



VICTIMS SUPPORT PROGRAMME
&
PEACE IV

Guidance Note on Eligibility of Expenditure and Audit Trail
G10/VSS

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Please note: in this document “Programmes” refers to both the PEACE IV and the Victims Support Programme. PEACE IV refers to the EU Programme for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland 2014-2020.

1. Introduction

1.1. This Guidance Note should be read in conjunction with:

- The Standard Conditions of Grant, in particular Section 4 “Financial Arrangements”, Section 8 “Controls” and Section 9 “Document Retention and Data Security”.

1.2. The purpose of this Guidance Note is to provide additional information to VSS funded organisations to ensure that a distinction can be made between eligible and ineligible costs and that there is an understanding within VSS funded organisations of the need for a comprehensive audit trail.

2. Eligibility of Expenditure

2.1. As a general principle only costs outlined in the Letter of Offer, work plan and budget and agreed in writing with the VSS will be eligible for funding.

2.2. All funded organisations will be responsible for ensuring:

- The organisation’s sound financial management;
- Compliance with statutory requirements including pension and HMRC payments;
- The implementation, reporting, monitoring and control of the funding, specifically to ensure no double funding between the VSS and other funders;
- The retention and availability of all **ORIGINAL** related documentation with a clear audit trail through to bank statements in each case (this is further detailed in Section 3 Audit Trail below).

2.3. Only expenditure relating to the delivery of services to Victims and Survivors as defined by the Victims and Survivors (Northern Ireland) Order 2006 is eligible.

2.4. Expenditure is eligible for funding only in the period covered by the Letter of Offer.

2.5. The period of Contract will be defined in the Letter of Offer provided to the funded organisation.

2.6. Travel outside of Ireland or the UK is not automatically eligible for funding. Requests for respite outside of UK and Ireland (for example to the Isle of Man, Jersey, Guernsey or elsewhere) should be submitted to the Programmes Officer for consideration and approval prior to the organisation making any booking/incurred spend. The request should detail the rationale/benefits of such a location, and include an assessment of value for money (including comparisons to UK/Ireland based respite options). VSS will consider each request on a case by case basis and inform organisations of the outcome of their request in writing. Organisations should only commit VSS funding once written confirmation of approval has been received.

2.7 Eligible expenditure should be included in the Expenditure Claim Form (Vouching form) only if it has been incurred within the period and paid in full.

2.8 Payments should be made promptly after the date on the invoice. All payments made during a period should be claimed within that period and by the deadlines for submission of Expenditure Claim Forms and Proof of Expenditure to the VSS:

VSP

- Quarter 1 Payments (April, May, June) Claimed by 31 July
- Quarter 2 Payments (July, August, Sept) Claimed by 31 October
- Quarter 3 Payments (Oct, Nov, Dec) Claimed by 31 January
- Quarter 4 Payments (Jan, Feb, March) Claimed by 30 April

PEACE IV

Vouching of PEACE IV expenditure will be completed in the 7 weeks directly following each quarter end. PEACE IV funded organisations will be contacted by their vouching officer to agree a date for **completion** of the PEACE IV verification process.

2.9 Payments can be made by the funded organisation after the end of the period of funding providing the order was placed before 31 March. However, if payment of an expense has not **cleared your account** by 30 April it may be deemed ineligible.

2.10 Travel and Subsistence costs are only eligible where a budget has been approved. For guidance on eligible costs for travel and subsistence please refer to [Annex D](#).

2.11 A list of ineligible expenditure is provided at [Annex A](#).

3. Audit Trail

3.1 The **Audit Trail** is a comprehensive set of documents which provide a complete history of the use of VSS funding provided to the funded organisation and provides evidence that proper procedures were applied and outcomes achieved.

3.2 An adequate audit trail must be established, for each funded organisation, which:

- permits the total amount of funding to be reconciled with the detailed accounting records and supporting documents held by the VSS and the funded organisation;
- permits the vouching of payments of funding to the funded organisation;
- permits the vouching of the appropriate procurement processes and approvals (including procurement documentation, correspondence with prospective suppliers, terms of reference and approvals at the appropriate delegated levels);
- contains in respect of each funded organisation, as appropriate, budget and work plan concerning the funding so as to provide a basis for monitoring
- permits the vouching of compliance with all VSS Guidance Notes and Letter of Offer Standard and Special Conditions of Grant;
- permits the vouching of compliance with the funded organisation's internal policies and procedures and any relevant external requirements (Charities Commission, Company Law, etc.)

