a budget.

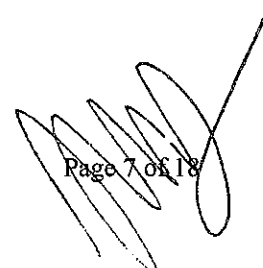
A distinction can also be made between information obtained from the CA and from the beneficiary:

- **Contracting Authority ('CA')**

This means that the information is obtained **by** CA staff from the CA's own sources or by CA staff directly from independent external sources. Information may be actual or historical. The information may relate to past information which relates to the same beneficiary or which relates to another beneficiary. Depending on the type of information this may only be useful if the other beneficiary is comparable (e.g. size, sector, geographic location, type of activities and projects etc.)

- **Beneficiary ('BEN')**

Information is obtained by CA staff **from** or **through** the beneficiary.



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The following table is an overview of these sources illustrated with examples.

Sources			Examples
ACT	CA	1 CA information systems, databases, knowledge CA staff	Rules and rates for Per Diems
			Knowledge project managers with regard to costs of similar assets and services procured for on-going Actions
		2 Publicly available information (Internet, newspapers, magazines, brochures)	Government / Ministry salary scales
			Social security charges (rates, %)
			Cost for travelling (e.g. prices of flights, trains etc.)
			Utility costs (electricity, water, gas, fuel) and taxes and levies (e.g. sewer and solid waste charges)
			Rental prices per m2 (country, city) on the internet or obtained from real estate agencies
		3 Information obtained directly from contractors	Quotes from suppliers (e.g. equipment) and service providers (e.g. technical assistance fees)
		4 Information relating to <u>ongoing</u> Actions implemented by <u>other</u> beneficiaries.	Contracts (employment, rental, leasing, technical assistance)
			Costs and prices equipment and vehicles
HIST	BEN	1 Beneficiary information systems, records and documents	Same as for ACT - CA 2 and 3 above
			Contracts (employment, rental, leasing, technical assistance)
	CA	1 CA historical archives/ project files, information systems, databases, knowledge and experience Commission staff	Costs / prices equipment and vehicles in tender and procurement files, invoices. Technical specifications of the same or comparable equipment and vehicles.
			Salaries and related costs in past project files
			Conference and seminar costs in past project files
			Database consultants, technical assistants (e.g. fee rates), other contractors.
			Costs of service providers (technical assistance, audit, evaluation) in past project files.
		2 Information relating to <u>past</u> Actions implemented by <u>other</u> beneficiaries.	Same as for HIST – CA 1 above
	BEN	1 Beneficiary historical records and documents	Purchases of equipment, vehicles etc.
			Salaries and related costs in accounting / payroll systems
			Costs of service providers (technical assistance, audit, evaluation)

Sources			Examples
			Utility costs (electricity, water, gas, fuel) and taxes and levies (e.g. sewer and solid waste charges)
			Office communication costs (telephone, fax, internet)

Tips for reviewing source information and documents

- A proper Justification Sheet in the Budget is a minimum requirement. Supporting evidence in documentary form, whether paper, electronic or other medium should be obtained – where appropriate on a sample basis - for major expenditure items.
- Evidence directly obtained from independent external sources (outside the beneficiary) is stronger than evidence obtained from the beneficiary. *Examples:* quotes for computer equipment obtained directly from the supplier or from the internet.
- Information and documents generated internally are more reliable if they have been subject to control and approval. Large organisations usually have strong internal controls and established and formal rules and procedures as opposed to small and medium sized organisations. *Examples:* official salary scales used by a Ministry or a large international NGO are good evidence whereas the (informal) salary policies of a small local NGO are not so good evidence as this information can be easily manipulated. In the latter case a reality check with external benchmarks is advisable.
- Original documents are stronger evidence than photocopies or facsimiles. An original suppliers invoice or contract is more reliable than an internally approved receipt note.
- Actual information obtained by CA staff independent from the grant beneficiary is in principle the most reliable source of supporting information for budgeted costs.
- Historical information obtained by CA staff from the beneficiary may be less reliable but can constitute appropriate supporting information for budgeted costs.
- Article 14 of the General Conditions applicable to European Union-financed grant contracts for external Actions provides the criteria for eligible costs. Budgeted costs should be reviewed for eligibility with these contractual conditions.
- Article 16 of these General Conditions provides criteria and examples of the type of documents, records and information that beneficiaries should keep. This Article provides useful guidance for evaluating the costs in the Action budget.

