

# FINANCIAL RULES AND REGULATIONS FOR NICHE GRANTS



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# 1. Introduction

## 1.1 Brief outline of the programme

NICHE is a Netherlands-funded development cooperation programme that aims to strengthen institutional capacity in developing countries for providing post-secondary education and training. Support is provided in sectors which are supported by the Dutch bilateral cooperation programme, in the higher education sector in general or in cross-cutting themes. In all cases, the relationship with the post-secondary education sector is taken into account. NICHE pays special attention to gender issues and to the link between capacity development and the needs of the labour market at all levels of the programme.

Expertise of Dutch organisations, coupled with local or regional expertise, is used to assist organisations in NICHE countries (“Requesting Organisations”). Support can be given to a variety of organisations in NICHE countries, including institutions for post-secondary education, government ministries, national commissions, and non-governmental organisations (hereinafter: NGOs). The selection of priority areas for NICHE activities is coordinated with the Embassy of the Kingdom of the Netherlands (hereinafter: EKN) in the respective NICHE country as well as with the relevant ministry.

EP-Nuffic assesses the technical quality of the project outlines and is responsible for finding a suitable project partner in the Netherlands. Dutch Organisations can apply to execute the project. After the selection of the Dutch partner (the “Provider”), EP-Nuffic awards a grant for the implementation of the project. EP-Nuffic also monitors progress on the basis of progress reports, project visits and other forms of communication with the implementers.

For more information on the NICHE programme, go to: [www.epnuffic.nl/en/niche](http://www.epnuffic.nl/en/niche).

## 1.2 Introduction to the financial rules and regulations for NICHE grants

These financial rules and regulations will elaborate on the financial and administrative aspects that apply for NICHE projects. These rules and regulations do not only apply to the parties awarded the grant, but also provide a basis for the audit (see Chapter 4).

In the chapters below, the following items are addressed:

- Chapter 2 provides information concerning NICHE project administration, budgeting, project reporting as well as financial accountability. This chapter will also provide the prescribed format of budgets and statements of expenditure.
- Chapter 3 elaborates on the eligibility of costs.
- Chapter 4 provides the audit guidelines and provides the prescribed model of the auditor’s report.
- Chapter 5 provides definitions of financial terminology used throughout these financial rules and regulations.

## 2. Administrative and reporting obligations

### 2.1 Introduction

This chapter provides information concerning NICHE project administration, budgeting, project reporting as well as financial accountability. The following items will be addressed in the subsequent chapters:

- Chapter 2.2 provides information on the general rules for setting up a proper NICHE project administration.
- Chapter 2.3 sets out the rules for submitting proper and timely budgets in accordance with the prescribed format.
- Chapter 2.4 sets out the financial reporting obligations of the parties awarded a grant. This chapter includes information on the rules for submitting proper and timely statement(s) of expenditure and audit reports.
- Chapter 2.5 sets out the regulations regarding project payments.
- Chapter 2.6 provides the prescribed format of budgets and statements of expenditure.

### 2.2 General administration rules

As NICHE projects should be implemented in an effective and accountable manner, this chapter describes in detail the general NICHE project administration rules that parties awarded grants must observe.

The grant letter specifies the party/parties that will be financially responsible to EP-Nuffic. This/these Party/Parties is/are responsible for setting up and managing a properly organised project administration.

In order to obtain the NICHE funding as specified in the grant letter, party/parties responsible for administration must keep a separate project administration, based on orderly records, from which it can be established that:

- Expenditure is taking place in accordance with the grant letter.
- Expenditure is being recorded under the proper headings.
- Expenditure is not in breach of legal regulations that apply in the country where the project is being conducted.
- Expenditure, including time spent, is identifiable and verifiable and can be backed up with original documents presented as supporting evidence. A time registration procedure or system should be used by both Parties, which should be in accordance with the time registration procedure/system accepted by the audit firm of the Parties. In case such a time registration procedure/system is not in place and/or not accepted by the audit firm of the Parties, the EP-Nuffic registration format is to be applied. This format is available from EP-Nuffic on request.
- Authorisation of expenditure is in accordance with the local procedures and subject to a system of internal control.

Furthermore

- Procedures allow for an efficient implementation of the project.
- The administration is open to external control.
- A transparent administration of petty-cash transactions should be kept.
- The Party/Parties responsible for administration should open a separate, (if possible) interest-earning, euro (EUR) account for the project.
- Any interest earned on the account should be administered separately. Interest that remains after bank costs have been deducted should be added to the project funds.

The statement(s) of expenditure as mentioned in Chapter 2.4.1 as well as the audit(s) as mentioned in Chapter 2.4.2 and Chapter 4 are to be derived from this separate project administration.

### 2.3 Project budget

Parties are required to draw up a project budget. Several separate types of budgets are distinguished during the (pre)inception phase as well as during the project implementation period.

NICHE distinguishes four types of budgets:

1. A budget is to be submitted by the Dutch Provider as part of the bid during the tender procedure. This budget is to cover the entire project period and is to be submitted together with the project proposal as mentioned in the tender documents.
2. In the event the grant letter states that an inception phase is required, a new budget is to be submitted for the approval of EP-Nuffic before the start of the project activities. This budget is to cover the entire project period. This revised budget is to provide detailed information about project expenditure for a period including at least the next full calendar year (from 1 January – 31 December) as well broader financial estimates for subsequent years. Revised total budgets may not exceed the amount specified in the budget in the proposal document as referred to in the grant letter.
3. If the project lasts more than 12 months, each year a revised budget and planning is to be submitted on 1 October. This revised budget is to provide detailed information about the project expenditure for the next year (from 1 January – 31 December) as well broader financial estimates for subsequent years.
4. It is possible to request a budgetary-neutral extension. This request should be soundly substantiated and is subject to approval from EP-Nuffic. The request should be submitted three months before the budgetary extension is to start. If a request for a budgetary-neutral extension is received later than three months before its intended commencement date, it is possible that the extension request will not be appraised before the envisaged start date.

