

# Retention of Documents in EU Funded Projects



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*This information is for guidance and informational purposes only and should not be regarded as a substitute for applicable legislation, direction by the funding operator, other applicable official documents and/or the grant agreement signed by the funding beneficiary.*

# 01 Introduction

Organisations which are beneficiaries of EU funding are required to keep records and other supporting documents relating to the implementation of their projects. Organisations are therefore required to keep such documents in an ordered manner, such as a project file. A separate file should be kept for each EU funded project the organisation implements.

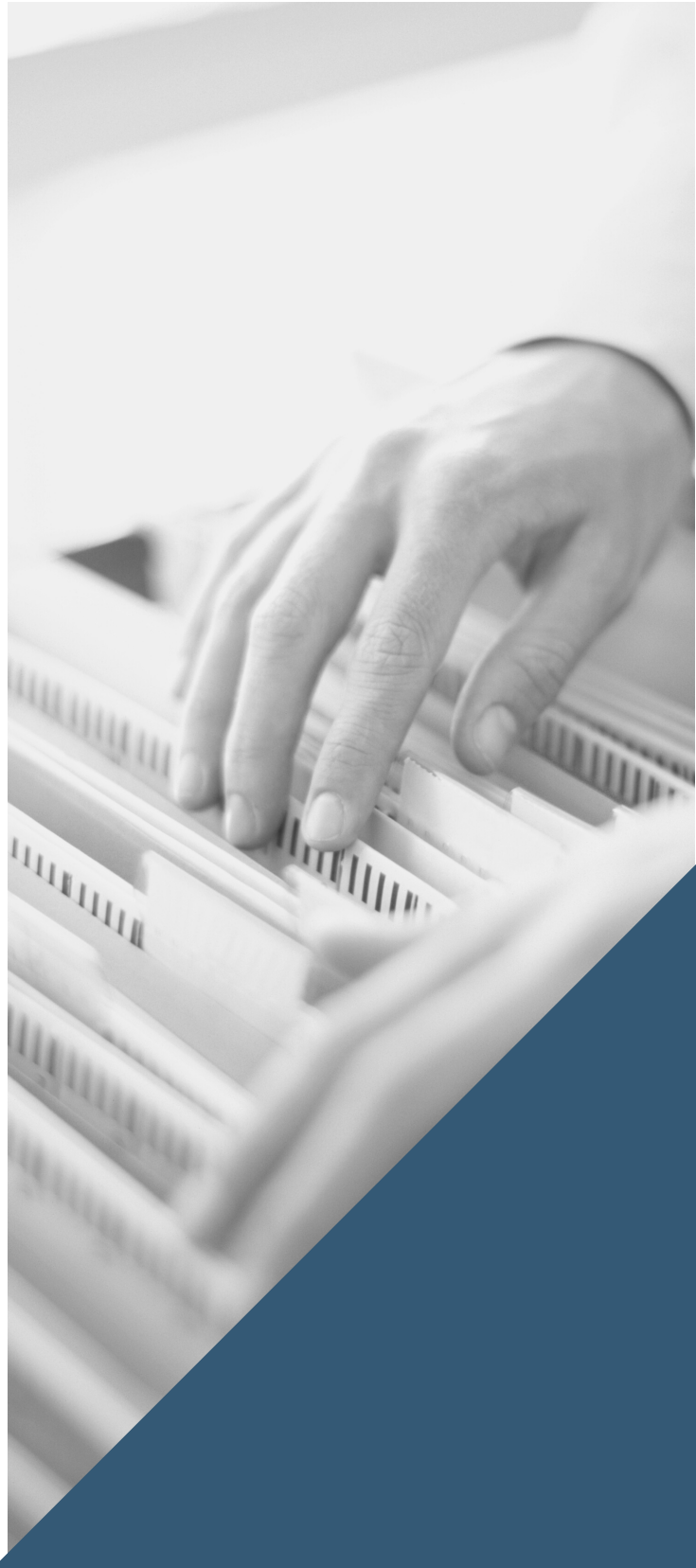
The next few pages provide an overview of the documentation and records which typically need to be kept by an organisation when implementing EU funded projects, including the consequences of failure to retain the correct documentation.



