

PROJECT IMPLEMENTATION

FREQUENTLY ASKED QUESTIONS

I. General questions:

Q: Is there any ratification related to the implementation of the Memoranda of Understanding and if so where can the relevant document be found?

No specific ratification besides the legal documents describing the bilateral agreements between Norway and Bulgaria and Romania, respectively, has been signed. The full text of the **Memoranda of Understanding** and their annexes, namely Annex 1 - Agreement, Annex 2 - Decision making structure, Annex 3 - Priority sectors for both countries can be found on <http://www.norwaygrants.org/en/Relevant-documents2/>

Q: Is it possible to contract international consultants through their organisation?

Yes, there are no limitations about the types of contract for external services. It could be either a direct contract with an external expert or a contract with his/her organisation. If applicable, the public procurement legislation must be complied with when entering into service contracts.

Q: Is it allowed to hire staff (self-employed persons – „persoana fizica autorizata” in Romanian) to be paid on a monthly basis pursuant to the terms of a services convention?

Yes, as long as the applicable law in force in the country where the project is implemented so allows.

Q: When is it considered that a project has started effectively? Are preparatory activities (e.g. tender organisation) counted in?

The start date for the eligibility of expenditure is the date of the grant award (i.e. the date mentioned in the top right-hand corner of page 1 of the grant offer letter).

In practice, projects normally do not start on the very same date but slightly later. The effective start date of the project is the one when the very first activity (whether preparatory or not) was initiated.

Q: With respect to publicity, would it be possible for Innovation Norway to establish one web site where all project promoters can upload the relevant publicity documents?

The idea is good and will be considered. However, for the moment, the distinction must be kept between Innovation Norway's publicity obligations in relation to the entire programme and the promoters' publicity obligations in line with the publicity plans corresponding to each and every individual project.

Innovation Norway will keep in touch with the promoters and their partners for any initiative that may bring the two obligations together.

II. Financial issues

Q: Is there any guide regulating the financial issues, reporting requirements, communication of the results, monitoring of the milestones achieved?

The principles specified in the Rules and Procedures and the Applicants' Guide (already published on www.norwaygrants.org), in conjunction with the clarifications in this FAQ paper, are to be considered as relevant. No other guide will be available.

Q: As requested in the grant offer letter, a separate project account should be opened in EUR, with the co-financing contribution to be transferred to the same account. Given that most co-financing will be in national currencies, is it a must for this money to be transferred to EUR and then back again into national currencies (since most payments will be effected on the territory of the implementing country and hence in national currencies)? Second, how is the in-kind part of the contribution to be transferred into this account?

Given the potential for complications and losses that may arise from national currency-EUR-national currency transfers, it may be accepted that the cash part of the co-financing contribution need NOT be transferred to the separate project account in EUR. With respect to the in-kind part of the co-financing contribution, its cash equivalent need NOT be transferred at all to any account. Promoters and their partners will only have to prove/document that the cash and in-kind parts of the co-financing have been duly spent.

Q: When my organisation/company receives a bank transfer from Innovation Norway, is it requested that the organisation/company issues a VAT invoice?

There is no such requirement from Innovation Norway; the respective Bulgarian/Romanian/Norwegian legislation should apply. Since your organisation is a beneficiary (grantee) in the framework of the Norwegian Cooperation Programme, it is not VAT liable towards Innovation Norway, hence no invoices are expected to be issued.

Q: Is it allowed to make modifications to the project budget?

Possible modifications to project scope and budget are defined in Art. 11 of the General Terms and Conditions (part of the Grant Offer Letter). With the exceptions stipulated in para 3 of this article, any modifications to the Project budget are subject to Innovation Norway's prior approval in writing.

For cases where Innovation Norway's approval is needed, a project modification request template will be available on www.norwaygrants.org

Q: Is there any special requirement to mention the name of the programme and the respective project in all invoices and contracts related to the project?

The name of the project and the respective contract number should be indicated in all original documents, proving the costs accrued during project implementation.

Q: What documents for remuneration of consultancy services in relation to the respective project are accepted by Innovation Norway – invoices or contracts?

