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Procedure for the control of expenditures and preparation of budgets

PURPOSE

This document has been produced by EA for the preparation and adoption of the budget for next financial year, registration and control of expenditures during the year and for the drawing up of statements of accounts. It is meant to be used by the Secretariat and the Executive Board.

Authorship

The publication has been written by the Secretariat.

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The text may be translated into other languages as required. The English language version remains the definitive version.

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1 INTRODUCTION

- 1.1 According to Article 19.8 of the EA Articles of Association (AoA), the Executive Board (EXB) “proposes the budget for the next financial year”.
- 1.2 According to Article 19.1, the financial year of EA coincides with the calendar year, i.e. from 1 January to 31 December of the same year.
- 1.3 The EXB shall submit the annual accounts.
- 1.4 This internal procedure contains the process for:
 - 1.4.1 Drafting the budget;
 - 1.4.2 Monitoring expenditures;
 - 1.4.3 Delegation of responsibilities;
 - 1.4.4 Approval of payments and transfer of money; and
 - 1.4.5 Accounting and reporting of financial accounts.
- 1.5 This procedure shall be used together with EA-1/20 *Supplement 1 Terms and Conditions for Financial Compensation from the Operating Grant to an EA Member Accreditation Body*.

2 PREPARATION AND APPROVAL OF BUDGET FOR THE FINANCIAL YEAR

- 2.1 The EXB shall propose a budget for the next financial year to the General Assembly no later than in the month of November.
- 2.2 The proposed budget shall be approved by the EXB and circulated to the members of EA no later than one month in advance of the General Assembly.
- 2.3 The EXB is responsible for drafting the budget for total income to EA for the next financial year based on available information. Attention shall be given to the income related to the contract with the European Commission and EFTA, and the connected expenditures to deliver the service agreed with the Commission and EFTA.
- 2.4 The total income budgeted shall normally be at a level corresponding to the total expenditure included in the budget for the financial year.
- 2.5 The total membership fees shall be fixed at a level ensuring a balanced EA budget. The membership fees for the individual members of EA shall be calculated from the total membership fees by using the applicable rules for calculation of individual membership fees set out in EA-1/17 *Supplement 5 Levying of Membership Fees*.

2.6 The Secretariat should prepare the budgeted expenditures for the following items:

2.6.1 Executive Board

2.6.2 Technical Management Board, Council and Committees

The budget shall be based on the work programme endorsed by the General Assembly. The General Assembly may endorse this work programme in connection with the approval of the budget for the financial year. The work programme shall contain an estimate (budget) of the expenditure required to complete the proposed activities, including expenditures for Working Groups, Task Forces, liaison activities etc. Liaison activities will only be financed by EA according to the procedure for liaison activities.

2.6.3 EA and EAAB meetings

2.6.4 General Assembly

2.6.5 Training activities

2.6.6 Liaison activities based on proposals from the EXB, Technical Management Board (TMB), Council and Committees

2.6.7 Management system of EA

2.6.8 Secretarial costs

2.6.9 IT and Communication

2.6.10 Finance and management of accounts and EC/EFTA grant agreements

2.6.11 Legal costs

2.7 The Secretariat may request members of the EXB or others responsible for EA activities to provide information needed to draft the budget expenditures for the above-mentioned items. The budgeted expenditures for each of the items shall be supported by specifications allowing for an effective control of the budget for each item.

3 MONITORING OF EXPENDITURES

3.1 When the EA budget for the next financial year is approved by the General Assembly, the EXB is thereby authorised by the General Assembly to carry out and complete the activities financed by the budget.

3.2 The EXB is, however, obliged to ensure that total expenditure in a financial year does not exceed the total budget adopted by the General Assembly.

3.3 If the EXB during its monitoring of expenditures estimates that the total expenditure to complete the activities in the approved budget for the actual financial year is expected to exceed the budgeted amount, the EXB is obliged to inform the EA Members explaining the reason for the increase of expenditures and measures taken by the EXB to control increase in expenditure where applicable. This should be communicated to the EA Members as soon as practicable without waiting until the next General Assembly.