The following rules and regulations on submitting budgets apply to all types of budgets referred to above:

- The budget must be in accordance with the rules and regulations of the NICHE programme as referred to in these financial rules and regulations and should be submitted in the prescribed format referred to in Chapter 2.6 *Prescribed format for budgets and statements of expenditures*.
- The budget is to be submitted in hard copy in duplicate and should be signed by the legal representative of both Parties. Only documents that are submitted in hard copy will be taken into consideration and will therefore form the basis of the assessment by EP-Nuffic. An identical, electronic version of the hard copy budget is to be submitted by e-mail via [NICHE@epnuffic.nl](mailto:NICHE@epnuffic.nl).
- The budget should be linkable to the activities as mentioned in the (approved/revised) activity plan for the year in question.
- In the budget, the relationship between outputs and activities, on the one hand, and the required inputs in terms of personnel and materials, on the other, should be explicit. The only exception to this rule is for contingencies. The contingency budget line can only be used for unforeseen extra costs that cannot be avoided if the project is to achieve its objectives and could not be anticipated when the budget was drafted. Further information on the budget format is provided in Chapter 2.6.
- The rates and fees for the experts used in the revised budget may not exceed the rates and fees as offered in the tender bid. In NICHE, rates and fees for experts are limited to maximum levels specified in paragraph 3.9. The fees used to calculate the price of the winning tender may be lower than the fees listed in the *List of fees* prescribed for the NICHE programme. In that case, the organisation that submitted the tender should supply a list of these rates and fees for approval by EP-Nuffic. If the rates and fees are subsequently approved by EP-Nuffic, this list will become an annex to the grant letter.

## 2.4 Financial reporting

This chapter sets out the financial reporting obligations of the parties awarded a grant and includes information about the rules for submitting proper and timely statement(s) of expenditure as well as audit report(s).

### 2.4.1 Statement of expenditure

During the project period the party/parties is/are required to submit (a) statement(s) of expenditure. The grant letter specifies when and by whom a statement of expenditure is to be submitted.

The following types of projects are identified in this sub chapter:

Short-term projects	last 12 months or less
Long-term projects	last longer than 12 months

Statements of expenditures should be submitted yearly

1. For projects that last 12 months or less:

Within four months after the end of the project, the party/parties will submit a final statement of expenditure. This statement of expenditure should cover the entire project period. This final statement of expenditure must also include the costs related to the writing of the final narrative report and the final audit costs (and that are incurred within four months after the end of the project).

2. For projects that last more than 12 months:

- Each year the party/parties is/are responsible for submitting an annual statement of expenditure. This statement of expenditure is to be submitted before 1 of May of each year and should cover the period from 1 January – 31 December of the previous year.
- After the project has ended a statement of expenditure is to be submitted within four months after the end of the project. This final statement of expenditures must include the costs related to the writing of the final narrative report and the final audit costs (and that are incurred within four months after the end of the project).
- If the project ends in January, February, March or April, the report for this period may be combined with the report for the previous full calendar year. However, this must be requested in advance.

For both types of statements of expenditure mentioned above, the following rules and regulations on submitting a statement of expenditure apply:

- The statement of expenditure is in accordance with the rules and regulations of the NICHE programme as mentioned in these financial rules and regulations and should be submitted in the prescribed format mentioned in Chapter 2.6 *Prescribed format for budgets and statements of expenditures*.
- The statement of expenditure is to be submitted in hard copy, in duplicate, and should be signed by the legal representative of both implementing parties as well as the external auditor (see 2.4.2).
- Only documents that are submitted in hard copy will be taken into consideration and will therefore form the basis of the assessment by EP-Nuffic. An identical, electronic version of the hard copy statement of expenditure in Excel format is to be submitted via e-mail NICHE@epnuffic.nl.
- The statement of expenditure is in accordance with the approved activity plan.
- In the statement of expenditure, the relationship between outputs and activities, on the one hand, and the required inputs in terms of personnel and materials, on the other, should be explicit. The statement of expenditure should therefore be linkable to the approved activities. See Chapter 2.6
- Any deviations of more than 20% of the annual budget per output should be analysed / explained.

- The statement of expenditure is in Euro (EUR). The costs in local or other currency are converted in accordance with the prevailing exchange rate of the date the costs are incurred.
- The statement of expenditure should state the amounts by calendar year.
- All expenditures claimed should be based on actual time spent and actual costs unless otherwise specified in these financial rules and regulations (see subsistence allowance (3.2), tuition fees (3.2) and fees for staff time (3.9)).
- Any discounts on purchased equipment, materials, airline tickets etc. should be refunded to the project.
- The costs mentioned in the statement of expenditure must be incurred within the period of the grant with the only exception being the costs related to the writing of the final narrative report and the final audit costs. These costs need to be incurred before the final audit report is submitted (within four months after the project has ended).

Furthermore, based on the annual statement of expenditure, the progress report is to include an analysis of the expenditures in relation to the budget.

#### **2.4.2 Auditor's report**

- All statements of expenditures should be accompanied by an auditor's report.
- The procedure for the audit and prescribed model for the auditors report is laid down in the audit guidelines mentioned in Chapter 4 of these rules and regulations.
- In case the grant letter mentions that both Parties are responsible for submitting their own auditor's report, they should do so directly to EP-Nuffic.

#### Please note

- If the amount of expenditure for a given year does not exceed EUR 50,000, an external audit will not be performed for that year (unless EP-Nuffic decides otherwise). This expenditure should be audited alongside the figures for the next year. The final year of a project always requires an audit report, regardless of the amount of expenditure.
- If the total amount of the project does not exceed EUR 50,000, an external audit report is not necessary (unless EP-Nuffic decides otherwise). The audit costs would then not be claimed from the project's budget.

### **2.5 Remuneration**

The Party/Parties responsible for administration will receive advance payments to implement the NICHE project. This chapter discusses how an advance payment is paid. Secondly, information is provided about the final payment and the settling of the account.

#### **2.5.1 Advance payments**

For short-term projects, lasting 12 months or less, the following guidelines on advance payments apply:

- EP-Nuffic will supply an advance payment to the maximum of 80% of the budget within 60 days after the date of the grant letter.