Both types of documents are relevant for remuneration of consultancy services. Nevertheless, it is expected that the promoter signs a contract for hiring external

assistance where the type of services and expertise as well as the respective remuneration, are clearly defined.

Q: What are the principles for currency exchange (f.ex from NOK to EUR)?

In general, the project promoter undertakes the risk, related to currency exchange. The guidelines related to conversions from RON and BGN are listed in section 5.5.1 in the Applicant's Guide.

Regarding NOK, the project promoter shall apply the average currency rate in force in the month preceeding the month during which the expenditures were reported. The rates are quoted by The Norwegian Central Bank, Norges Bank, at:
http://www.norges-bank.no/templates/article_26805.aspx

Q: What is meant by "the expenditures were recorded" in section 5.5.1 'Use of Euro' in the Applicant's Guide?

"Recorded" means registered in the accounting system.

Q: Since I am a Norwegian project promoter may I have a project bank account in NOK?

No, all project accounts should be in EUR. For all EUR bank accounts, the IBAN and Swift (BIC) code should be stated to Innovation Norway.

III. Tender procedures

Q: Is any ex-ante control to be performed by Innovation Norway on public procurement procedures?

An ex-ante control is **NOT** foreseen from Innovation Norway. In case the beneficiary has specific needs Innovation Norway might provide guidance on e.g. how to find the right legislation, assist to identify a relevant lawyer etc.

For further public procurement information, please visit the official websites of the Public Procurement Regulatory Authorities at www.aop.bg for Bulgaria and <http://www.anrmap.ro/> for Romania.

Q: Is it expected that the promoter send the tender documentation to Innovation Norway prior to the procedure's taking place?

No. The promoter should not send any tender documentation to Innovation Norway prior to the procedure's taking place. Unless otherwise agreed in the grant offer letter, only a short e-mail to the relevant case Task Manager is to be sent (at least one week prior to the procedure's taking place) informing that under project x, a tender procedure will be initiated on date z with e-documentation available at link y (as applicable) and whether it is a national or European (Tender Electronic Daily (TED)) notification.

The project promoter shall allow Innovation Norway or an external representative appointed by Innovation Norway to take part as an observer in the evaluation of public tenders as Innovation Norway may deem necessary and as may be accepted under the applicable Bulgarian/Romanian legislation on public procurement.

All tender documentation shall be kept on dedicated project files easily available for ex-post controls/checks during on-the-spot monitoring and/or audit missions.

Q: Are there any specific requirements regarding the origin of the equipment that will be purchased for the purposes of the project?

There are no such requirements from Innovation Norway. The important thing is that all procurement shall be based on the principles of equal treatment and non-discrimination of the suppliers.

Q: If the project promoter (who is the main responsible for the implementation of the entire project to Innovation Norway) is Norwegian, and the project includes an activity that requires a public tender in the benefit of a Romanian/Bulgarian partner, to what extent can it be said that it is the Norwegian promoter who is responsible for that tender?

The fact that a Norwegian promoter is responsible to Innovation Norway for the overall implementation of the grant contract does not eliminate any partner's responsibility/liability for the conclusion and implementation of any sub-contract. Thus, if for instance, some equipment is to be purchased in the benefit and property of a Romanian/Bulgarian partner and if according to the Romanian/Bulgarian law that equipment must be bought following a public tender, then it is the Romanian/Bulgarian partner who must conduct the tender, sign the relevant supply contract and be responsible for its implementation.

Q: If the promoter of a project is an NGO and the project includes the purchase of equipment in the benefit and property of a local public council, is it necessary to have a public tender for the purpose and if so who should organise it – the NGO or the local council?

The need for a public tender is laid down in the public procurement regulations applicable in the relevant project countries. Normally, where the beneficiary/legal owner of a future investment is a public entity such as a local council, then that entity must observe the procurement regulations as applicable to contracting authorities and organise a tender if the relevant type of contract and relevant thresholds so require. The fact that an NGO, the status of which is normally different from what is included in the classical definition of a contracting authority, is a project promoter does not obviate the need for tenders that are in the benefit of public entities.

IV. Reporting

Q: What is the frequency of reporting and is there any template for reporting?