# Why should project documents be retained?

# 02

Retention of project documents is required for all beneficiaries implementing projects for which EU funding is received, to prove proper implementation of their project, compliance with grant agreement obligations and to provide proof of the eligibility of the costs incurred during the project. This is necessary since EU funds are public funds and there are monitoring procedures in place to verify that projects are properly implemented. This includes spot checks by the relevant fund operator during the lifetime of the project and the possibility of EU funded projects being audited after they end.



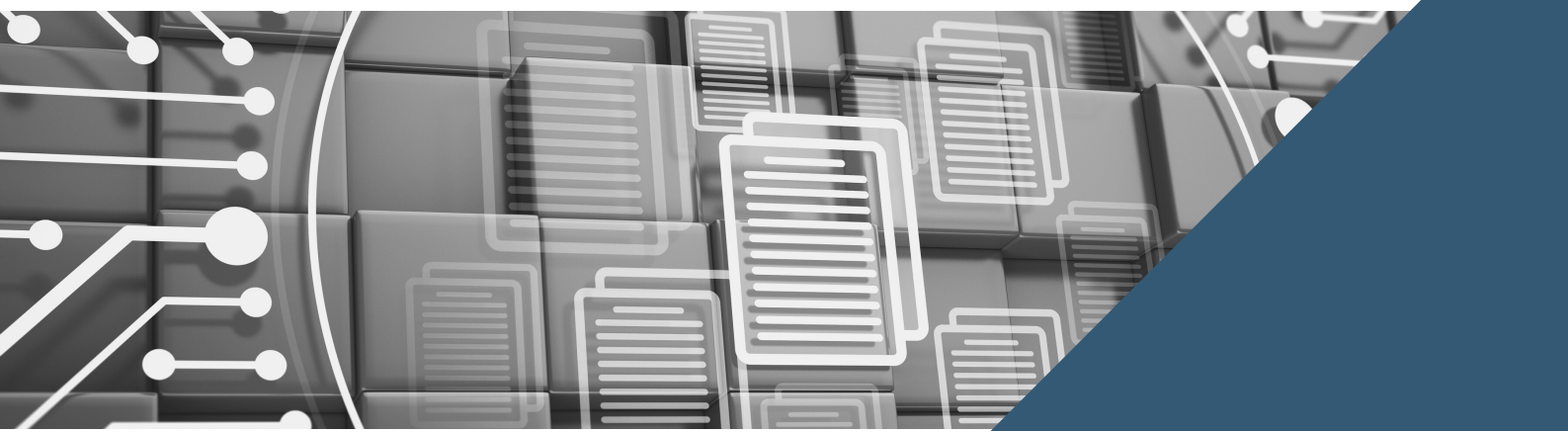
# The format of retained documents 03

Records and project-related documents retained should be properly organised in a project file, either in electronic or in printed format (unless the fund operator specifies one or the other). Certain documents might only be available in electronic copy or in printed copy, in which case there should be both a physical project file gathering printed documents and an electronic project file gathering all documents in electronic copy.

The documents should be in an easily accessible format e.g., common electronic file formats as well as saved on easily accessible storage devices such as USB flash drives, external hard drives, etc. Hard copies of documents should be legible and therefore photocopies should be of good quality. Keeping a soft copy of the same documents is recommended in order to have back-ups in case something happens to the hard copies. Original documents should be kept especially safe since they are very difficult if not impossible to replace.

Certain legal provisions in Maltese Law could be relevant when retaining documents such as the Data Protection Act (Chapter 586 of the Laws of Malta), the Public Administration Act (Chapter 595 of the Laws of Malta) and any other applicable legal provisions. Public entities should liaise with their line Ministry to confirm the applicable internal procedures for retention or filing of documents and the Ministry's own Data Protection Policy. The fund operator should also be consulted in such matters as retention of documents has an impact on proving eligibility of costs and proper implementation of the project in question.

Private entities are also encouraged to familiarise themselves with applicable legislation and project implementation documents issued by the respective fund operator. In this respect it is important to keep regular contact with the fund operator throughout the lifetime of the project.