For long-term projects, lasting longer than 12 months, the following guidelines on payments apply:

The maximum amount that can be transferred in the form of advance payments for a given year is 80% of that year's budget:

- Payment for the first year: EP-Nuffic will supply an advance payment to the amount mentioned in the grant letter within 60 days after the date of the grant letter.
- Payments for following years:
  - after agreement on the revised budget for a given year (which is to be submitted in accordance with Chapter 2.3 of these financial rules and regulations), an advance payment of at least 40% but not exceeding 80% of that year's budget will be paid before the end of January of that year;

- as of the 1 June, an additional advance payment can be requested for the remainder of the year. This request for an additional advance payment should be submitted using the standard format which is available on request from EP-Nuffic. The maximum amount that can be requested this time depends on the actual expenditure and on any advance payment(s) already provided, taking into account that no more than 80% of the budget of the year in question will be paid in advance.

The following regulations apply to both long and short-term projects:

- If a Party fails to fulfil its reporting obligations, further payments may be suspended.
- If a project does not demonstrate that adequate progress has been made in the project, or that the anticipated cash-flow for the period ahead is less than budgeted for, further payments will be suspended.
- At the end of the project period, any funds that have not been spent should immediately be returned to EP-Nuffic.

### **2.5.2 Settling the account**

- The account will be settled after EP-Nuffic has received and approved the (annual and/or final) statement of expenditure, the (annual and/or) narrative report and the accompanying auditor's report.
- Expenditures exceeding the available overall project budget will not be reimbursed.
- If in a certain year the amount of advance payments received exceeds total expenditures for that year, the difference will be deducted from the advance payment for the next year.
- If EP-Nuffic, after consultation with the Parties awarded a grant, is of the opinion that some of the funds have been spent improperly - that is, not in accordance with the terms under which the funds were made available, or not in accordance with these financial rules and regulations - EP-Nuffic can decide to readjust the financial contribution.

### **2.6 Prescribed format for budgets and statements of expenditures**

The format below is required for all budgets and statements of expenditure. Please note that the grant letter mentions the timeframe and the Party/Parties responsible for submitting the budget(s) and statement(s) of expenditures.

NICHE has a prescribed financial format for financial planning and reporting of all projects. The latest version of the format and the accompanying guidelines can be found on the NICHE website [www.EP-Nuffic.nl/niche](http://www.EP-Nuffic.nl/niche). The use of this Excel format is compulsory. The NICHE financial format exists of 2 parts: one part contains both the (yearly) budgets and statement of expenditure, the second part contains summarised information under the heading Reporting & Planning.

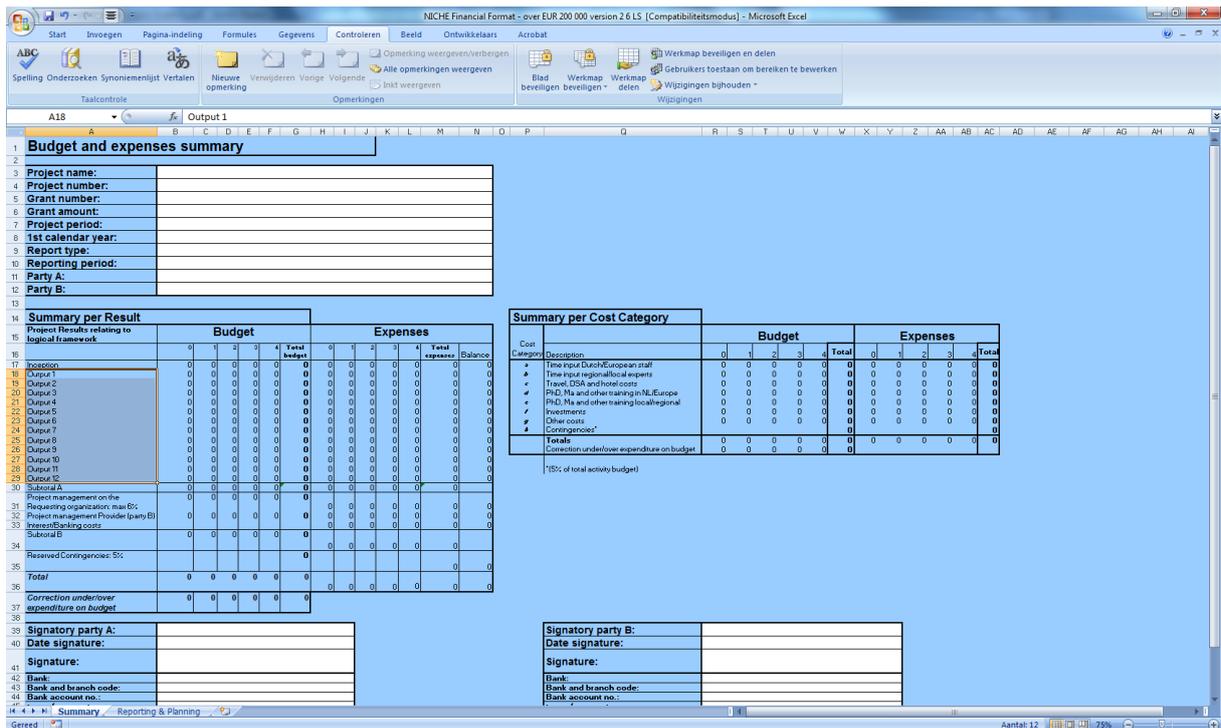
#### **1) Format**

The financial format shows the relationships between outputs, inputs and expenses. The financial overview should correspond with order of contents in the accompanying narrative report or work plan.

- a) The total worksheet for the entire project period (all years) should be submitted each time a report is submitted.
- b) The column “Activity Code” should consistently follow the coding that is used in the project proposal, the logical framework and the narrative report or work plan.
- c) For each budget line, a cost category should be chosen. These are prescribed and attached below. These cost categories are summarised in part 2.
- d) If the grant stipulates that both parties are responsible for the financial administration of their own expenditures, the following procedure is required: EP-Nuffic will receive one joint statement of expenditure for the previous year that incorporates the expenditures of both Parties and that is signed by both Parties. Additionally each Party will individually submit their own audited statement of expenditures in the same format. Consequently, there will be one joint statement of expenditure and 2 audited annual accounts from both Parties.
- e) In case of a project extension, add the additional extension period to the financial format.

