



This programme is funded by the European Union



**What is done to check the eligibility of costs? There are nine criteria used by the auditor to check the eligibility of costs as explained in the table below.**

Eligibility criteria	What it means	Comment
<b>Costs actually incurred</b>	<i>The expenditure is real and relates to the Beneficiary/ Partner.</i>	This is established through examining supporting accounting transaction documents and proof of payment. The documents should support the proof of work done or supplies and services received, establishing the quantity and description of supplies and services and the prices and taxes paid. This procedure also extends to confirming the existence of assets (through supporting documentation or site visits.) If sufficient supporting evidence is not available, the expenditure will be considered ineligible.
<b>Cut-off implementation period</b>	<i>The expenditure was incurred within the implementation period.</i>	The period of incurrence will be established through the documentary evidence of when the work, supplies or services were ordered, delivered, invoiced and paid for. Note: the expenditure is incurred at the time the supplies or services are delivered.
<b>Budget</b>	<i>There is a budget for the expenditure.</i>	Availability of a budget supports the necessity, justification and valuation of the expenditure. The verification work involved is the examination of documents.
<b>Necessary</b>	<i>The expenditure was needed in the project.</i>	The Annex VII wording is whether it is plausible that the expenditure was necessary and had to be incurred for the contracted activities. The factual necessity of the expenditure will depend on what was expected and provided for in the project proposal. For this reason, it is important that the project plan should identify the necessary expenditure items.
<b>Records</b>	<i>The expenditure is properly recorded in the accounting system.</i>	Only expenditure recorded in the accounting systems in accordance with applicable accounting standards and usual cost accounting principles is eligible. The reference to cost accounting principles refers to expenditure which is apportioned to the project e.g. the rent of office space.
<b>Justified</b>	<i>The expenditure is supported by evidence.</i>	Expenditure is considered justified when it is substantiated by evidence. This is a check on the sufficiency of the supporting evidence.
<b>Valuation</b>	<i>The monetary amounts are properly stated.</i>	In checking the monetary amounts, the auditor will look at quantities, unit prices (including salary rates) and the final amounts recorded. The exchange rates used will also be checked.
<b>Classification</b>	<i>The expenditure is recorded in the proper category.</i>	Financial report has defined expenditure categories. This check ensures the expenditure is recorded under correct category. It is also important that categorisation of expenditure is consistent from one financial reporting period to another.
<b>Compliance with procurement, nationality and origin rules</b>	<i>Compliance with procurement, nationality and origin rules is essential for expenditure to be eligible.</i>	Annex VII of your grant contract specifically refers to checking the procurement, nationality and origin rules for expenditure headings, classes of expenditure items and individual expenditure items. Documents supporting the procurement process will be examined for this and the procurement risk factors (listed in Annex VII) should be considered. Where non-compliance with the rules is established, the auditor must determine and report the financial effect on the eligibility of expenditure.

Source: ENPI CBC Project Implementation Manual, 2011, Regional Capacity Building Initiative.