- 3.4** The EXB may decide to allocate more resources to a specific activity (project) in the course of the year within the limits set out in the Operating Grant Agreements with the European Commission and EFTA. The EXB shall provide the appropriate justification (estimated time to be spent, labour costs, travel and subsistence costs etc.) to be filed/kept by the Secretariat.
- 3.5** Beyond the limits stated in 3.4, the rules of 3.3 above shall be applied. Appropriate justification shall also be provided.
- 3.6** As a rule, the budget is prepared in close cooperation with all EA officers and EXB members concerned, in accordance with the agreed annual work programme. However, there may be reasons for changing planned activities during the year. For the extension/modification of mandates under the Operating Grant Agreement the following procedure shall be applied:
- 3.6.1 All changes to the mandates shall be agreed by the EXB at one of its meetings (physical or web) or in special cases, by electronic correspondence.
- 3.6.2 Individual staff members of NABs mandated by EA for ongoing activities (e.g. President and Vice-President, Council and Committee Chairs, EXB members, EXB/TMB TFG conveners, appointed liaisons persons) are obliged to immediately notify Secretariat when
- a) a new activity of EA is foreseen,
 - b) it is foreseen that their mandate needs extension (e.g. new sub-activity, more man-days, travels or days eligible for per diem),
 - c) the mandated activity/sub-activity needs to be modified.
- 3.6.3 Council / Committee Chairs and/or Secretaries are also obliged to immediately notify the Secretariat when any sub-activity under their auspices needs modification, e.g.
- a) Peer evaluator trainings (e.g. more training, more trainers, more trainees, longer trainings, etc.),
 - b) Peer evaluations (e.g. additional evaluation visits),
 - c) Harmonisation trainings (e.g. more training, more trainers, longer trainings etc.),
 - d) Activities to be cancelled or postponed.
- 3.6.4 Mandated liaison representatives of EA shall also notify the Secretariat when any extension/modification of the liaison representation is foreseen.
- 3.6.5 Notification of extension/modification shall include appropriate justification:
- a) for extension: estimated number of man-days, travels and days eligible for per diem, the meeting/training venue, meeting agendas, etc.,
 - b) for modification: the data expected to change (e.g. only 1 trainer instead of 2, only 12 trainees instead of the budgeted 15 etc.).
- 3.6.6 The Secretariat registers and compiles all notifications.

- 3.6.7 In case of extension before the notified activity/sub-activity takes place, the Secretariat ensures that the extension is covered by the budget. That shall be controlled by the Executive Secretary.
- 3.6.8 The Secretariat prepares the revised forecast based on the latest update of the budget and the draft budget for the extension.
- 3.6.9 The Executive Secretary recommends the way the EXB shall decide on the extension of the mandate (e.g. next physical meeting, next web meeting, interim web meeting or electronic correspondence). In accordance with section 4 of this procedure, for extensions the Executive Secretary can decide, within the limits defined by the EXB, and report to the EXB about the decisions made.
- 3.6.10 The revised forecast submitted to the EXB for decision-making on extension should include all modifications notified up to date.
- 3.6.11 Based on the decision of the EXB the Secretariat informs the proposer, and prepares and sends the revised or additional mandate .
- 3.6.12 The Secretariat prepares the revised forecast, and distributes it for information to the EXB.

4 DELEGATION OF RESPONSIBILITY FOR SPECIFIC ITEMS IN THE BUDGET

- 4.1 The EXB is collectively responsible for managing the EA budget. The EXB may, however, delegate responsibility for specific items in the budget to the Executive Secretary or individual members of the EXB. The Executive Secretary or the individual member will be responsible for controlling the total expenditures for that item.
- 4.2 EXB members' delegated responsibility for specific items in the budget are entitled to enter into commitments in accordance with the budget and work programme approved by the General Assembly.
- 4.3 EXB members delegated responsibility for specific items are, not allowed to take on obligations/complete single transactions for an amount greater than 2.000 Euro. Obligations and transactions greater than 2.000 Euro shall be approved by persons, authorized by the EXB. Documentation for approval of transactions greater than 2.000 Euro shall be filed/kept by the Secretariat.
- 4.4 Any authorized person, responsible for a specific item in the budget, is not allowed to take on obligations/accept expenditure for that item exceeding the total approved budget for the item without informing and gaining the agreement of the EXB. He/she shall then provide the appropriate justification to be filed/kept by the Secretariat.