## 2) Summary Worksheet

The financial data in the “budget and expenses summary” and the “summary per cost category” consist of information collected from the data submitted in the worksheet “Reporting & Planning”. Both summaries give a clear summarised overview of the progress of the project.



The requested data in the top left of this format is required for each report (project name, project code, grant number, etc.).

### 3) Other remarks

The budget should state each Party's project bank account number, IBAN/BIC number and bank address. In case the bank account number stated in the budget differs from the bank account number as specified in the proposal/tender documents, a statement from the bank is to be provided in which the bank confirms that the new account number belongs to the Party.

- The budget is in euros (EUR).
- The budget states the amounts by calendar year.

## 3. Eligibility of costs

### 3.1 Introduction

This chapter provides information on the eligibility of costs. As not all costs are eligible for NICHE funding, Party/Parties as well as audit firms should take these rules and regulations, among other formal documents such as the grant letter and, if applicable, other formal correspondence, into account.

To be eligible for reimbursement, costs must be real (made and paid) and documented. This means that lump-sums and fixed-fee rates can only be used if specified as such in these Rules and Regulations. Any discounts on equipment, materials, airline tickets, etc. purchased should be refunded to the project.

Please note that the following costs are never covered by the project and should therefore not be included in any part of the project budget or statement of expenditures:

- Salaries, incentives, fees, allowances or any other rewards paid or to be paid for the time which staff of the Requesting Organisation of the project spends on the project. The only exception is the time spent on project management and administration (see subsequent chapter 3.2.2).
- The cost of replacing staff members that are working on the project.

These costs will have to be paid by the Requesting Organisation/Organisations.

NICHE will cover eligible costs only. These are specified in detail in the following chapters. The budgeted items and expenditures are subject to approval by EP-Nuffic

**3.2 Costs related to visits conducted by staff of the Parties or their subcontractors**

**3.2.1 Visit costs made by staff of the Provider or staff of subcontractors hired by the Provider**

Please note that the actual time spent by staff of the Provider and its subcontractors must be identifiable and verifiable and substantiated by original documents, such as pay slips, presented as supporting evidence. A time registration procedure/system should be used in accordance with Chapter 2.2 concerning the general administration rules.

The following types of visits are identified in this chapter:

Short visit of Provider staff or staff of its subcontractors	a visit lasting six months or less
Long visit of Provider staff or staff of its subcontractors	a visit lasting longer than six months

The following rules apply to these types of visits:

**Short visits of six months or less performed by staff of the Provider or its subcontractors:**

*Staff time*

A short visit is a posting of six months or less. The actual time spent on a visit, which includes both time spent on preparation and the time spent during the actual visit, can be claimed at the rates indicated in the *List of fees*.

*Hotel cost and daily allowance*

For subsistence and accommodation, Parties can claim no more than the actual costs of accommodation and breakfast in a medium-range hotel and a daily lump-sum allowance to cover other costs related to subsistence.

The daily allowance lump sum is € 50 per day for a stay in OECD – DAC aid recipient countries<sup>1</sup> and € 75 per day for a stay in other countries including the Netherlands.

The daily allowance can only be claimed if it can be proved that the days concerned were spent in a hotel for the purpose of the project.

*Note: A Party is free to pay its own staff more or less than this eligible lump sum, but the difference cannot be charged to the project. Daily allowance for visits of other persons can only be declared if the amounts have been paid to that person or to his/her employer.*

*Also, if one Party is responsible for project finances, this Party can only declare the daily allowance for the other Party's visits if the amounts have been actually paid to that Party or to the staff member of that Party involved.*

*International travel*

The costs of a return-trip airline ticket will be reimbursed. The flight should be by the most direct route between the destination and the airport nearest the person's place of residence.

*In-country travel*

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<sup>1</sup> List to be found at [www.oecd.org/dac](http://www.oecd.org/dac)

Travel costs to and from the airport in the Netherlands will be reimbursed up to the amount of a first-class train ticket. Actual travel costs incurred for project activities abroad will be reimbursed.

**Long visits of more than six months performed by staff of the Provider or its subcontractors:**

A long visit is a posting of more than six months. The costs related to a long stay, such as the rent of the visitor's apartment, that can be budgeted and any amounts to be reimbursed are limited to the fees and rates as set out in the regulations for long visits. The current regulations that apply to long visits by staff of the Provider or its subcontractors can be obtained at EP-Nuffic on request.

The maximum fees concerning staff time for long visits can be found in column C of the *List of fees*.

**The time spent by staff of the Provider or its subcontractors on other project-related activities:**

The actual time spent on other activities related to the project can be claimed at the rates indicated in the *List of fees*.

**3.2.2 Visit costs made by staff of the Requesting Organisation**

All costs related to the visits of persons from the Requesting Organisation for management purposes or for taking a course or receiving training, except salary or other rewards of these persons, can be charged to the project.

The following types of visits are discussed in this chapter:

Short visit of Requesting Organisation staff or staff of its subcontractors	a visit lasting one month or less
Long visit of Requesting Organisation staff or staff of its subcontractors	a visit lasting longer than one month

The following rules apply:

**Short visits of one month or less performed by the staff of the Requesting Organisation**

*International travel:*

The costs of a return trip will be reimbursed (including the airline ticket, airport tax and the visa). The flight should be by the most direct route between the destination and the airport nearest the person's place of residence. (Please note that the airline ticket may not be exchanged for cash.)

*In-country travel:*

The costs of local travel in connection with the purpose of the visit will be reimbursed. Visitors are expected to travel by bus, tram and/or train. Travel by taxi will be reimbursed only if other options were not available.

Accommodation and subsistence:

*Hotel cost and daily allowance*

For subsistence allowance, Parties can claim no more than the actual costs of hotel and breakfast in a medium-range hotel and a lump sum allowance per day to cover the other costs of daily subsistence.