# What records and documentation should be retained?

# 04

Beneficiary organisations are contractually obligated (through the grant agreement as well as any other applicable project implementation guidelines published by the fund operator) to keep records and documents relating to specific expenses incurred, payments made, verification of expenditure and any certification of expenses. In case an audit is carried out, audit report documents are also to be kept.

The type of documents to be retained vary depending on the calculation of the project budget at application stage, for instance

1. For actual costs incurred during the project, documentation proving the costs declared such as contracts, invoices and accounting records should be kept;
2. For unit costs, appropriate documentation proving the number of units declared should be kept. For example, if the project budget included travel costs calculated at a fixed sum per person, boarding passes/ train tickets/ other relevant documents must be kept proving the claimed number of persons participated in that particular activity for which costs were claimed;
3. For flat rate costs, such as indirect costs which are a percentage of other eligible direct project costs, documents proving the eligibility of the costs to which the flat rate is applied must be kept;
4. For lump sum costs, records and other supporting documentation must be kept proving that the corresponding activities were implemented properly.



When applying for EU funding, the call documents of the call for proposals applied under will specify which of the above apply to which budget headings. In case of doubt, the fund operator should always be consulted.

Beneficiary organisations should also keep other documents related to project implementation including:

1. A copy of the submitted application form and any annexes submitted at application stage;
2. Progress reports including a copy of the final report submitted to the fund operator;
3. Correspondence in relation to the project;
4. Documents proving that activities have taken place such as attendance sheets, time sheets for staff for which staff costs are being claimed for EU co-financing;
5. Promotional materials such as copies of articles written about the project;
6. Copies of publications or other materials created through the project, such as flyers published as part of an awareness-raising campaign.

In certain instances, original documents cannot be kept by the beneficiary organisation e.g., above threshold procurement documents which are retained and filed by the Department of Contracts on behalf of public entities. Insofar as possible, the beneficiary organisation should retain copies of such documents for review by the fund operator and/ or auditing bodies.

In addition to the above, it is also pertinent to point out that national legislation may also provide applicable legal provisions for retaining certain documents, including for how long. In this regard, public entities should refer to the National Archives Act (Chapter 477 of the Laws of Malta).

## TIP 01

The project team of an EU funded project should add documents to the project file throughout the lifetime of the project rather than waiting until a project is finalised before filing important documents. In the case of printed documents, the file should be in a format which is easy to update e.g., a ring binder rather than a flat file. This will also make it easier to file documents under different sections/ dividers

# Organisation of the project records and relevant documentation 05

Instructions for the different sections of the project file may be included in the grant agreement signed with the fund operator or in documents made available by the fund operator to beneficiaries of funding, such as manuals for implementation. Below is an example of such project file headings for different EU funding programmes, as stipulated in the respective grant agreements beneficiaries will sign with the relevant fund operator:

## LEADER funding programme

1. Copy of application form;
2. Acknowledgement of the application form;
3. All correspondence received and sent;
4. Grant agreement;
5. Copies of requests for quotations/ tender documents and/or bills of quantities;
6. Copies of invoices and receipts;
7. Project Progress Reports (if requested);
8. Documents showing audit trail of implementation of activities;
9. Photographic evidence of investment operations that cannot be verified once the project is complete, such as investments below ground surface;
10. Other relevant documentation.





## Structural Funds

1. Original Application Form, Letter of Approval, Grant Agreement and Addenda to the Grant Agreement;
2. General Correspondence, mostly related to the Grant Agreement;
3. Payment Process (copies of invoices, ISCs and fiscal receipts and other proofs of payment as applicable);
4. Verification Process (inc. Administrative and Physical On-the-Spot reports);
5. Certification Process (Statements of Expenditure and letters from the Contracting Authority regarding rejection of invoices from the Statement of Expenditure);
6. Procurement and employment procedures;
7. Monitoring;
8. Irregularity Reports;
9. Project deliverables and inventory of fixed assets procured from the project;
10. Publicity Records;
11. Training records.

Beneficiary organisations receiving an EU grant through the Structural Funds are also to ensure that each section is filed in date order, with the most recent documents on top.