3.3 Documents must be held by funded organisations in **original hard copy** format. This includes electronic invoices which should be retained along with any covering e-mails and attachments.

- 3.4 **All documents and information which constitute the audit trail must be retained until at least 31 March 2025, or for 7years from receipt of the final verification letter for the preceding financial year, whichever is later.** In the event of termination or closure of the funded organisation for whatever reason, the documentation must be returned to the VSS. In no circumstances should any of the documentation relating to the funded organisation be disposed of without the written permission of the VSS.

4. Specific Requirement.

- 4.1 A formal contract of funding will be established between the VSS and the funded organisation to include a Letter of Offer and Standard and (if appropriate) Special Conditions of Grant. The contract will set out as a minimum the amount of funding approved, the agreed activity, outputs and outcomes in the form of a work plan, the period of funding, the conditions of funding including reporting, monitoring and audit requirements, implementing provisions and publicity and repayment provisions as appropriate.
- 4.2 Every funded organisation must clearly document where audit trail information is retained.
- 4.3 In practical terms, for every funded organisation, the information set out below must be retained and be easily accessible. The VSS will regularly check that all funded organisations are meeting audit and compliance requirements.
- Each funded organisation should establish a set of relevant procedures and guidance in relation to ensuring a sufficient audit trail. They should also develop policies which will ensure compliance with all relevant legislation and guidance (including Fair Employment and Health and Safety).
 - Accounting records should be maintained within the funded organisation and should provide detailed information about expenditure actually incurred. These accounting records must be clearly identifiable as relating to the agreed VSS delivery plan. The accounting records should contain the date of the expenditure, the amount of each item of expenditure, the nature

of the supporting documents (e.g. timesheets, invoices etc.), the method of payment and the payee. Accounting records should normally be maintained in a computerised system which has reporting capability and can provide instant access to financial information required by the VSS. Additionally, the records maintained should permit the vouching of 100% of the funding paid.

- Documentary evidence must be maintained in original hard copy format including electronic invoices, covering e-mails and associated attachments. A list of specific documents, although not exhaustive, is set out in **Annex B**. This includes salary records (see paragraph 8.1 regarding self-employment requirements), signed and appropriately authorised timesheets and attendance records (see **Annex C** for further guidance), invoices and payment records such as receipts, bank statements and payment reports.
- Where applicable, signed hard copies of Data Sharing Agreements should be retained.
- Where items of expenditure relate only partly to the VSS delivery plan, the accuracy and methodology of apportionment must be clearly demonstrated. The same applies to types of expenditure that are considered eligible only within certain limits or in proportion to other costs, e.g. overheads.
- To minimise the risk of duplication or double financing of expenditure with other funding award schemes, fund raising exercises and other funding periods, all invoices or documents related to the VSS will be recorded in vouching reports / documents and will be stamped as part of the vouching process.
- The agreed VSS delivery plan for each funding award should be monitored by the funded organisation and will be used as the basis of any vouching carried out by the VSS.
- Evidence that procurement of all goods / services has been carried out in accordance with the VSS Guidance Notes, Standard and Special Conditions of Grant and any other relevant guidance or legislation applicable to the funded organisation must be maintained.

- Reports on progress against the agreed delivery plan should be submitted regularly to the VSS. See VSS Guidance Note G6 – Monitoring and Evaluation.
- Detailed records of all inspections / vouching carried out on the funded organisation will be retained by the VSS. These records will be used to inform future funding decisions and management of current year funding.

5. Best Practice in the Maintenance of Records

5.1. In order to demonstrate compliance with the requirements set out with regards to the maintenance of sufficient records, it is vitally important to ensure that filing systems are set up in a way to facilitate identification of the key documents. This will assist in ensuring the completeness of records and will also facilitate the audit process.