Quantitative, qualitative and costing aspects

An assessment of budgeted costs involves an examination of underlying quantitative, qualitative and costing aspects.

Quantitative aspects

In most cases quantitative aspects must be examined. *Examples:* number of items to be acquired, number of staff required, number of consultants, timing aspects (hours, days, months etc), measures (weight, distance etc.) and allocation keys (percentages, numbers). Quantitative aspects should be

examined for plausibility by taking into account activities and information in the Justification Sheet and contractual documents.

Qualitative aspects

The importance of qualitative aspects varies with the nature of expenditure and can have a substantial impact on the costs.

Examples:

For capital expenditure (e.g. computer equipment, vehicles) the main technical specifications and requirements have a substantial impact on costs and prices. For computer equipment memory sizes have a direct and substantial impact on the purchase price.

Staff salaries and consultancy fees. Qualifications, expertise, experience and sometimes specific requirements have a direct and substantial impact on salary cost. The same is true for fees charged by technical assistants, consultants and experts.

Costs

Costs, prices, fees, unit costs, cost rates etc. must be checked for plausibility and reasonableness. Depending on the nature and magnitude more time may have to be spent on the examination of costs.

Examples:

For capital expenditure the price / costing aspect is very important. The purchase prices of computer and technical equipment (e.g. medical equipment) have a direct and substantial impact on the budget. Hence a proper examination should involve obtaining reliable price information or confirming prices in documents provided by the beneficiary with external sources (e.g. obtaining quotes from suppliers)

The same is often true for salaries of project staff. In some cases a check with copies of salary records provided by the grant beneficiary may not be considered sufficient and an additional check with benchmarks external to the beneficiary may be necessary (e.g. salary scales of a ministry or of large NGOs).

Generally speaking it is not necessary to carry out a complete and comprehensive review of all cost headings and of all sub-categories. The following should be considered on a case-by-case basis:

- the use of sample checks within cost categories;
- a focus on high or unusual costs or cost items;
- quality of the Action budget. If Action budgets are transparent and explained in a clear Justification Sheet, a limited review based on a number of key and sample checks may be sufficient to accept the entire budget as being plausible. Action budgets which are not clear and founded will require more work and possibly a full review. In some cases the quality of a budget may be so poor that it may be necessary to ask the beneficiary to redo the work and provide a new Action budget.

II CHECKLIST

The checklist is composed of procedures and checks that apply to

- **each** cost category / subcategory
- **specific** cost categories: *human resources, travel, equipment and supplies, office costs and other costs and services.*

ALL Action budget cost categories : sub categories		
1	Verify the arithmetical accuracy of the figures in the cost budget and supporting schedules, if necessary / appropriate on a sample basis.	Specific cost budget and supporting schedules, tables and breakdowns of costs. It is a good and common practice to include these schedules in annexes to the budget and/or to integrate them in the Justification Sheet
2	Contact the beneficiary to obtain clarification and/or additional information if necessary / appropriate.	
3	Lump sums (if applicable) Lump sums for financing the cost budget or parts of it can be accepted if : <ul style="list-style-type: none"> - total budgeted costs concerned are plausible; - activities and resources financed by lump sums are clearly defined 	When budgeted costs are used as a basis for lump sums, unit costs or flat rates this means that actual costs incurred (and related to these budgeted costs) will not be made subject to verification. In this case budgeted costs should be (more) critically reviewed.
4	Unit costs (if applicable) Unit costs for financing the cost budget or parts of it can be accepted if : <ul style="list-style-type: none"> - total budgeted costs concerned are plausible; - quantitative data concerned are plausible; - unit costs are properly and consistently calculated; and - activities and resources financed by unit costs are clearly defined 	
5	Flat rates (if applicable) Flat rates (e.g. percentage rates) for financing the cost budget or parts of it can be accepted if : <ul style="list-style-type: none"> - total budgeted costs concerned are plausible; - quantitative data concerned are plausible; - Flat rates (%) are properly and consistently calculated; and - activities and resources financed by flat rates are clearly defined 	