5 APPROVAL OF PAYMENTS, TRANSACTIONS AND TRANSFER OF MONEY

- 5.1** Expenses which EA shall reimburse to staff members, NABs for members of the EXB or others, shall be sent to the Secretariat together with justifying documents (pay slips, invoices, statement of accounts, voucher or receipt, etc.) documenting the expense and information on the bank account to which the amount shall be transferred.
- 5.2** For expenses related to activities performed by NAB staff under the Operating Grant Agreement with the EC and EFTA, EA-1/20 S1 Annex 1 "Procedure for an Accreditation Body to request reimbursement" applies.
- 5.3** If the expenses are greater than the limit for single transactions stated in clause 4.3 documentation for approval of the transaction according to the EXB policy shall be enclosed and filed in the Secretariat.
- 5.4** EA does not hold any cash and therefore any transaction and transfer of money will be executed from an EA bank account.
- 5.5** The EA agreement with the bank and the bank internet facilities allow two individuals (Secretariat staff members) to transfer money from the bank account (credit transaction). The bank EA is using does not offer an online system requiring a double authorization for any online transaction in practice and within the agreed limits, the Secretariat prepares a transaction which must then be signed off by the Executive Secretary.
- 5.6** The EXB authorises individual(s) to act on behalf of EA and thereby authorises individual(s) to execute transactions from the EA bank account. The authorised individual(s) is/are empowered to execute individual transactions on the bank account within the limits defined by the EXB.
- 5.7** Authorization for transactions greater than 2.000 Euro shall be documented and the relevant document shall be filed by the Secretariat with the original invoice, voucher or receipt.
- 5.8** The EXB may decide to authorise the Executive Secretary and, in exceptional cases, other employees of the Secretariat or members of the EXB to use a credit card which will be drawn on and settled on the EA bank business account. In such a case the conditions for using the credit card shall be defined. Use of a credit card is not considered as transactions as defined in clause 5.4 but the 2.000 Euro limit applies. The statement of account (e.g. monthly) for the use of the credit card by the Executive Secretary shall be approved by an EXB member (not the holder of the credit card), and when used by an employee of the Secretariat shall be approved by the Executive Secretary. In all cases receipts for use of the credit card shall be sent to the Secretariat to be filed with the corresponding statement of account.

6 ACCOUNTING AND REPORTING OF FINANCIAL ACCOUNTS

- 6.1** The Secretariat is responsible for the recording of income and expenditures. The EXB, or the Executive Secretary on its behalf, may enter into an agreement with an external party to carry out the bookkeeping of the accounts and the Secretariat is responsible for communication with the party.
- 6.2** In case the accounting is outsourced to an external party, the contract with the party shall specify the:
- a) Documentation EA shall provide to form the basis for accounting of income and expenditures (invoices, statement of account, voucher, receipt etc.);
 - b) Format for reporting of financial accounts and financial statement and the frequency and time limits for reporting.
- 6.3** The Executive Secretary shall monitor the accounts every month and present a statement of account to the EXB at least every three months. The statement shall be completed and circulated to the EXB in due time with other documents for the meeting. EXB members responsible for budget items shall explain the spending for the budget item if requested by the EXB.
- 6.4** The EXB shall at least quarterly review the financial statement and decide if the financial statement is in line with the budget or the statement contains information which may indicate a need for revision of the approved budget.
- 6.5** The General Assembly is empowered to give an order to an accountant to audit the annual accounts. If it does not do so, the EXB shall have this power (AoA Article 19.4).
- 6.6** The external auditor shall complete the financial audit of the accounts and provide its financial statement not later than the end of March of the following year.
- 6.7** The EXB shall approve the annual accounts and the financial statement at the subsequent EXB meeting. The annual accounts shall be signed by all members of the EXB (AoA Article 19.3).
- 6.8** The Financial Oversight Committee shall review the external audit report and the financial statement no later than mid-May of the following year.
- 6.9** The EXB shall review the financial audit report from the external auditor and the report from the Financial Oversight Committee and present its response to the General Assembly to any remark and/or recommendation in the reports.
- 6.10** The EXB shall present the annual accounts for the previous financial year with a statement about their faithfulness from the appointed accountants. The accounts shall be presented to the annual meeting of the General Assembly within 6 months after the end of the financial year.