5.2. Where practical, separate files should be maintained for each funding period's administration and financial records and divided into sections as set out below:

Administration

- Application;
- Contract including any Standard and Special Conditions of Grant;
- Letter of Offer and signed acceptance;
- Any Addendum to the Contract including Letters of Notification of Budget Re-allocation;
- Data Sharing Agreements
- Monitoring Reports and Returns;
- Procurements documents (requests for quotations, invitation to tender documents, terms of reference, evaluation assessments, approvals etc.);
- Recruitment documents (job specifications, advertisements, details of panel meetings, interview questions, candidate score sheets, signed panel decision documents, etc.); and
- Records of monitoring activity.

Finance

- Draw-down documents;

- Invoices / receipts etc.;
- Payroll and pension records;
- Evidence of compliance with HMRC IR35
- Bank statements and reconciliations;
- Asset registers;
- Copies of VSS vouching reports and any external technical inspections independent from the VSS (governance reviews, security reviews etc.); and
- Annual Financial Statements (and Audit Reports where available).

This layout is given as an example and may not suit all organisations. Neither do the items listed above constitute an exhaustive list of required information. A funded organisation should decide upon the method of retaining and presenting information related to VSS expenditure that best suits their individual circumstances.

5.3. Where documents containing sensitive data (e.g. national insurance number, names, sort code or bank account numbers) are retained, care should be taken to ensure that the records are appropriately secured and comply with General Data Protection Regulations (GDPR) requirements from 25 May 2018.

6. Documentation for the financial audit trail

6.1. The documents detailed at **Annex B** are the minimum that should be available for vouching. These are required in order to ensure an efficient vouching process and to avoid irregular expenditure. Other documents might be requested, if they are relevant for the vouching of the costs claimed.

6.2. The VSS will conduct corroborative checks on invoices to ensure:

- That the supplier is bona fide;
- That the supplier can validate that they issued the invoice;
- That they are addressed to the funded organisation;
- That they are for goods/services required by the funded organisation;
- There has been no duplication of payment;

- Invoices match other supporting documents such as approved purchase orders, goods received notes, procurement documentation, etc.;
- Where return cheques or statements/receipts are available, the payee and amounts agree with the invoice; and
- That payment records reconcile with the invoice, bank etc.

6.3. In the case of any of the above information relating to an invoice being missing or inaccurate, the VSS will disallow the related expenditure. Therefore, funded organisations should ensure that the information required is available and accurate.

7. Bankruptcy Cases - Default

- 7.1 In line with VSS Letter of Offer terms and conditions 18.1 the organisation shall inform VSS of any circumstance that has caused, or is likely to result in, a loss or misuse of the Grant. Such notification should be made in writing within 5 working days.
- 7.2 In the case of bankruptcy, funded organisations must be able to demonstrate that the VSS funding has been appropriately and adequately managed prior to the bankruptcy and should also be able to provide evidence that all practical steps have been taken to ensure that the VSS is immediately informed of the situation and will have access to documentation relating to programme expenditure and payments. Expenditure will remain eligible in cases of bankruptcy only where an adequate audit trail exists and the funded organisation can provide adequate assurance to the VSS and their Sponsor Department, The Executive Office, regarding the regularity of expenditure and the sound control exercised by the funded organisation in managing the operation until the point of bankruptcy.

8. Self-Employment Records

- 8.1. In the case of persons working for a funded organisation on a self-employed basis adequate records of the method, terms and duration of appointment

should be maintained. The funded organisation should ensure they are compliant with HMRC IR 35 requirements. Further details can be found on the HMRC website (<https://www.gov.uk/guidance/check-employment-status-for-tax>). Funded Organisations should complete the HMRC checklist and retain their completed copy as part of an audit trail detailing the justification for using this method of employment. Appointments of self-employed persons employed solely under VSS funding should not exceed the relevant period of funding. It is the responsibility of the funded organisation to ensure that they adhere to their employer's responsibilities in relation to all staff. Records for persons employed using VSS funding must be retained for inspection and vouching by the VSS.