The daily allowance lump sum is € 50 per day for a stay in OECD – DAC aid recipient countries<sup>2</sup> and € 75 per day

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<sup>2</sup> List to be found at [www.oecd.org/dac](http://www.oecd.org/dac)

for a stay in other countries including the Netherlands. A daily allowance can only be claimed if it can be proved that days concerned were spent in a hotel for the purpose of the project

Note: A Party is free to pay its own staff more or less than this eligible lump sum, but the difference cannot be charged to the project. Daily allowance for visits of other persons can only be declared if the amounts have been paid to that person or to his/her employer.

Also, if one Party is responsible for project finances, this party can only declare daily allowance for the other Party's visits if the amounts have been actually paid to that Party or to the staff member of that Party involved.

#### *Tuition fees:*

The budget should list any tuition fees. These will be based on the standard fee used in the Netherlands Fellowship Programmes (hereinafter: NFP) if applicable. Otherwise the fees will be either as listed in the database of Studyfinder ( [www.studyfinder.nl](http://www.studyfinder.nl)) or calculated specifically for the course in question.

The tuition fees are subject to approval by EP-Nuffic and will be reimbursed by lump-sum payments.

#### *Insurance*

The actual amount that must be paid for insurance should be listed.

Please note that visitor's employers are expected to continue to pay visitor's salaries and these costs can therefore not be charged to NICHE. NICHE only covers an allowance meant to cover visitor's costs, including accommodation, while they are in the Netherlands or the other country being visited. If a visitor is joined by family members, these extra costs cannot be charged to the project.

### **Long (study) visits performed by the staff of the Requesting Organisation or its subcontractors:**

For these visits, the allowances and tuition fees for fellowships of the NFP apply. These can be downloaded at [www.EP-Nuffic.nl](http://www.EP-Nuffic.nl). The main budget items that are specified in the rules and regulations of the NFP are: international travel, travel in the country of destination, accommodation and subsistence, personal allowance, study materials, tuition fees, insurance.

Please note that visitor's employers are expected to continue to pay the visitor's salary and these costs can therefore not be charged to NICHE. NICHE only covers an allowance meant to cover the visitor's costs, including accommodation, while they are in the Netherlands or the other country being visited. If a visitor is joined by family members, these extra costs cannot be charged to the project.

### **3.3 Costs related to project management and general administrative costs**

#### ***3.3.1 Project management by the Provider***

The actual amount of time spent by the Provider on project coordination can be claimed at the rates indicated in the *List of fees*. There should be no separate charges for general administrative support, secretarial services etc. This is considered overhead, and these costs are included in the rates charged for project coordination. Costs of language training cannot be charged to the project.

Please note that the actual time spent by the Provider's staff must be identifiable and verifiable and must be substantiated by original documents presented as supporting evidence. A time registration procedure/system should be used in accordance with chapter 2.2 concerning the general administration rules.

### **3.3.2 Project management by the Requesting Organisation**

The general costs of the administration and the time that staff members of the Requesting Organisation spend on project management, administration and secretarial activities will be paid to a maximum fixed amount. The amount will be set by EP-Nuffic<sup>3</sup> and will not change during the project.

General administrative costs are costs that are not specific to a particular project activity, such as communications (telephone, fax, mail, messenger service, etc.), office supplies, photocopying and other operational costs such as transportation, fuel and maintenance for project cars, insurance policies, etc. Only activities that can be considered to be *incremental* general administrative costs and that are considered necessary for the efficient and effective implementation of the project may be budgeted. Incremental costs are costs that would not have been incurred if the project had not been carried out.

Please note that the eligibility of local salaries for NICHE funding depends on the nature of the activity. A distinction is made between project activities that are of a technical nature and activities that are of a general, administrative and logistical nature, i.e. activities in support of the project.

- *Project activities*: In order to enhance sustainability after the project has ended, the NICHE programme regulations stipulate that local salaries, or the topping up of local salaries, may not be paid from the project budget. After all, the Requesting Organisation must be able to pay the salaries after project funding has stopped. Therefore neither salaries nor fees charged for the time which staff of the Requesting Organisation spends on the technical activities, nor the cost of replacing staff at the organisations that have seconded them to the project may be paid.
- *Administrative and logistical activities*: Time spent on general, administrative and logistical project management can be charged on the 6% budget. This might include the costs of reporting to EP-Nuffic or the Provider, administration of project expenditures, and communication related to the project. For instance, if the Requesting Organisation has to hire a project administrator to administer and report on the project's expenditures, or hire staff to carry out secretarial duties for the project implementers, these costs will be covered. Time that the project coordinator spends on project coordination and project management may be included in as far it can be considered to be *incremental*.

Please note that the actual time spent by the Requesting Party's staff has to be identifiable and verifiable and substantiated by original documents presented as supporting evidence. A time registration procedure/system should be used in accordance with chapter 2.2 concerning the general administration rules. Only cost made and paid can be charged to the project.

Please note that the amount for project management by the Requesting Party will be fixed at the start of the project and will not change during the project, even if the project needs to be extended. The fixed amount can not be exceeded.

### **3.4 Costs related to acquisitions and investments**

The maximum budget for costs of equipment, infrastructure and other investments will be set by EP-Nuffic<sup>4</sup>. The proposed investments should be specified in a detailed investment budget and the reasons for each proposed investment should be stated clearly. Procurement procedures should follow local rules and regulations. If there are no formal procurement regulations available, these should be made for the project and approved by EP-Nuffic.

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<sup>3</sup> Calculated as 6% of the maximum project budget as mentioned in the call for tender

<sup>4</sup> the maximum amount is 20% of the maximum project budget as mentioned in the call for tender

Value-added tax (hereinafter: VAT) paid for goods acquired in the Netherlands or another country of the EU and destined for export will be reimbursed by the tax office, on request, at the time of export. Such goods should therefore be listed on the project budget without VAT.

Costs directly related to acquisitions and other investments, such as the costs of transport, insurance and installation may also be included.

### **3.5 Local and regional external experts**

The costs of enlisting the services of local and regional external experts for specific purposes can be covered by NICHE. Remuneration is based on the time spent by the expert and the consulting fee paid to the expert. Only costs made and paid can be charged to the project. A 15% handling fee can be added (but this is optional). The consulting fee should be consistent with what the external expert would normally charge for comparable services in the country in question. The budget should include a detailed breakdown of these costs. EP-Nuffic can call on the Dutch embassy for advice if it has any doubts and it has the authority to reject the proposed fee rate.