6.11 In addition to the audit of the annual accounts (re. clause 6.6) the EXB shall induce an approved auditor (a Commissaire aux comptes) to certify in accordance with a methodology approved by the European Commission that the costs declared by EA in the financial statement are real, accurately recorded and eligible and that all receipts have been declared in accordance with the Framework Partnership Agreement and Operating Grant Agreement or Grants for Action Agreements signed by the European Commission and EA.

7 TRAVEL POLICY

7.1 The policy of EA is to reimburse its officers and other persons, so authorised in accordance with EA-1/21 Procedure for Liaison Activities and EA-1/20 S1, for all reasonable expenses necessarily incurred in travelling on EA business.

7.2 Reimbursement shall be settled to the NAB employing officers and other persons performing activities on behalf of EA.

7.3 The EA travel policy is stated as Appendix A to this document named: Guidelines on Travel Expenses.

7.4 Compensation to NABs for EA activities is regulated by EA-1/20 S1. The criteria for compensating NABs for these expenditures are in general that EA is compensating actual costs for air and train travels (if in line with the EA Travel Policy and limited to amounts in line with the EA Travel Policy) and per diems – as published by the Commission – covering accommodation, breakfasts, lunches, dinners and local transportation expenses incurred in the country where the meeting or training has taken place.

7.5 The costs included in the EA budget for travel, accommodation and subsistence shall be budgeted in accordance with the Guidelines on Travel Expenses and EA-1/20 S1 with regard to activities performed by NAB staff under the Operating Grant Agreement with the European Commission.

APPENDIX A: GUIDELINES ON TRAVEL EXPENSES

A1 GENERAL

- A1.1 The policy of EA is to reimburse its officers (and other persons so authorised) (“the traveller”) for all reasonable expenses necessarily incurred in travelling on EA business as approved in the annual budget.
- A1.2 The policy shall also apply to the employees of EA.
- A1.3 Individual circumstances make it impossible to lay down rules for every travel eventuality, and reimbursement will not be withheld where deviation from this policy or claims for items not envisaged can be justified, provided the travel was authorised by the Executive Board or the Executive Secretary.
- A1.4 It is further recommended to apply the policy for international travels only. Expenses to domestic travels or to domestic travel costs in connection with international travels should be reimbursed by the NAB in accordance with national rules for reimbursement of travel costs. This will ensure compliance with any national tax regime.

A2 RESPONSIBILITIES

- A2.1 The traveller is primarily responsible for complying with the EA travel policy.
- A2.2 The Executive Secretary shall nominate Secretariat staff members to be responsible for authorising expense claims.

A3 TRAVEL/ACCOMMODATION ARRANGEMENTS AND BOOKINGS

- A3.1 Travellers shall normally book travel through their current service provider(s). This is not appropriate in all cases, and those travelling on EA business are expected to exercise judgement in making travel arrangements.

Any bookings made outside the indicative price (hotels) or normal class of travel must be authorised by the Executive Secretary in advance of the booking.

A4 ROAD TRAVEL

A4.1 Those travelling on EA business should use a private car when it offers advantages in working or travel time and cost over other modes of transport.

Note: Public transportation is the preferred means for travelling. The use of a (private) car shall be justified, when asking for reimbursement of travel expenditures.

A4.2 The traveller shall hold fully comprehensive insurance covering this business use. The traveller will be regarded as having confirmed that the insurance cover is adequate when signing a claim for mileage. EA accepts no risk to the driver or passenger or any third party when this option is taken.

A4.3 Travellers may use a taxi when other modes of transport are unavailable, impractical or time is of the essence.

A4.4 The following items are reimbursable by EA:

- Motor mileage, at the standard rate(s) set by EA, for all journeys in private or hired cars from home or office base to business destination
- Parking meter charges
- Airport parking at long stay rates
- Overnight garage parking costs, if required
- Road and bridge tolls
- Cost of hiring a car¹ e.g. to reach a meeting from an airport
- Taxi fares

EA will reimburse mileage charges for the use of private cars at the same rate as the driver's own NAB rate for private cars, but in any case not to exceed 0.50 Euro per km.