Annex A – List of Ineligible Expenditure

The following list represents those expenditure items which are ineligible (this is not an exhaustive list):

- Direct expenditure on building, renovation or refurbishment of offices (unless specifically outlined in LoO)
- Alcohol
- Training (unless specifically outlined in the LoO)
- Capital (unless specifically outlined in the LoO)
- Promotion, Marketing and Communications (unless specifically outlined in the LoO)
- Purchase of land and buildings
- Staff salary increases (unless specifically outlined in the LoO)
- Notional rental charges where the applicant owns the premises, or occupies premises rent free
- Depreciation
- Bank charges relating to interest on debt, loan charges, debit interest
- Recoverable VAT (irrelevant of whether recovered by the organisation or not)
- Fines, financial penalties and legal expenses
- Staff costs which are not directly attributable to VSP/ PEACE IV delivery
- Payments for gifts and donations. Vouchers up to the value of £25 for voluntary service providers e.g. guest speakers, may be considered eligible, this must be agreed in advance with the programmes officer.
- External Supervision costs incurred by sessional staff i.e. not procured and paid for by the VSS funded organisation.
- Notional costs
- Payments in relation to any political activity
- Dividends for shareholders
- Purchase of vehicles
- Costs incurred by individuals in setting up a private pension scheme

Annex B - Audit Trail Documents

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| <p><u>Salary / Wages</u></p> | <ul style="list-style-type: none"> - Contract of employment or company employment terms and conditions where standard for all employees; - Payroll records (P11, P32, Sage etc.); Breakdown of the salary costs including national insurance, PAYE, pension contributions and other taxable benefits (such as life assurance, private healthcare, etc.) payable under the terms and conditions of employment; - Calculation of cost apportionment for part-time staff (see Annex C); - Proof of payment of net salary to staff; and - Proof of payment of contributions to appropriate bodies. |
| <p><u>Equipment / Consumables</u></p> | <ul style="list-style-type: none"> - Invoices; - Evidence of adherence to the VSS Guidance Note G5 Procurement; - As appropriate, approvals for purchase, e.g. value for money exercises, purchase orders, appropriate signatures etc.; - Goods Received Notes where appropriate; - Receipts; - In case of rented equipment: rental contract, inventory list of the rented equipment; proof of the investment values of the rented equipment; - User logs for equipment, if applicable, e.g. franking/fax machines/computers; - In case of second-hand equipment, evidence that the cost is at fair market value; - Proof of payment; - Asset Register Records; - Evidence that any equipment was disposed of in accordance with VSS Contracts and/or VSS Operating Manual and/or VSS Guidance Notes; - Balance Sheet records for large capital items. |

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| <u>Third Party Assistance/ Contracts</u> | <ul style="list-style-type: none"> - Proof of compliance with relevant procurement rules; - Deliverables from the contractors; - Procurement documents including specification, terms of reference, adverts, e-mails printed in full including attachments/letters inviting quotations, quotes, tenders received, etc. as appropriate. A screenshot / print screen of a price check is not considered an acceptable audit trail. For any online price checks the webpage should be printed in full: - Contract documents; - Reports from any technical advisors (consultants, project deliverers, accountants, etc.); - Invoices; - Proof of payment; - Evidence of monitoring of contract performance. |
| <u>Travel expenses</u> | <ul style="list-style-type: none"> - Travel claim form, appropriately authorised; - Invoices/receipts; - Print outs in full of electronic flight/hotel booking confirmations. A screenshot / print screen is not acceptable; - Where available, report, records, minutes, etc. indicating purpose and participants of the meetings / events; - Proof of payment. - Corresponding bank statement |
| <u>Overheads costs</u> | <ul style="list-style-type: none"> - If a funded organisation receives funding from other sources outside the VSS, full records should be retained detailing the apportionment of costs. These should include the original documentation relating to the expenditure, the method of apportionment and the payment records (bank statements, etc.) clearly showing the offset of the payments (income received into the VSS account to offset payment of the gross expense); - For payment of overheads on the basis of actual cost (full invoice) then the audit trail must comprise all invoices and documentation to support the full actual cost to the organisation; |

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| | <ul style="list-style-type: none"> - Detailed documentation on any apportionments calculated and evidence that calculation is in line with agreed apportionment rates (apportionments are agreed in the funded organisation's work plan); - Proof of payment. |
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Annex C – Time Record Requirements for Part-Time Staff

There are 3 categories of staff working part-time for a funded organisation:

- A. Staff contracted to work part time and working 100% of that time on the VSS delivery plan;
- B. Staff contracted to work full time but with a stipulated percentage of their time apportioned to the VSS delivery plan ; and
- C. Staff contracted to work full time and working part of their time on the VSS delivery plan, where the amount of time input varies over the period of funding.

