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IPA Croatia – Bosnia and Herzegovina – Montenegro

Guidance for Project Partners:

Separate Accounting Records for Project Expenditure

To help Project partners prepare their Partner reports, the Managing Authority and the Joint Secretariat have prepared an overview of why separate accounting records for project expenditure are required, what documentation needs to be submitted and which rules apply.

Why this is important

Maintaining accounting records in which project-related costs are recorded separately is one of the basic conditions for the eligibility of expenditure. This requirement comes from the applicable EU regulations and the Programme documents. It is also set out in the Subsidy Contract and the Partnership Agreement.

Regulatory framework

EU regulations

The applicable EU rules apply to project partners from all three participating countries. Bosnia and Herzegovina and Montenegro have both signed Financing Agreements with the European Commission, which regulate the conditions of their participation in the Programme.

Among other rules, Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 (the Common Provisions Regulation, CPR) applies. Article 74(1)(a) of the CPR requires verification that beneficiaries (project partners) maintain separate accounting records or use appropriate accounting codes for all transactions relating to the operation.

Programme Manual on Eligibility (PME)

Section 4.1, Basic conditions of the eligibility of expenditure, states that expenditure is eligible if, among other conditions:

e) they are identifiable, verifiable and documented (e.g. contract, invoice, order form), in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is located and according to the usual cost accounting practices of the beneficiary.

Subsidy Contract (SC)
Article 11(2) states that eligible expenditure must fulfil all of the listed criteria, including:

e) they are identifiable, verifiable and documented (e.g. contract, invoice, order form), in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is located and according to the usual cost accounting practices of the beneficiary.

Partnership Agreement (PA)
Article 6(1) sets this out in more detail:
Each Project Partner shall be obliged to: (...) 2. ensure either a separate accounting system or an adequate accounting code for transactions related to the Operation implementation to allow identification of costs within the Operation.

What is required in practice

When submitting a Partner report, project partners must include analytical ledger cards for the expenditure claimed under real (direct) budget categories as part of the supporting documentation. This applies under both budget options (SCO I and SCO II). The ledger cards are printouts from the partner's accounting system. They must clearly separate project costs from the partner's regular operating costs, in one of two ways:

(1) the costs are recorded in a separate project accounting system, or
(2) the partner's regular accounting system uses appropriate accounting codes for all project costs.

The term "appropriate accounting code" can cover the different internal codes partners use in their accounting software. Examples include cost centres, profit centres, activities, projects, work sites and similar labels.

Minimum requirement accepted by the Programme

As a minimum requirement, the booking description of each cost entry in the analytical ledger card must clearly refer to the project to which the expenditure relates. This can be done by including either the project acronym or the project ID (HR-BA-ME0xyz).

Summary

The analytical ledger cards must show clearly that the costs claimed in Partner reports are recorded separately from the partner organisation's regular operations. The amount of each claimed cost must also be clearly identifiable. Maintaining the separate accounting records or using the appropriate accounting codes is one of the basic conditions for the eligibility of expenditure.