Nopef

INSTRUCTIONS FOR COST ACCOUNTING AND AUDITING

- The applying company signs an **agreement on a conditional loan** with the Nordic Environment Finance Corporation (NEFCO) as the administrator of Nopef. This conditional loan may cover a maximum of 40% of the approved feasibility study costs or a given maximum amount specified in the agreement.
- The feasibility study and the costs arising thereof are connected to a given **application** with a **registration number** and a specified **project title**.
- All costs must relate to the feasibility study specified in the loan agreement and its standard terms, and appear in more detail in the **feasibility study budget** within the application.
- When costs vary to a significant degree from the feasibility study budget the reason behind it should be explained.
- Loan recipients are required to account for their costs using the standardized accounting form which can be downloaded from Nopef's webpage in English. Loan recipients are welcome to include appendices such as the **time sheet**, in order to give a detailed account of costs per participating person. Normally it is not required to send **vouchers or receipts** since they are checked by the auditor.
- A written progress report is always required in conjunction with any disbursements, reviewing the current state of the feasibility study and the forthcoming steps.
- The above documents (in bold) form a basis for the audit and must all be made available for the cost accounting audit.
- The conditional loan covers only realized costs relating solely to the feasibility study. Costs that are not yet paid by the loan recipient cannot be claimed in the report. The conditional loan does not cover any start-up costs, marketing costs, running costs or investments associated with a later stage of the internationalization, beyond the scope of the feasibility study.

Nopef's conditional loan may cover the following type of costs:

1. Internal personnel costs

Internal personnel costs are direct, paid salaries including indirect employee costs. The salaries must be based on actual absorption costs (not e.g. the hourly market rate that the company's clients would be charged). Senior managers are not usually compensated for overtime, and the hourly rate may be calculated as the monthly salary divided by 160 hours.

In general personnel have other daily duties as well and thus the number of project hours reported shall be based on a reasonable balance between project-related work and regular work. If the company is a part of a group where internal invoicing is practised, cost pricing as a basis (without any overheads) shall be used. Internal hours concerning the feasibility study shall be documented by means of verifiable hour lists maintained by the company.

2. Travel costs

Travelling expenses between home and the target country and daily expense allowances are accepted. Travels within the home country or to third countries must be motivated.

3. External expertise

Nopef covers the costs of the work and travels of external project related experts such as consultants and legal counsels and alike. The auditor's fee for auditing the project accounts is an approved cost.

Nopef does not, however, cover the acquisition or the rental of e.g. machinery and equipment, technical tests, government fees or any type of capital required for establishing a company or hiring of its staff. Such costs may occasionally be included in fees and cost accounts. In that case they should be identified, pointed out and deducted from the cost account.

4. Other costs

This heading relates to sundry project costs, such as communication and data, car rentals, rental of conference rooms and visas. Reasonable and justifiable representation expenses may also be acceptable.

The cost accounts of the feasibility study shall be presented in the applying company's own currency, e.g. in ISK in Iceland. Exceptions to this rule should be motivated.

Please send the original, signed documents by regular mail to Nopef/NEFCO.

Statement by the company's regular auditor

- The accounting form includes a pre-written model of an auditor's statement. The statement may also be freely composed as a supplement, provided that the project is specifically identified and that the cost items audited are indicated and that corresponding information required in Nopef's own accounting form is included.

The auditor's statement shall certify that:

- The costs have been incurred by the same company who signed the loan agreement with NEFCO.
- Costs incurred by companies within the same group are accepted and subject to the same terms and same rules of auditing as those of the loan recipient.
- Internal invoicing within a group shall always be highlighted, particularly if the bills are not based on cost prices.
- Other possible (Nordic) companies with a status of partner applicant in the project may also have their share of the costs covered by the NEFCO loan. However, all payments are made only to the loan recipient. Partner companies are obliged to account for their costs in the same way including the cost account audit. Costs items incurred by such partners cannot, however, be included in the loan recipient's own accounting form, unless it constitutes *an invoice* which has been paid to the partner company. Partners shall separately receive their shares directly from the loan recipient but never from NEFCO.
- Costs are defined as *entered in the accounts and paid out*, i.e. unpaid bills and other debts can not be submitted as costs.
- All costs shall have a direct relationship to the feasibility study work for the project specified in the loan agreement. If there is any doubt concerning the appropriate accounting of a cost item, this shall be pointed out so that Nopef can judge whether the item can be approved or not.
- The cost accounts may only include such costs that have incurred *starting from the date of registration* of the loan application (stated in the loan agreement).
- Items in the cost accounts have incurred only within the specified cost accounting period. There shall be no confusion as to whether that same cost item may already previously have been covered.
- The company may not receive any other public support for *the same feasibility costs* now presented to NEFCO.
- The specified bank account is belonging to the loan recipient, in a bank operating in the loan recipient's home country

- The feasibility study work and costs conform to the loan agreement.

- Audits may be performed on the basis of random samples but this must always be declared by the auditor. When performing a random sample audit, the auditor should pay attention to budget deviations, large single outlays and large, unspecified costs, the nature of which could be uncertain.

Other

- Payments shall be entered into the accounts as loan instalments even where they concern the project costs of the company.

- Loan payments shall be entered as loans until the loan is formally closed by NEFCO and converted into a grant according to prevailing rules.

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