Category A – Staff on a part-time contract, working 100% of time on the VSS delivery plan

There is no requirement to maintain additional time records.

Category B – Staff working a percentage of time on the VSS delivery plan

In order to ascertain the correct payment due the staff member will need to maintain a time record covering 100% of their time, broken down sufficiently to allow identification of VSS related activity and non-VSS related activity. This will permit the vouching of the percentage applied and the calculation to be made on the basis of actual time worked. The records should be signed by the employee and appropriately authorised (see below).

Category C – Staff working on the VSS delivery plan for variable time periods

Time records should be maintained covering, as a minimum the date(s) of the activity, a description of the activity and the specific hours spent on the activity. These should contain sufficient detail to permit calculation of salary costs on the basis of the hourly / daily rate. The records should be signed by the employee and appropriately authorised (see below).

Authorisation

Time records must be appropriately authorised. This means the record should be countersigned by someone at a higher level in the funded organisation with knowledge of the hours worked by the employee. In cases of company training or mentoring the record should be countersigned by the trainer. Where the staff member is the highest ranking in the organisation a counter-signature from the Company Accountant or another Director is appropriate.

Annex D – Travel and Subsistence Policy

This policy is intended to combine guidance from a range of sources including the NICS Handbook and SEUPB guiding principles.

General Principles

- All staff and volunteers travelling on official business may reclaim travel expenses in accordance with HMRC guidelines.
- Subsistence is an allowance designed to meet the additional expense staff may incur whilst being away from their place of work whilst on official duty.
- VSS are issuing guidance to indicate the **maximum amount** that can be vouched as part of your claim under VSP and PEACE IV funding. This policy aims to clarify how to qualify for travel and subsistence and also the maximum amount that can be reimbursed to an individual.
- It should be noted, if an organisation has an existing policy with different rates then the organisation can only claim at the **lesser amount**.

Mileage:

- Staff and volunteers should always consider if a meeting could be held by telephone, conference call or video conference.
- Meetings should be arranged in such a way as to minimise the number of trips and the number of miles travelled.
- Consideration should always be given to using public transport where practical.
- If transport using private vehicle is necessary, it is the responsibility of staff to ensure that their personal insurance policy covers use of their vehicle for business.

Mileage rates are payable as follows:

| | £ per mile |
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| Standard rate (first 10,000 miles per tax year) | 0.45 |
| Reduced rate (after first 10,000 miles per tax year) | 0.25 |
| Passenger supplement | 0.05 |
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Subsistence:

In order to qualify for subsistence, staff must demonstrate the following:

1. Staff and volunteers must be on official business in order to claim subsistence.
2. Staff must be more than 5 miles from place of work for a period of more than 5 hours.
3. Subsistence claims must be supported by original receipts up to the maximum rates shown below.

| Requirements | Maximum Rate |
|--|---------------------|
| Over 5 miles from place of work for 5 hours or more | £4.25 |
| Over 5 miles from place of work for 10 hours or more | £9.30 |
| Over 5 miles from place of work for 24 hours or more | £18.30 |
| Overnight incidental rate – per person | £5.00 |

Exemptions

1. Staff are not entitled to claim subsistence when attending an outreach office within the same organisation where kitchen facilities are provided.
2. Staff are not entitled to claim subsistence at meetings or events where lunch has been provided.

Accommodation Rates

Accommodation costs should only be incurred where an overnight stay is unavoidable and essential for the delivery of official business. Organisations can only claim actual costs which are receipted up to the following rates:

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| Central London (i.e. 5 miles from Charing Cross) and Republic of Ireland | Receipted actuals for bed and breakfast up to a ceiling of £140 including VAT plus receipted actuals up to a maximum of £18.30 to cover lunch and dinner (Overnight Meal Allowance). |
| Northern Ireland | Receipted actuals for bed and breakfast up to a ceiling of £100 including VAT plus receipted actuals up to a maximum of £18.30 to cover lunch and dinner (Overnight Meal Allowance). |
| Officers staying with friends or relatives (London, ROI and Elsewhere in GB and NI) | £25 per night |