



EUROPEAN COMMISSION
DIRECTORATES-GENERAL HOME AFFAIRS AND JUSTICE
Shared Resource Directorate

Unit 01 : Budget, control and ex-post audits

FINAL AUDIT REPORT

Subject: On-the-spot check of the expenditure under the operating grant
VS/2010/158

Beneficiary: International Lesbian and Gay Association Europe
ILGA-Europe

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Audit Date: 30/11/2011-02/12/2011

Audit Venue: ILGA-Europe
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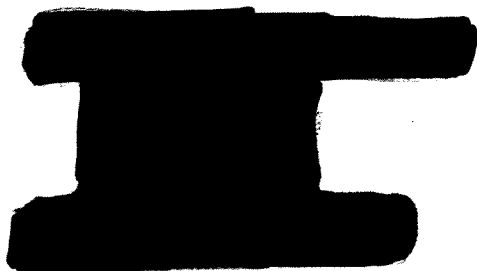
Auditors



Beneficiary's representatives consulted:



Finance and Administration Manager



Date: 31 JUL. 2012

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PART I – EXECUTIVE SUMMARY

Grant audited

The audit covered expenditure under the operating grant agreement VS/2010/158 signed with the International Lesbian and Gay Association ILGA-Europe. The eligibility period was 12 months from 1 January 2010 till 31 December 2010. The grant agreement provided for a maximum of 83,83% of eligible expenditure to be funded by the Commission, up to a maximum amount of EUR 899.980,56. The total budgeted eligible costs were EUR 1.073.578,15.

Key figures:

VS/2010/158 ILGA-Europe		
Grant agreement sign-off date		24/03/2010
Duration of the programme		01/01/2010-31/12/2010
Total Expenditure Provision	EUR	1.073.578,15
Maximum Commission grant 83,83%	EUR	899.980,56
Expenditure declared by beneficiary	EUR	1.053.460,34
Expenditure accepted by operational unit	EUR	1.043.060,34
Amount paid by the Commission to date	EUR	874.397,48
Eligible expenditure after Audit	EUR	1.033.338,08
Ineligible expenditure after Audit	EUR	20.122,26

Main findings

The following costs, totalling EUR 20.122,26 are considered ineligible and require adjustment (see Section 5.2):

Budget line	Reason for ineligibility	Amounts (EUR)
Travel	No supporting documents	16,80
	Cost not linked to the activity funded	9.705,46
Services	Incurred outside agreed implementation period	10.400,00
TOTAL		20.122,26

Conclusions

Following the audit of the operating grant VS/2010/158 and on the basis of the findings detailed above, the auditors concluded that out of the expenditure of EUR 1.053.460,34 reported by the beneficiary, EUR 1.033.338,08 represent eligible and supported costs. Costs of EUR 20.122,26 are ineligible and have not been reported correctly.

The auditors have made three recommendations to the beneficiary (see Section 6).

PART II - DETAILED RESULTS

1. THE AUDIT

1.1. Objectives

The purpose of the audit was to check whether:

- The financial contribution from the European Commission was used exclusively for the purposes described in the application for a grant;
- Co-financing was genuine and in conformity with Commission rules;
- Expenditure was incurred during the period covered by the grant agreement;
- The declared expenditure was backed up with appropriate documentation, proof of payments and the existence of controls;
- The expenditure declared for project partners was reimbursed by the Beneficiary;
- The project's activities were implemented according to the project description annexed to the grant agreement; and if this was not the case, whether changes were justified;
- The documents submitted to the Commission (final narrative and financial reports) were genuine, accurate and complete;
- The declaration of expenditure included all revenue (if any) generated by the project or deriving from other sources;
- Multiple financing was excluded;
- The grant generated a profit for the Beneficiary;
- The conditions laid down in the grant agreement were complied with, including provisions on information and publicity;
- The beneficiary's management of the grant complied with the principles of sound financial management, economy and efficiency.

1.2. Agreed audit procedure

The beneficiary was initially notified of the upcoming audit with an e-mail dated 11 November 2011. The beneficiary confirmed its availability during the suggested audit dates with an e-mail dated 14 November 2011.

Our audit was carried out at the premises of ILGA-Europe in the period 30 November – 2 December 2011. The draft audit report was sent to the beneficiary on 30 May 2012. The beneficiary replied with a letter dated 18 June 2012.

2. BACKGROUND INFORMATION ON THE GRANT AGREEMENT

2.1. The grant agreement

The operating grant agreement VS/2010/158 provided for funding from the Commission to the general activities of the International Lesbian and Gay Association Europe ('the

Beneficiary”) in the year 2010. The grant agreement between the Beneficiary and the Commission provided for a maximum of 83,83% of eligible project expenditure to be funded by the Commission, up to a maximum of EUR 899.980,56. Total budgeted eligible costs for the project were EUR 1.073.578,15.