A4.5 The following items are not reimbursable by the EA:
Parking and other fines even if incurred on a business trip.

A5 AIR TRAVEL

A5.1 Air travel should be used when it offers advantages in working or travel time and cost over travel by other modes of transport.

¹ The generally appropriate standard of a car hired by the delegate is a manual or automatic car of not more than 2.0 litres, with full CDW/LDW insurance, although alternatives may be justified e.g. to enable a party of five people to travel together.

- A5.2 Economy class travel will normally be appropriate, within the EA geographical area. However, special circumstances such as the length or timing of the journey, flexibility in return flights, or individual physical conditions or disabilities may justify the additional cost of other classes. As a guide, “premium economy” would be justified for flights between 4 and 9 hours (Middle East, Gulf, and East coast of USA), and business class for longer flights, or overnight flights.
- A5.3 Where a change of itinerary requires a change of ticket and a penalty is payable, this shall be settled at the time by the traveller and justified when reclaimed.

A6 RAIL TRAVEL

- A6.1 Rail travel should be used when it offers advantages in working or travel time and cost over other modes of transport.
- A6.2 The appropriate class of travel will normally be standard (2nd) class. However, special circumstances such as the length or timing of the journey, (journeys >3 hours, international journeys), flexibility in return journey, or individual physical conditions or disabilities may justify the additional cost of other classes. Reserved seating is normally booked.

A7 ACCOMMODATION

- A7.1 Where an overnight stay on a business trip is necessary, a traveller is entitled to a single room with en suite facilities, adequate working facilities, adjacent car-parking (if required) and restaurant facilities in a hotel of a reasonable standard (minimum 3 star), in a safe area.
- A7.2 Unless otherwise required, hotel bookings will be on a guaranteed or late arrival basis. If EA or the traveller is billed a “no-show” charge, the item must be explained when the traveller claims reimbursement for the trip.
- A7.3 Travellers choosing to stay with family or friends while travelling on business will not be reimbursed for accommodation expenses.

A8 MEALS AND ENTERTAINMENT

- A8.1 Personal meals on a business trip will be reimbursed according to actual and reasonable cost, including tips. EA will not pay for personal bar bills unless they are part of a meal, or are an entertainment expense - see below.
- A8.2 EA recognises that there are occasions when it is appropriate and standard behaviour to entertain the representatives of other organisations and will reimburse all reasonable expenses incurred in doing this.

Full details of those entertained e.g. numbers, names, organisation or the occasion must be given when making a claim to enable EA to work out the treatment in each case, in accordance with tax and VAT rules.

A8.3 Travellers are reminded of the sensitivity in giving and receiving entertainment and shall avoid circumstances that may compromise the integrity or impartiality of EA.

A9 OTHER EXPENSES

A9.1 The following additional items are reimbursable by EA:

- The cost of business calls from home, personal mobile phones or from pay phones. Each call must be itemised. Use of hotel phones should be avoided wherever possible.
- On extended trips the cost of reasonable telephone calls to maintain family contact.
- Currency exchange commissions.

A10 INSURANCE

A10.1 EA advises travellers travelling on EA business to ensure they have suitable insurance cover. Examples are: medical and emergency travel expenses, cancellation, curtailment and change of itinerary costs, loss of baggage and personal effects, loss of money and traveller's cheques, and personal liability.

A11 EXPENSE CLAIMS, AUTHORISATION AND REIMBURSEMENT

A11.1 All claims other than mileage must be supported by appropriate documentation e.g. VAT receipts, ticket stubs. Where no receipts can be obtained, then fully itemised details should be set out in the expense claim.

A11.2 The conversion rate for foreign currency is the actual rate obtained (if money is exchanged) or paid (if a credit card is used).

A11.3 All expense claims must be signed by the traveller and submitted to EA within a reasonable time (1 month) and must be within the same Financial Year unless expected costs are going to be accrued. The Secretariat will monitor compliance with EA's current procedures and policies and may withhold payment pending an investigation and/or correction.

A11.4 Reimbursement is by payment direct to a bank account nominated by the traveller.

A11.5 EA does not give cash advances or cash floats either in currency or travellers cheques.