Action budget cost category: HUMAN RESOURCES ('HR')		
Objectives: - to assess the plausibility of the total budgeted costs for human resources ; and if applicable - to assess the budgeted costs used as a basis for simplified cost options in order for the CA to approve simplified cost options for financing		
#	Procedures and checks	Sources / documents / examples
1	Is qualitative information plausible / in line with project activities? - qualifications, experience, special skills required - local staff and/or international staff, expats - tasks: managerial, financial, administrative, operational, technical, support..	Project description and Justification Sheet <i>In particular:</i> detailed description of profiles / requirements for staff to perform project tasks
2	Is quantitative information plausible / in line with project activities? - numbers of staff for the various tasks (see # 1) - part-time or full-time - time period during which staff should be employed / allocated to the project (weeks, months, years)	Project description and Justification Sheet <i>In particular:</i> description of assumptions / principles used to quantify staff numbers and to define time periods
3	Are gross salaries : - based on regular pay/salary policies of the beneficiary, - based on official, generally applicable pay/salary scales - in line with relevant standards / criteria / benchmarks (country, sector..)	Current, ongoing employment contracts of the beneficiary Salary and payroll data of the BEN Official pay scales (ministry, sector, large NGOs...) Past project information in Commission archives, knowledge Commission staff. <i>Examples:</i> employment contracts, pay slips, information in project financial reports and in audit and evaluation reports. Country / sector benchmarks. <i>Examples:</i> employment offices (public sector) and employment / recruitment agencies (private sector), internet
4	Are social security charges : - properly computed on the basis of applicable rules (% of salary / salary components; fixed amounts...) - based on official, generally applicable rules and regulations?	Public / government / employment office / sector publications, guides, brochures
5	Are salary related costs : - properly computed on the basis of applicable rules (% of salary / salary components; fixed amounts...) - based on internal policies and rules - based on official, generally applicable rules and regulations	Beneficiary internal policies and rules (HR / management memo's, guidelines) Government / tax / employment office communications (internet, brochures...) Sector rules and policies (e.g. health, agriculture, transport) in official brochures, internet <i>Examples:</i> sickness insurance and pension schemes, allowances (representation, meals, phone...), reimbursement of expenses for training.
6	Are per diems : - properly computed on the basis of applicable rules? - based on internal policies and rules? - based on official, generally applicable rules and regulations? - based on plausible, realistic numbers of days charged to the project?	Beneficiary internal policies and rules (HR / management memo's, guidelines) Government / tax / employment office communications (internet, brochures...) Same as for 5 and Commission rules / rates in contractual conditions, PRAG.

Action budget cost category: TRAVEL

Objectives:

- to assess the plausibility of the total budgeted costs for **travel**; and if applicable
- to assess the budgeted costs used as a basis for simplified cost options in order for the CA to approve simplified cost options for financing