The Commission made two pre-financing and one final payment to the Beneficiary:

Pre-financing 1	EUR 359.992,22
Pre-financing 2	EUR 359.992,22
Final Payment	EUR 154.413,04

The audit was performed in accordance with Article II.20 of the Framework Partnership Agreement number VS/2007/0655.

2.2. The beneficiary

The beneficiary, the International Lesbian and Gay Association ILGA-Europe, is a non-profit organization registered in Belgium.

2.3. The partnership

As it concerns an operating grant, no partners were involved.

2.4. The grant

The annual activities which were covered by operating grant included:

- Relationship with the EU institutions
- Campaigning for the adoption of the new EU Equal Treatment Directive
- Raise visibility of discrimination based on gender identity
- Work for freedom of movement for LGBT people
- Support to some Lithuanian NGOs during the action Baltic Pride
- Develop new tools for communication strategy
- Increase of capacity around gender mainstreaming

3. FINANCING AND ACCOUNTING PROCEDURES

3.1. Accounting system used in project management

The beneficiary uses the accounting system "Winbooks". The actual accounting was externalized to an outside company. The executive officer collected and transferred the financial information to the accountant and had regular meetings with him/her. Separate accounting codes were used for each grant received from the Commission.

3.2. Financial management of the project

3.2.1. INTEREST ON COMMISSION PRE-FINANCING

No interest on the Commission pre-financing was generated by the Beneficiary.

3.2.2. VALUE ADDED TAX (VAT)

The Beneficiary presented a certificate issued by the Belgian Federal Services of Public Finance attesting that it cannot recuperate costs for VAT. VAT is therefore an eligible expense.

3.2.3. SYSTEM OF CONTROLS IN PLACE IN RELATION TO THE PROJECT

Salary costs:

The Beneficiary teams which are 100% charged to the operating grant are the Policy team, Communication team, and Finance Administration Officers. For the other staff members who are (partially) involved in other projects, the rule applied follows the percentage of time spent by each staff member on individual projects. Moreover, the use of timesheets together with the staff cost table provided by the accountants enables a clear cost allocation.

The organization uses timesheets as well as attendance sheets and travel reimbursement forms which indicate the time spent on missions and participation in events.

Travel expenses:

ILGA-Europe reimburses travel expenses based on presented invoices, tickets or receipts and boarding passes. For conversion of foreign currency into EUR, the exchange rate at the date of the transaction applies. Car journeys are reimbursed at the price of a 2nd class train ticket. Documents supporting travel must be attached to the travel expense claim form.

Daily Subsistence Allowances are applied. The amount of the allowance is fixed, and is in line with the guidance issued by the European Commission. Subsistence allowances cover breakfast + two main meals, local transport, cost of telecommunications and all other sundries.

Purchasing goods and services:

Most of the providers of technical assistance, services, purchase of durable goods etc had been chosen at the time when ILGA-Europe was established in Belgium in 2002-2003. At that time, the procedure employed was to launch a call for tender for each type of service that was needed. In most of the cases, the same providers are still used.

Moreover, whenever there is a decision for the change of provider, the procedure employed is the following: 3 random providers are being selected; price offers are collected and compared, followed by discussions with the providers (on a case-by-case basis); the best price/service offer is then selected.

All purchase orders are placed by the Finance Administration Officer after the approval of the Finance Administration Manager. She ensures that the cost meets the organisational needs and is within the foreseen budget. Payments are done by the Finance Administration Manager in conjunction with the Executive Director/Programme Director (or the Treasurer of the organisation who is a member of the Board of Directors).

4. VERIFICATION OF THE FINANCIAL RESOURCES FOR THE OVERALL PROJECT

4.1. Existence of co-financing of the project

There were two sources of co-funding for this project:

- Revenue generated by the action (EUR 54,243,45). These are invoices issued by ILGA-Europe for participation in the conferences they organize. The auditors reconciled the declared amount to details from the General Ledger and then tied-in the amounts to the sales invoices and bank payments. No irregularities were identified.
- The Sigrid Rousing Trust supports the beneficiary on annual basis and provides finances for its general activities. For 2010 ILGA-Europe received EUR 116,101,09 as co-financing. The auditors traced back this amount to the bank payment. No irregularities were identified.

In the year 2010 the beneficiary also received funding from DG RELEX for a specific project grant solely implemented in Russia; from the Open Society Institute, and from COC Netherlands. These sources of funding were used however for the specific projects which are implemented by the beneficiary parallel to the operating grant.