Note: external experts cannot be employee of the Requesting Party, neither full time nor part time. If an external expert is employee (part-time) of the Requesting Party, the cost for his or her services can never be charged to the project.

### **3.6 Costs of audit**

The costs of an audit can be covered by NICHE. Concerning the audit, the following rules and regulations apply:

- The costs for the annual audit must be included in the project budget. These should be based on the fees actually charged.
- If the amount of expenditure for a given year did not exceed EUR 50,000 an external audit is not needed for that year unless EP-Nuffic decides otherwise. This un-audited expenditure should be audited alongside the figures for the next year. The final year of a project always requires an audit report, regardless of the amount of expenditure.

### **3.7 Contingencies**

The budget for contingencies is set at 5%. Contingencies are unforeseen extra costs that cannot be avoided if the project is to achieve its objectives. As the name suggests, these extra costs could not be anticipated when the budget was drafted but are essential for the project to achieve its objectives. The item 'contingencies' is not meant for new activities. The contingencies have to be stated in the budget in accordance with the prescribed budget format. **Please note that contingencies are not part of the operational budget and may only be used after written approval from EP-Nuffic.**

### **3.8 Principles for other types of costs**

Costs that are not mentioned in Chapters 3.2 up to and including 3.7 can be included in the budget on the following conditions:

- they must be sufficiently specified;
- if the present guidelines do not contain any specific rules or rates that would apply, the rules and rates that apply in general to the Party and/or country in question should be used and should be submitted for approval to EP-Nuffic. Project Parties should exercise common sense in identifying which costs are eligible and which are not;
- if a Party uses its own departments to perform services (such as production, printing, distribution, translation, etc.), the fees charged should be consistent with the organisation's own regulations and should not exceed what the organisation would normally charge internally.

### 3.9 List of fees

The fees specified below apply to NICHE funding for NICHE-related activities by employees of Dutch organisations or organisations involved as subcontractors that are registered in Europe, North America or Australia. The fee rates are determined by the level of the salary of the individual expert. The fee rates are a lump sum payment for the time of the expert.

The salary groups are considered to be gross monthly income of employees and therefore do not include, among other things, a thirteenth month and a contribution for holiday expenditures.

#### Fees paid to employees of Provider (amounts are in Euro)

			A	B	C1	C2
1.362,00	>	1.589,00	235	182	142	155
1.589,00	>	1.816,00	272	210	163	179
1.816,00	>	2.043,00	307	238	186	201
2.043,00	>	2.270,00	344	266	207	225
2.270,00	>	2.497,00	380	294	229	249
2.497,00	>	2.724,00	416	322	250	273
2.724,00	>	2.951,00	453	350	273	297
2.951,00	>	3.178,00	488	379	294	320
3.178,00	>	3.405,00	524	406	316	344
3.405,00	>	3.632,00	561	435	338	368
3.632,00	>	3.859,00	597	462	360	392
3.859,00	>	4.086,00	634	491	381	416
4.086,00	>	4.313,00	669	518	403	439
4.313,00	>	4.540,00	705	547	425	463
4.540,00	>	4.767,00	742	574	441	479
4.767,00	>	4.994,00	778	603	454	493
4.994,00	>	5.221,00	815	630	468	506
5.221,00	>	5.448,00	850	659	481	520
5.448,00	>	5.675,00	886	686	495	534
5.675,00	>	5.902,00	906	700	509	547
5.902,00	>	6.129,00	925	713	522	561
6.129,00	>	6.356,00	944	728	536	574
6.356,00	>	6.583,00	964	741	549	588
6.583,00	>	6.810,00	983	755	563	601
6.810,00	>	7.037,00	1002	768	576	616
7.037,00	>	7.264,00	1021	781	591	629
7.264,00	>	7.491,00	1040	796	604	642
7.491,00	>	7.718,00	1059	809	617	656
7.718,00	>	7.945,00	1078	823	631	669
7.945,00	>	8.172,00	1097	836	644	684
8.172,00	>	8.291,00	1111	847	655	693

- A For a workday in the Netherlands (5-day week).
- B For a day spent on a short visit (7-day week).
- C1 For a day spent on a long visit (7-day week).
- C2 For a day spent on a long visit (7-day week) in case the experts partner and children remain in the Netherlands.

For definitions of short and long-term visits, see Chapter 3.2.1 above. The tariffs apply to all experts that are employees of the consortium that was described in the project proposal.

## Experts

- If external experts are hired that are employees of an organisation (i.e. on a payroll), the fee rates as mentioned above apply. A 10% handling fee can be added (but this is optional).  
Please note that handling fee cannot be added for experts who are employees of an organisation that is part of the consortium that was described in the project proposal as they are not considered external to the project.
- If external experts are contracted that are **not salaried employees of an organisation** (“freelance experts”), the actual fee paid to them will be reimbursed. In this case a 15% handling fee can be added (but this is optional).

## **4. Audit guidelines**

### **4.1 Introduction**

These audit guidelines provide information for both the audit firm as well as Parties awarded the grant on submitting audited statements of expenditure and audit reports in accordance with the NICHE requirements of EP-Nuffic. As mentioned in Chapter 1, the NICHE programme is a development cooperation programme that aims to strengthen institutional capacity in developing countries for providing post-secondary education and training.

Expertise of Dutch organisations, coupled with local or regional expertise, is used to assist organisations in NICHE countries. After the selection of a Dutch organisation (“Provider”), EP-Nuffic awards a grant for the implementation of the project.

### **4.2 Framework of standards**

The following framework of standards applies to the NICHE programme:

1. Ministry of Foreign Affairs Framework Act on grants;
2. Ministry of Foreign Affairs Grant Decree;
3. Ministry of Foreign Affairs Grant Regulations.

In addition, the following documents are relevant for the auditor’s activities:

1. The grant letter in connection with the NICHE grant;
2. The Financial rules and regulations for NICHE grants;
3. The NICHE Guidelines for reports;
4. The project document, budget and project proposal; where applicable, findings and recommendations of previous audits.