#	Procedures and checks	Sources / documents / examples
1	<p>Is qualitative information plausible / in line with project activities?</p> <ul style="list-style-type: none"> - necessity of international and local travel for the project - type and frequency of travel: air, train, bus, sea, other; local, international costs per trip, subscriptions public transport (weekly, monthly) 	<p>Project description and Justification Sheet <i>In particular:</i> necessity of international travel (higher costs)</p>
2	<p>Is quantitative information plausible / in line with project activities?</p> <ul style="list-style-type: none"> - number of trips (local and international) needed to attend seminars and meetings, for on-site visits.. - timing (e.g. start of project, mid-term, end) and time periods (weeks, months) 	<p>Project description and Justification Sheet <i>In particular:</i> description of assumptions / principles used to quantify data.</p>
3	<p>Are travel costs:</p> <ul style="list-style-type: none"> - based on regular policies of the beneficiary? - based on official, generally applicable policies and rules - based on reliable and appropriate information? - in line with relevant standards / criteria / benchmarks 	<p>Beneficiary internal policies and rules (HR / Management memo's, guidelines) Government / NGO policies and rules (internal guidelines, memo's, brochures.....) Information for other projects in project financial reports and in audit and evaluation reports. Knowledge CA staff Internet: rates national / international flight, train and bus tickets Quotes from travel agencies <i>Examples:</i> reimbursement of subscription local transport</p>

Action budget cost category: EQUIPMENT AND SUPPLIES


Objectives:

- to assess the plausibility of the total budgeted costs for equipment and supplies; and if applicable
- to assess the budgeted costs used as a basis for simplified cost options in order for the CA to approve simplified cost options for financing

#	Procedures and checks	Sources / documents / examples
	<p>Definition: equipment relates to a broad category which is usually called fixed assets with following characteristics:</p> <ul style="list-style-type: none"> - substantial / very high acquisition costs - costs are capitalised and written off in an organisations accounting records (capital expenditure) - used for a period of time which usually exceeds one year - assets usually acquired through a procurement process 	<p><i>Examples:</i></p> <p><i>Vehicles:</i> cars, lorries, forklifts, ambulances, motorbikes</p> <p><i>IT equipment:</i> computers, servers, printers, software and licenses</p> <p><i>Equipment</i> (including special / technical equipment): test and measurement, laboratory, cleaning and storage equipment and systems</p> <p><i>Machinery:</i> forestry machines and healthcare machines</p> <p><i>Office equipment:</i> photocopiers, faxes, scanners, data projectors</p> <p><i>Various:</i> refrigerators, mobile and smart phones, specific devices</p>
	<p>Definition: supplies relates to a broad category of tangible assets with following characteristics:</p> <ul style="list-style-type: none"> - moderate / low acquisition costs (compared to typical fixed assets). - accounted for as expenditure in organisations accounting records (not capitalised and written off); - used for a period of time which may or may not exceed one year - can be but do not always have to be acquired through a procurement process 	<p><i>Examples:</i></p> <p>Spare parts and components for machinery, equipment, vehicles</p> <p>Tools including specific technical tools</p> <p>Materials: wood, stone, plastic materials of various types and nature for project activities; chemical products ...</p>
Purchase of equipment and supplies		
1	<p>Is qualitative information for equipment / supplies plausible / in line with project activities?</p> <ul style="list-style-type: none"> - necessity of equipment / supplies for the project - technical requirements and specifications - use of specific, technical expertise (internal / external) required - do procurement and origin rules apply? 	<p>Action description and Justification Sheet</p> <p><i>In particular:</i> specific technical requirements and use of technical expertise</p>
2	<p>Is quantitative information for equipment / supplies plausible / in line with the project activities?</p> <ul style="list-style-type: none"> - number and type of items required for the project (see # 1) - timing and time periods (weeks, months) 	<p>Action description and Justification Sheet</p> <p><i>In particular:</i> a proper estimation of number of items, units may require the use of special, technical expertise</p>

Action budget cost category: EQUIPMENT AND SUPPLIES (continued)