5. VERIFICATION OF THE EXPENSES FOR THE OVERALL PROJECT

5.1. Expenditure declared and audit sample coverage

The breakdown of the expenditure declared by the beneficiary and the audit coverage is included in Annex 1 to the report. In total, 96% of the project expenditure declared by the beneficiary was covered.

5.2. Ineligible expenditure per budget heading

5.2.1. HEADING 1: STAFF COSTS

Based on the timesheets, the beneficiary split the salary cost of its 15 employees and charged it as expenditure to one of the seven projects it was running in 2010. The salary cost of ten people was allocated full- or part-time to the operating grant of DG JUST. The auditors reviewed the details of the calculation of the cost, and reconciled each item to the available supporting documentation – employment contracts, payroll records, timesheets, invoices for

hospitalization and accident insurance etc. 100% of the declared costs were audited. No irregularities were identified.

5.2.2. HEADING 2: TRAVEL

The costs declared under Heading Travels related to various seminars, conferences and meetings organised by ILGA Europe. Each cost item was allocated to a sub group which comprised all expenditure related to a given event. The auditors rejected the following costs amounting to EUR 9.722,26:

- Subgroup 2.1 (conference in the Hague and the annual general meeting):

The total amount of EUR 6.517,50 for accommodation and meals at the venue of the conference and the annual general meeting organised by the beneficiary has been considered ineligible. The aforementioned events took place on 28 – 31 October, whereas the rejected costs had been incurred on the 25 -26 October. The auditors consider the additional costs outside of the conference dates as excessive. In its comments to the draft audit report the beneficiary explained that the days before the conference were necessary to ensure the smooth organisation. The auditors however did not get re-assured on the need of two days of physical presence at the conference location for organizational purposes. The rejection is thus maintained in the final report.

- Subgroup 2.2 (HC monitoring):

Costs of EUR 75,00 for accommodation during a workshop in Brussels have been rejected by the auditors, as they were incurred outside of the conference time. For a 1-day meeting three nights were charged; the auditors rejected one additional night.

- Subgroup 2.3 (EU network meeting in Vilnius):

Costs of lunch for three persons totalling EUR 45,00 have been rejected as the persons to which the cost was relating were not participants in the conference funded.

- Subgroup 2.4 (Board meeting in Brussels)

The auditors rejected EUR 16,80 due to the lack of supporting documents.

- Subgroup 2.5 (Board meeting in Vilnius)

Out of the total expenditure for accommodation during the Board meeting, EUR 290,00 have been rejected by the auditors. The meeting took place on 8 - 9 May, but for several persons also the night of 6th (and 10th) May had been charged.

- Subgroup 2.24 (capacity building of TGEU):

The costs amounting to EUR 2.777,96 for travel and accommodation of the board members of the network organisation TGEU have been rejected. Even though the cost had been budgeted, and as the beneficiary explained "enhancing the capacity of member organizations" is embedded in the 2010 operational initiatives of ILGA, the operational grant is not intended to fund expenses incurred by staff and board members of other organisations than ILGA itself. Art II.15.2. of the framework agreement with the European Commission clearly states that under the Heading Travel only costs for staff can be charged.

5.2.3. HEADING 3: SERVICES

The costs declared under Heading Services were related to post services, translation, lay-out of the annual magazine of the organization, printing of the annual report, consultancy work for research of legal best practices on gender directives, accountancy and legal services. The auditors traced the charged expenses to invoices and bank statements, and reviewed the outcome of some of the consultancy editing work. 74% of the declared costs were audited. No irregularities were found, except for:

- EUR 10.400 was related to three invoices from the supplier InDialogue for events that took place in 2009. As the contractual eligibility period of the operating grant is 01/01/2010-31/12/2010, the expenditure was rejected. These three invoices were not accepted by the operational unit at the stage of the final payment. Thus, the auditors' finding only confirms the rejection of the expenditure communicated to the beneficiary at an earlier stage.

5.2.4. HEADING 4: ADMINISTRATION

The costs declared under Heading Administration were related to the rent of a printer, hire of rooms for the meetings, audit of the statutory accounts, office rent, bank charges, office insurance and office supplies, cleaning services and depreciation of the office equipment and software. The auditors traced the charged expenses to invoices, bank statements and other supporting documentation. The depreciation costs were traced back in the depreciation tables for 2010 and were then reconciled to the purchase invoices. 72% of the declared costs were audited. No irregularities were found.

6. RECOMMENDATIONS TO THE BENEFICIARY

6.1. Critical

No recommendations.

6.2. Very important

No recommendations.

6.3. Important

In case of events organised by the beneficiary (conferences, meetings, workshops etc.), the participants' accommodation and daily allowance financed by the beneficiary should correspond to the duration of the event. Prolongation of the stay should be exceptional and allowed only if there is enough evidence that the prolongation is more economic than travelling immediately before/after the event.