For more information on the NICHE programme, go to: [www.EP-Nuffic.nl/NICHE](http://www.EP-Nuffic.nl/NICHE).

### **4.3 Reporting requirements**

The reporting requirements as set out in Chapter 2.4 of these financial rules and regulations mention that all statements of expenditure are to be accompanied by auditor’s reports.

The grant states which Party/Parties is / are responsible for submitting the statement of expenditure.

- *In case both the Parties* submit their own statement of expenditure and auditor’s report, these should be submitted directly to EP-Nuffic;
- *In case one of both* Parties is responsible for submitting the statement of expenditure *for the whole project*, that Party may decide whether:
  - a) it bases its financial statements and audit report on original invoices submitted by the other Party; or
  - b) it wants an auditor’s statement for the expenses incurred by the other Party. In this case, the Parties’

auditor has to combine both audits into a single report that covers all project expenditures for the year in question.

#### **4.4 Choice of audit firm**

By the requesting Party: the audit must be conducted by an independent auditor who is acceptable to both EP-Nuffic and the organisation in question. In principle, the requesting Party is advised to choose a local office of an international accounting firm. If a firm not affiliated with an international accounting firm is chosen, this must be communicated to EP-Nuffic in advance for EP-Nuffic's approval.

By the Provider: the audit can be conducted by the organisation's usual auditor: that is to say, an independent auditor commissioned by the organisation to audit the annual accounts. The audit may not be conducted, however, by the organisation's own internal audit department.

#### **4.5 Objective of the audit protocol and objective and scope of the audit**

This audit protocol provides further instructions for the auditor's work and report and lays down the auditor's tasks and responsibilities. However, this audit protocol does not intend to prescribe an audit approach and it is not an (exhaustive) work programme.

The auditor examines to what extent the annual/final statement of expenditure meets the relevant requirements as set out in this audit protocol. While doing so, the auditor must give adequate regard to the provisions of the framework of standards (see Chapter 4.2). The auditor performs the assurance engagement with due regard of this audit protocol. The auditor's examination results in an auditor's report accompanied by the statement of expenditure.

The objective of the audit is to give an opinion on the statement of expenditures in order to assess, in particular, its accuracy and the legitimacy of the expenditures in all material respects.

Expenditures will be regarded as legitimate if:

- they comply with the conditions of the grant, including addenda to the grant (if applicable), with other agreements and with the financial rules and regulations for NICHE grants, which are attached as an annex to the grant letter;
- they have been recorded properly under headings that are the same as those in the approved budget;

Furthermore, the auditor has to evaluate the organisation's own system of internal control with respect to the NICHE project, to estimate the audit risk, and to identify any matters worthy of mention, including any material weaknesses in the internal control system.

In addition, the auditor provides in the auditor's report an opinion on the annual/final statement of expenditure. The auditor is to sufficiently take into account whether the organisation has complied, in all material respects, with the grant letter and with the rules and regulations that apply to the project.

#### **4.6 Audit method**

The auditor holds primary responsibility for the audit method. This audit protocol therefore does not intend to prescribe any particular audit method to be used. Auditors mostly base their audit on a (risk) analysis of the accounting system and related internal controls in respect of the Parties' statements of expenditure and, based on this, they are in the best position to decide on what means of auditing to apply. As this results in custom solutions per project party, it is impossible to prescribe any particular method. The audit should be carried out in accordance with generally accepted international auditing standards (hereinafter: ISA).

This audit protocol provides further instructions that the auditor must observe in his audit method. The auditor who is responsible for the audit of the statement of expenditure is to ensure an adequate audit method and a client-specific work programme, in which context sufficient attention is given to the internal controls of the project accounts and to the level of audit tolerance. In forming an opinion, the auditor strives to obtain a reasonable (i.e. high) level of assurance. If this concept were to be quantified for statistical purposes, a reliability rate of 95% is to be assumed.

#### 4.7 Accuracy

The auditor organises his audit in such a way that he can state with a reliability rate of 95% that the financial statement contains no misstatements with a significance larger than the prescribed levels of materiality. To determine the opinion of the auditor's report, the following levels of materiality apply:

Levels of materiality in percentage of the expenditures	Misstatement in the financial statement		Uncertainties in the financial statement	
	Qualified	Adverse	Qualified	Disclaimer of opinion
Fair view	> 1 and < 3	≥ 3	> 3 and < 10	≥ 10
Compliance	> 1 and < 3	≥ 3	> 3 and < 10	≥ 10

Please note that for grants lower than or equal to € 50.000, an auditor's report does not have to be submitted unless EP-Nuffic decides otherwise.

#### 4.8 Points of attention

This section provides points of attention for the auditor's assurance work in conducting his audit.

##### *General*

The auditor takes cognisance of the framework of standards, project proposal as stated in the tender documentation, grant letter and any additional written agreements. In addition, the auditor takes cognisance of relevant correspondence regarding any changes in implementing the project. Based on these documents and correspondence, the auditor acquires an in-depth understanding of the project. In his assurance work, the auditor also takes account of the risk that the project may not be entirely performed in accordance with the grant letter.

The auditor must receive a letter of representation from the grant recipient's management stating that, to the best of its knowledge, the financial statement encompasses all transactions and receipts, is accurate and complete in every respect and that all grant conditions have been met.

The auditor should ensure that the audit file contains sufficient documents of an appropriate and relevant nature and should record the audit procedures used and the outputs obtained in the file.