Aside from the specific examples provided above, keeping records of the project and supporting documents is also required from beneficiaries under all other EU funding programmes. In case of inspection of the documents, either by the fund operator or in case of an audit, checks will be made as to whether the appropriate visibility logos and text promoting the EU co-financing to the project are displayed on relevant documents.

Although typically not a requirement in the grant agreement, it is useful to have a project log outlining key events in the project, such as correspondence with the fund operator, correspondence with project partners, correspondence with entities to organise project activities, meetings held and events organised.



Project logs include dates and entries on project progress. This could be especially useful in case of a change in project leader, where the new project leader would need an overview of the work carried out and any pending issues. Project logs also come in useful when a project is audited and the project team members are either not working with the same entity or have been shifted to other departments. This makes it easy for the organisation to have a record of the activities undertaken during the project and to be in a better position to answer auditor questions.

A project log could be based on the following template (or similar) which has been filled in for a fictitious project as an example:

<b>Name of organisation</b>	XYZ Foundation		
<b>Project title</b>	Promoting the Inclusion of Marginalised Persons through Employability Training		
<b>Funding strand</b>	European Social Fund, Priority Axis 2		
<b>Date</b>	<b>Action entry</b>	<b>Person responsible</b>	<b>Comments</b>
15/04/2021	Correspondence with fund operator	Ms Spiteri, Project Leader	Correspondence about retention of project documents
16/04/2021	Meeting held with fund operator	Project Team	Meeting held with the fund operator. The Project Leader and members of the project team were present to discuss which documents need to be retained and how they should be filed.
20/04/2021	Action plan set up	Ms Spiteri, Project Leader	An internal action plan outlining retention of documents was set up and distributed to the project team. The Project Leader set up a project file for retention of documents.
02/05/2021	Project Team meeting	Project Team	Meeting to discuss the next steps forward and internal division of tasks among the Project Team.

## TIP 02

Under certain funding programmes, the project file is not only useful to have in case of audit, but it can also be requested by the fund operator as part of a spot check or regular administrative checks during the lifetime of the project. This makes it even more important to regularly update the project file throughout the implementation of the project in question.

# The consequences of improper retention of documents 06

In the case that a beneficiary organisation does not comply with the retention of records and project documents, costs which cannot properly be proven/ justified as eligible will be deemed ineligible for EU co-financing. In this case the fund operator has not yet disbursed the full EU grant to the beneficiary, the costs in question will be deducted from the EU grant. In case costs for which an EU grant has already been disbursed are found not to be justified or proven, funding will be recovered by the fund operator. Administrative and financial penalties could also apply, depending on the case.

Applicable records and documentation should be kept on the beneficiary organisation's premises. In case of audit or spot check, the project documents must be presented on request. In such cases, beneficiaries might be asked to provide proof of the organisation of activities, correspondence with partner organisations, results of project activities and other aspects of the project, depending on the nature of the project in question.

The period of time for which the project file, including all project records and relevant documentation, is to be retained varies from one funding programme to another. For example, under the Erasmus+ funding programme, audits can be carried out for up to five years starting from the last payment to the project or recovery of funding. For the same programme, in the case of grants not exceeding €60,000 this period is reduced to three years. On the other hand, Article 140 of EU Regulation 1303/2013 binds beneficiaries of structural funds to retain project documents for a period of two years when the total eligible expenditure is less than €1 million. The two year period starts from 31 December following the submission of the accounts in which the final expenditure of the completed operation is included. For those projects for which total eligible expenditure is more than €1 million, relevant documentation is to be kept for three years starting from 31 December following the submission of the accounts in which the expenditure of the operation is included.

As noted in the sections above, retention of records and documentation is important for projects subject to EU co-financing to prove proper implementation of the project and eligibility of costs. It is very important for beneficiary organisations, especially project leaders, to go through the grant agreement prepared by the fund operator before signing it, to understand what is required from their end. This will also ensure that the project team is informed of the documents to be retained in the project file.

For more information on grant agreements and other useful resources on project implementation, please visit the [SEM website](#).





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