While planning its travels, especially the distant and expensive ones, the beneficiary should take into consideration the value for money. Moreover, there should be enough evidence that such a journey is, indeed, related to the activities co-funded.

6.4. Desirable

It is recommended that the beneficiary strengthens its control in ensuring appropriate cut-off when reporting the expenditure. Costs should be booked and declared in the period when they are incurred. For invoices received after the services have been rendered or the good delivered, we recommend the use of financial provisions.

ANNEX 1 OVERVIEW OF ELIGIBLE/INELIGIBLE EXPENSES

Overview of expenditure considered eligible / ineligible after the audit of grant VS/2010/158 with ILGA-Europe					
	Beneficiary		Audit coverage %	Ex-post control	
EXPENSES	Budget	Final declaration		Ineligible expenses	Eligible expenses
Staff costs	534.581,10	540.287,62	100%	0,00	540.287,62
Travel	292.077,00	234.803,08	58%	9.722,26	225.080,82
Services	104.046,25	118.531,63	94%	10.400,00	108.131,63
Administration	142.873,79	159.838,01	92%	0,00	159.838,01
Total direct costs A+B+C+D	1.073.578,14	1.053.460,34	89%	20.122,26	1.033.338,08
Indirect costs	0,00	0,00	N/A	0,00	0,00
Total Eligible Costs	1.073.578,14	1.053.460,34	89%	20.122,26	1.033.338,08
Contributions in kind	0,00	0,00	N/A	0,00	0,00
Total costs	1.073.578,14	1.053.460,34	89%	20.122,26	1.033.338,08
INCOME	Budget	Final declaration	Audit coverage %	Actual income	
Interest on pre-financing	0,00	0,00	N/A	0,00	
Contribution from the beneficiary	145.597,59	116.101,09	100%	54.243,45	
Other income	28.000,00	54.243,45	100%	116.101,09	
Contribution from EC (83,83%)	899.980,55	883.115,80	100%	874.397,48	
Subtotal	1.073.578,14	1.053.460,34	100%	1.044.742,02	
Contributions in kind	0,00	0,00	N/A	0,00	
Total income	1.073.578,14	1.053.460,34	100%	1.044.742,02	

Audit report for project VS/2010/158 - Table with details of ineligible expenditure

Ref.	Expense date	Document Nr	Description expense item	Declared Costs EUR	Rejected Costs EUR	Comments - final report
Heading 1: Staff costs						
No issues noted						
Heading 2: Travel						
						Costs not linked to the activity funded. The rejected costs cover expenditure for 25 and 26 Oct. 2010 for accommodation and meals at the venue of the conference which took place on 28-31 Oct. 2010. The beneficiary commented that the days before the conference were necessary to ensure the smooth organisation. The auditors however did not get re-assured on the need of two days of physical presence at the conference location for organizational purposes. The rejection is thus maintained in the final report.
2.1	22/11/2010	100895	Hotel Bel Air	75.244,65	5.795,33	
2.1	22/11/2010	100895	Hotel Bel Air	14.849,64	477,17	Cost not linked to the activity funded. Refer to above.
2.1	22/11/2010	100895	Hotel Bel Air	245,00	245,00	Cost not linked to the activity funded. Refer to above.
2.2	14/12/2010	100904	Hotel Atlas Brussels	1.852,50	75,00	Cost not linked to the activity funded
2.3	10/05/2010	100290	Hotel Conti in Vilnius	465,00	45,00	Cost not linked to the activity funded
2.4	28/02/2010	100103	L. Ashworth Brussels 26-28,02	16,80	16,80	No supporting documents
2.5	10/05/2010	100290	Hotel Conti Vilnius	1.624,00	290,00	Cost not linked to the activity funded
						The expenditure covers travel and accomodation costs incurred by the board members of the network TGEU. Art II.15.2. of the framework agreement btw ILGA and the Commission clearly states that only costs for staff can be charged to the operating grant under the Heading Travel .
2.24	08/12/2010	100833	TGEU Sweden workshop	1.377,60	1.377,60	
2.24	08/12/2010	100833	TGEU Sweden workshop	1.400,36	1.400,36	Refer to above.
				9.722,26		
Heading 3: Services						
		100039, 1000452, 1000451	2 planning meetings in Brussels end of 2009, 1 workshop in Malta in October 2009, and 1 meeting in Copenhagen in September 2009	10.400,00	10.400,00	The three invoices issued by the supplier InDialogue related to meetings that took place in 2009. According to Art. II.15 of the Partnership Agreement "Costs must be generated during the period of eligibility for Community funding as specified in the specific agreement".
				10.400,00		
Heading 4: Administration						
No issues noted						
TOTAL				20.122,26		