3	<p>Are budgeted unit costs for equipment and supplies:</p> <ul style="list-style-type: none"> - properly explained for each item in the Justification Sheet (basis, sources used)? - broken down into relevant parts where applicable (e.g. additional charges / costs may apply for transport, insurance and for specific additional features and options) - in line with relevant standards / criteria / benchmarks 	<p>Information provided by the beneficiary (e.g. quotes and offers)</p> <p>Cost and price info directly obtained by CA staff (e.g. quotes from suppliers, internet)</p> <p>Cost and price info in past project files kept by the CA (tender and procurement files, invoices, project financial reports, audit reports..)</p> <p><i>Examples:</i> prices and technical specs for computer equipment can be easily checked on websites of major computer suppliers</p> <p>The costs of purchasing specific medical equipment (e.g. an x-ray machine) can be checked with offers / quotes obtained from suppliers of specialized medical equipment or by inquiry at e.g. hospitals, medical centres, ministries (standards and guidelines), umbrella organisations in the health and medical care sector....</p>
4	<p>Are total budgeted costs for equipment & supplies:</p> <ul style="list-style-type: none"> - properly computed on the basis of appropriate and reliable quantitative and financial information? - inclusive of, where applicable, additional charges and costs? 	<p>See # 1 to 3 above</p>
Renting of equipment		
5	<p>Are considerations for renting or buying (e.g. cost benefit) properly explained in the Justification Sheet for the Action?</p>	
6	<p>Are rental costs:</p> <ul style="list-style-type: none"> - properly explained for each item / group of items in the Justification Sheet? (basis, sources used)? - properly documented (if rental costs are substantial)? - properly computed (number of items and time period covered) 	<p>On-going contracts of the beneficiary for rental / leasing of equipment</p> <p>Information on rental costs:</p> <ul style="list-style-type: none"> - directly obtained by CA staff (e.g. quotes from service providers, internet) - kept by the CA: information on rental costs in project financial reports or audit reports.. <p><i>Examples:</i> rental costs for vehicles (e.g. cars) or for medical or technical equipment</p>



Action budget cost category: OFFICE COSTS		
Objectives: - to assess the plausibility of the total budgeted office costs; and if applicable - to assess the budgeted costs used as a basis for simplified cost options in order for the CA to approve simplified cost options for financing		
Note: the procedures and checks set out below relate to the most common types of office cost. The same or similar procedures and checks may be used for other types of office costs.		
#	Procedures and checks	Sources / documents / examples
1	Is qualitative information plausible / in line with project activities? - type of office and related costs necessary for the project? - tasks: managerial, financial, administrative, operational, technical, support.. to be performed inside / outside the office	Project description and Justification Sheet <i>For example</i> specific requirements e.g. minimum surface / office space in m2,
2	Is quantitative information plausible / in line with project activities? - time period for which office costs will be incurred - number of items where applicable (e.g. consumables), measures (m2 for rental costs)	Project description and Justification Sheet <i>In particular:</i> description of assumptions / principles used to quantify and estimate costs.
3	Are budgeted office costs : - based on plausible and realistic estimates? - properly explained in the Justification Sheet? - properly documented where necessary / appropriate (e.g. office rental contract) - based on appropriate allocation keys (building owned or part of a rented or owned building used for the project) - in line with adequate historical data of the beneficiary? - in line with historical data for office costs of other project beneficiaries with comparable offices (type, location, surface..)	Beneficiary historical costs info (financial reports, general ledger and trial balance cost accounts...) Detailed cost info in supporting schedules and documents provided by the beneficiary Office costs in past project files kept by the CA (project financial reports, audit reports..)
Typical and common office costs - procedures and checks in addition to the ones set out at # 3 above		
4a	Office rental costs. - based on rental contract and proper allocation keys where applicable - based on current / historical office costs and proper allocation keys if offices are owned - in line with relevant standards / criteria / benchmarks	As at # 3 above and: - rental contract provided by the beneficiary. - benchmarks: rental prices per m2 (country, city) on the internet or obtained from real estate agencies
4b	Consumables and office supplies - based on a proper breakdown, supporting schedule - focus on high value items	As at # 3 above and: cost / price information supplied by the beneficiary (e.g. quotes, invoices, order forms, offers received)
4c	Utility costs (electricity, water, gas, fuel) and taxes and levies (e.g. sewer and solid waste charges) - based on appropriate historical data - based on ongoing contracts - in line with relevant standards / criteria / benchmarks	As at # 3 above and: - cost / price information supplied by the beneficiary (e.g. contracts, invoices) - publicly available cost / price information on websites of utility service providers
4d	Maintenance and cleaning	As at # 3 and 4c above
4e	Communication (telephone, fax, internet..)	As at # 3 and 4c above