With reference to Art.4 of the Standard Terms and Conditions the promoter has to provide **ONLY** Project interim reports and a Project completion report. In principle, the interim reports and project completion report coincide with the disbursement claim, agreed with Innovation Norway. A template for the interim/completion report is published on http://www.norwaygrants.org/en/Project_implementation/.

Innovation Norway does not request an Annual project progress report.

Q: What is the level of detail requested with interim/completion reports?

The report has to reflect the project's progress during the reporting period, focusing on project results, legal and cross-cutting issues and on human resources and financial expenditure. Innovation Norway encourages the reports to be short, accurate, clear and

to the point. Reporting examples are included in the instructions that accompany the relevant templates available at http://www.norwaygrants.org/en/Project_implementation/

Q: How should the in-kind contribution be reported? How is the value of in-kind contributions to be established/documentated? Should proof of declared value x be based on the accounting value of the item in question or is it necessary to hire independent evaluators for the purpose?

The working hours have to be reported by using time sheets. An example of a time sheet is incorporated in the published interim report template.

The overhead costs (office rent, electricity, water, heating, communication, etc.) have to be based on invoices/vouchers.

For small office items the relevant accounting value will be considered sufficient proof. The value of more substantial items such as land and/or buildings, on the other hand, will have to be ascertained by independent experts.

Q: Is there any specific requirement as to the kind of documentation that must be submitted in order to prove the value of equipment depreciation costs, salaries and overheads in the framework of projects run by state institutions, authorities, universities etc. where overheads for instance are kept track of per institution and not per project?

The programme has no specific requirements in these respects other than the need for documentary proof to be in line with the national requirements in the relevant project country. Normally, equipment depreciation as well as overheads are highlighted in accounting registers. The salaries can be documented based on payslips.

Promoters and partners are nevertheless reminded of Article 3.1 of the Applicant's Guide, pursuant to which the costs of staff assigned to the project are eligible for a maximum hourly rate of 1 promille of the actual annual salaries. Hourly rates must be clearly indicated in the relevant section of the relevant timesheet (the timesheet template is included in the project interim/completion report). With respect to overheads a maximum flat rate of not more than 20% of institutional costs will apply.

Q: Since project implementation responsibility towards Innovation Norway lies with the promoter, is the promoter supposed to check expenditure on the part of its partners or is it enough to ask for a statement of assurance?

It is up to the project partners to agree on those means and methods whereby the promoter is satisfied with the level of assurance relating to project expenditure and documentation thereof by the relevant partner(s).

Q: To what extent changes/adjustments on a case-by-case basis and function of project specifics could be made in the template for the interim/completion report that has recently been published on the programme's web?

Given the variety of project promoters/partners, as well as variations in the legal requirements applicable to the three different countries participating in the programme, it has been difficult to put together a fit-all template. What has been published on the site is a satisfactory accommodation of the different requirements with the caveat mentioned on the main news page that the template could be adjusted by the promoter to suit specifics, subject to prior agreement with the relevant Innovation Norway project Task Manager.

Q: The timesheet template on the programme's website requires that a labour account be given per working hours. In very labour-intensive, multi-partner projects and in cases where work is more daily than hourly in nature, is it possible to aggregate the figures so as to save time with filling in all the hourly details in the timesheet?

The specific content can be adjusted (e.g. daily aggregates in place of hourly details) and agreed upon with the project task manager.

Q: For how long must my organisation keep the documents/accounting vouchers in relation to the respective project?

With reference to Art.6.1 of the Rules and Procedures, the promoter "shall ensure that all original documents remain available for inspection for at least 5 years after the project has been completed, or longer if required in the grant agreement or under the national law of the Beneficiary State."

V. Disbursement

Q: What kind of documents have to be provided with claims for disbursement? Is it requested to send copies of all documents proving expenditures or only the auditing report?

As a general principle it is requested to submit a project interim report with every claim for disbursement. There is no need to send copies of the accounting vouchers, but as it is already mentioned in the Applicant's Guide all expenditures must be documented. Therefore, make sure that you can prove expenditure by means of documents available with you on file. More details are included in the interim report template available on www.norwaygrants.org.