##### *Audit requirements*

In performing the assurance engagement, the auditor is to establish that at least the following has been complied with:

- all expenses in the accounts are legitimate, i.e. they satisfy the criteria contained in the grant letter and the regulations listed in section 2 and 3 of this annex;
- the costs included in the statements of expenditure have actually been incurred for the project activities and have been paid;

- the accounts are complete and correctly recorded;
- the accounts are numerically correct;
- the accounts agree with the underlying financial records and other documents held by the Parties and/or those executing the project;
- Interest received on advance payments is added to project funds and subtracted in the statement of expenditures;
- the costs have been accurately calculated, in compliance with the general and specific subsidy conditions contained in the grant letter;
- the costs in local or other currency are converted in accordance with the prevailing exchange rate of the date the costs were incurred;
- the costs included in the statements of expenditure are based on the approved budget for the period reported on;
- the costs included in the accounts were incurred during the period stated in the grant letter. The costs related to the writing of the final narrative report and the final audit costs can be included if incurred within four months after the end of the project;
- the costs for goods and materials do not exceed the amount approved in the budget and these goods and materials procured have become demonstrably the property of the Requesting Party;
- the costs for contingencies do not exceed 5% of the approved budget and are spent in accordance with the approved budget.

#### **4.9 Auditor's report**

##### *General*

The auditor's audit results in an auditor's report. For this purpose, the auditor uses the applicable model included in 4.12. It is essential that the scope of the auditor's report is unambiguous and that any (material) findings and/or uncertainties detected are adequately represented in the report.

The auditor's report is to state that it has been drawn up in accordance with the further instructions of this audit protocol.

##### *Points of attention*

If during the performance of the assurance engagement, material misstatements are detected in the statement of expenditure report, they will have to be adjusted. If material misstatements are not adjusted, the auditor is not permitted to issue an unqualified assurance report. If the auditor detects any unlawfulness in connection with the project or project Parties, for example any gift, reward, compensation or benefit of any kind offered or accepted in a way that could be construed as illegal or corrupt, he is obliged to report this to EP-Nuffic.

##### *Report*

The auditor's report should include the following:

- the aim and scope of the financial audit, the audit criteria applied, where relevant, and any restrictions imposed on the scope of the audit;
- the basis of his opinion in case of material or fundamental limitation on the scope of the audit and/or non-compliance of (financial) rules and regulations;
- the auditor's opinion of the statement of expenditure.

The auditor's report concerns the certified (stamped and signed) financial statement including disclosures and the accounting principles applied.

The auditor obtains a Letter of Representation (see 4.9).

#### **4.10 Review**

EP-Nuffic reserves the right to have the audit reviewed. The auditor concerned, Party/Parties and other Parties involved will fully cooperate with this review, supplying the reviewer with all relevant documentation related to the audit. The auditor is obliged to provide (if asked) the reviewer with copies of any document included in the audit file.

#### **4.11 Audit files**

The audit firm must keep an orderly and accessible audit file for the project. This file should be kept for ten years from the date the audit was completed. All working papers and reports should be in the English language.

#### 4.12 Prescribed model for auditor's report

The auditor is obliged to incorporate the following wording stipulated in the report:

To: [Appropriate addressee]

We have audited the accompanying statement of income and expenditures under the *Netherlands Initiative for Capacity development in Higher Education (NICHE)* of [name of entity], [statutory seat] for the period [period] in respect of NICHE Grant CF-[CF number]. The statement has been prepared by management of [entity].

##### *Management's responsibility*

Management is responsible for the preparation of the statement in accordance with the requirements set out in the Grant CF-[CF number] dated [date]. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

##### *Auditor's responsibility*

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing and the audit guidelines as mentioned in the NICHE grant conditions. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### *Opinion*

In our opinion, the statement of expenditure of [entity] of a total amount of eligible costs of € [amount] over the period [period] is prepared, in all material respects, in accordance with NICHE Grant conditions.

##### *Restriction on use and distribution*

The statement is prepared for the entity to comply with the requirements as set out in the NICHE grant. As a result, the statement may not be suitable for another purpose. Our auditor's report is solely intended for EP-Nuffic and should not be distributed to or used by others than EP-Nuffic.

Place and date

Name audit firm

(name auditor RA)

## 5. Definitions

In these financial rules and regulations, the following words shall have the following meanings:

<i>Annual statement of expenditures:</i>	the financial statement of expenditures incurred during the past project year. This statement should be based on actual time spent and actual costs, and be in compliance with the approved budget and the financial rules and regulations for NICHE grants. Any discounts on purchased equipment, materials, airline tickets etc. should be refunded to the project.
<i>Audit:</i>	insofar as the term “audit” is used in this audit protocol, this should be understood to mean: the performance of an assurance engagement.
<i>Assurance engagement:</i>	an engagement with an auditor to obtain a reasonable level of assurance in respect of the financial statement in accordance with ISA 700.
<i>Auditor:</i>	the expert associated to the International Federation of Accountants (IFAC).
<i>Auditor’s report::</i>	the auditor’s reporting format, in which the auditor formulates his opinion based on the assurance engagement carried out by him and which also complies with the provisions in ISA 700.
<i>Budget:</i>	expected costs in relation to outputs, activities, and the required inputs in terms of personnel and materials.
<i>Final/Annual Statement of Expenditure:</i>	the financial statement of expenditures incurred during the whole project period. This statement should be based on actual time spent and actual costs, and be in compliance with the approved budget and the financial rules and regulations for NICHE grants. Any discounts on purchased equipment, materials, airline tickets etc. should be refunded to the project.
<i>Grant :</i>	maximum financial contribution mentioned in the grant letter on the application, based on the budget-forecast made by the project Parties.
<i>Grant award</i>	the decision to award a grant, taken by EP-Nuffic.
<i>Grant letter:</i>	the letter in which EP-Nuffic informs the Parties about the decision to award a grant. If an application is accepted, the grant letter includes, among other things, the obligations associated with the grant.
<i>Grant awarded Party/Parties</i>	the organisations that receive the Grant (and that will implement the project).

<i>Grant period:</i>	the period as from the date stated in the grant letter until the agreed-upon (completion) date of the project.
<i>Narrative report:</i>	the annual/final update concerning the progress, outputs and outcomes, made during the relevant project.
<i>Project Parties:</i>	the Provider and the Requesting Organisation.
<i>Provider:</i>	selected Dutch organisation that will assist the Requesting Party with the realisation of the project objectives concerning capacity building.
<i>Requesting Organisation:</i>	organisations in NICHE countries that implement a selected NICHE project that is executed in cooperation with and with the assistance of a Dutch Organisation (the Provider).
<i>Staff Member</i>	Any person that is a full time or part time employee of the organisation.