Action budget cost category: OTHER COSTS AND SERVICES

Objectives:

- to assess the plausibility of the total budgeted costs for other costs and services; and if applicable
- to assess the budgeted costs used as a basis for simplified cost options in order for the CA to approve simplified cost options for financing

#	Procedures and checks	Sources / documents / examples
1	<p>Is qualitative information plausible / in line with project activities?</p> <ul style="list-style-type: none"> - type and nature of other costs and services necessary for the project? - use of external services providers (requirements, qualifications, profiles...) - qualifications, experience and expertise of staff of service providers 	<p>Project description and Justification Sheet <i>In particular:</i> profiles of and key requirements for service providers</p>
2	<p>Is quantitative information plausible / in line with the project activities?</p> <ul style="list-style-type: none"> - timing (e.g. start of project, mid-term, end) and estimated time charged by service providers (hours, man days....) - number of items where applicable (e.g. brochures, publications) 	<p>Project description and Justification Sheet <i>In particular:</i> description of assumptions / principles used to quantify and estimate costs.</p>
3	<p>Are budgeted unit costs, rates, fees for services:</p> <ul style="list-style-type: none"> - properly explained for each item in the Justification Sheet (basis, sources used)? - based on plausible and realistic source information? - supported by appropriate documents where applicable - in line with relevant standards / criteria / benchmarks 	<p>Information supplied by the beneficiary:</p> <ul style="list-style-type: none"> - quotes from suppliers (e.g. for brochures) and service providers for unit prices / costs, rates, fees - past and on-going contracts for technical assistance, evaluation, audit / verification (invoices...) <p>Information obtained by CA staff:</p> <ul style="list-style-type: none"> - same info as above supplied by the beneficiary - knowledge project managers with regard to costs of similar services procured for past and on-going Actions - database consultants, technical assistants (e.g. fee rates), other contractors - past project files: tender and procurement documents, invoices of service providers, audit and verification reports
4	<p>Are total budgeted other costs and costs of services properly computed on the basis of appropriate and reliable quantitative and financial information?</p>	<p>See # 1 to 3 above</p>

Action budget cost category: OTHER COSTS AND SERVICES (continued)

Typical and common office costs - procedures and checks in addition to the ones set out at # 3 above

5a	Publications.	As at # 1 to 4 above and a detailed description of sorts and numbers of publications needed
5b	Studies and research	As at # 1 to 4 above and: - a detailed description of the expected output (e.g. report) - if possible / applicable the (draft) terms of reference for the engagement - details of the time required (e.g. mandays) and expert qualifications, expertise and experience
5c	Expenditure verification (by external auditor)	As at 5b
5d	Evaluation	As at 5b
5e	Translation and interpretation	As at 5b
5f	Financial services (bank guarantee costs)	Information supplied by the beneficiary - evidence of bank charges on bank statements and other official bank documents such as contracts, bank brochures / leaflets
		Information obtained by CA staff : - same info as above supplied by the beneficiary - bank charges / rates on bank websites
5g	Conferences and seminars	As at 5b and, where appropriate, supporting schedules and detailed breakdowns of budgeted conference and seminar costs
5h	Visibility Actions. These include for example: - materials: publication boards, brochures, business cards representation gadgets (pens, key rings, stickers etc.) - advertising and publicity in media (TV, radio, internet).. - presentations	As at 5b