Q: Is it possible to request Innovation Norway to transfer payments directly to my project partner or a third party?

Yes, it is possible. The promoter has to authorise the respective payment. A Power of Attorney has to be issued and signed by the promoter (for each payment) and then submitted to Innovation Norway. A template is published on www.norwaygrants.org in the Project Implementation section.

Q: How soon can we expect disbursement after the disbursement request and report is submitted?

The effective money transfer may take up to 4 weeks since report accuracy is established.

It is recommended that the promoters notify Innovation Norway about the planned submission of a report about 1 week in advance. This will allow Innovation Norway to plan ahead any on-the-spot monitoring visits connected with a payment claim.

VI. Auditing

Q: Why should my organisation perform an audit?

Innovation Norway demands external confirmation and audit of invoices, shipping documents and disbursement request. The Audit and financial control is carried out in

accordance with Article 6.2 of the Rules and Procedures in order to verify the allocation and transfer of the available funds under the Norwegian Cooperation Programme.

Q: When should an audit be performed?

a) Projects with a total budget between **EUR 100 000 and EUR 500 000** have to submit an audit report **only** with the final claim for disbursement.

The financial and performance report (**Project Completion Report** in acc. to the Applicant's Guide, Chapter 6 and Art. 4 of the Standard Terms and Conditions) is supposed to be signed by the accounting department and the top manager.

b) Unless otherwise agreed upon in the final/signed version 1 of the Disbursement Plan, projects with a total budget over **EUR 500 000** have to submit an audit report with every claim/ disbursement (Project Interim reports) during the project period. Each claim for disbursement should be documented by a Statement from the Auditor.

Q: Which International Standard applies to the auditing procedures?

The audit should be in accordance with the International Standards of Auditing, ISA 800 "The Auditor's Report on Special Purpose Audit Engagements". (More information on http://www.ifac.org/Members/Downloads/2008_IAASB_Handbook_Part_I_Compilation.pdf, pages from 607 to 622).

Q: What auditing actions have to be undertaken and reported?

According to the International Standards of Auditing, ISA 800, it is up to the audit company to define the relevant auditing actions pursuant to the Grant Offer Letter and Standard Terms and Conditions.

Q: May other standards except ISA 800 apply?

If the project promoter is the procurer and the partner is the supplier, audit standard ISRS 4400 may apply, covering the following key issues:

- verification of the funds received for the period;
- verification that goods purchased with allocated funds within the framework of the execution of the reported period are utilised within the foreseen objectives and are still available;
- proper accounting records have been kept by the organisation and the accounting principles have been applied;
- review of completeness of recording of transactions, assets and liabilities and compilation of financial statements;
- existence, ownership and recorded value of assets and liabilities;
- existence and effectiveness of an internal control system and representations embodied in the financial statements;
- whether the recorded transactions correspond to the documentation required by the law and good business practice;
- existence of irregularities or fraud.

In addition to that, a final auditing report is requested with the final claim for disbursement, where evidence supporting the amounts and disclosures in the financial statements is necessary.

Q: Is there any specific requirement for an auditing company/auditor to perform the audit?

The promoter is free to select an auditing company/auditor to perform the task as far as the auditor is registered according to the Law on independent financial audit (in Bulgaria) and OUG 75/1999 as amended (in Romania).

In case the promoter is a public authority or municipality, as a general rule, the audit is to be conducted by the Bulgarian National Audit Office and by the Romanian Court of Accounts respectively. In case it is difficult to mobilise the respective authority, the internal auditors or other auditors may perform the task.

Norwegian project promoters should use an auditor approved by The Financial Supervisory Authority of Norway. Norwegian public entities should use their normal auditing body.

VII. Good governance

Q: How and to whom shall my organisation notify in case of suspicion/or discovering any misuse of funds during the project implementation?

At this stage you may send your findings to tore.lasse.by@innovationnorway.no. The message should contain a description of the case and reasons for suspicion.

You could also send information through the warning service, introduced by the Norwegian Ministry of Foreign Affairs (so far only available in the Norwegian language): <http://www.regjeringen.no/en/dep/ud/selected-topics/civil--rights/Antikorrupsjon/varslingstjenesten.html?id=495009>