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ACCOUNTING FOR EUROPEAN FUNDS IN BUDGET ENTITIES

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European funds as well as non-returnable foreign funding received by local government entities as part of projects, are classified as income of those entities, the accounting of which is similar, and in accord with existing regulations. The aim of this study is to examine some practical resolutions pertaining to financial records used in accounting departments, as well as practical examples of accounting and presenting information on projects co-funded by European resources.

Keywords: *European resources, European funds, European Union budget, expenses, co-funding.*

Introduction. The European funds are financial resources that are utilized in order to support and reorganize economy of each country within the European Union. The EU budget is comprised of income from those countries. Resulting in predictability of expenses incurred, the annual budget is planned within the limits set by long-term financial plans. The current financial plan has been in effect since 2020 (Czym są Fundusze Europejskie, 2017). The gross domestic product is the main criterion for the division of financial resources in the EU into each countries. In Poland, it is the Minister of Development's responsibility to implement the European funds (Dowiedz się więcej o Funduszach Europejskich, 2017), while the Minister of Finance is in charge of payments related to programmes financed by European funds (Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych, 2009, article 187), and bank services are provided by Bank Gospodarstwa Krajowego.

It is the aim of this paper to describe financial solutions that are based on current regulations for Polish public institutions, and which may be used in connection with EU funds. The **aim of this study** is to examine some practical resolutions pertaining to financial records used in accounting departments, as well as practical examples of accounting and presenting information on projects co-funded by European resources.

Main material. To make a payment for a beneficiary, the essential step is to commission such a payment, which is issued by the institution that contracted the funding as a part of a specific projects. A written permission for such a payment, provided by a disposer of the budget, is also necessary. Due to obligation, particular information on payments to the Bank Gospodarstwa Krajowego are delivered and transferred to a proper disposer. The payment itself may be made in advance or as a direct refund. The EU budget and foreign resources are usually classified as income of local authorities (Zasady prowadzenia ewidencji, 2011). The principles of correct accounting for European funds that has been transferred to the public sector are described in the government order on 5th July 2010 regulating, *inter alia*, accounting, plans for government bank accounts, public finance (including budgets of local governments, budget entities, local budgetary companies), special funds, and government budget entities situated outside the Republic of Poland (Rozporządzenie Ministra Finansów, 2010).

The main bank account that is used to keep records of financial transactions related to a particular entity is the so-called “European funds account” (“Rachunek środków europejskich”). This account is assigned for gathering the European funds in a separate account, and not in a particular entity’s account. Owing to this, it is possible to present not only transactions being at budget entity’s disposal (Dodatek nr 12 do Zeszytów Metodycznych Rachunkowości, 2017), but also receipts according with the account known as the “Accounting for expenses from the European funds” (“Rozliczenie wydatków z budżetu środków europejskich”), as well as any other resources aimed at, among others, financing payments related to fee-for-task agreements, business trip costs, foreign currency payments, and co-funding projects.

Having analysed the above example, the accounting for expenses may be described as follows (fig. 1).

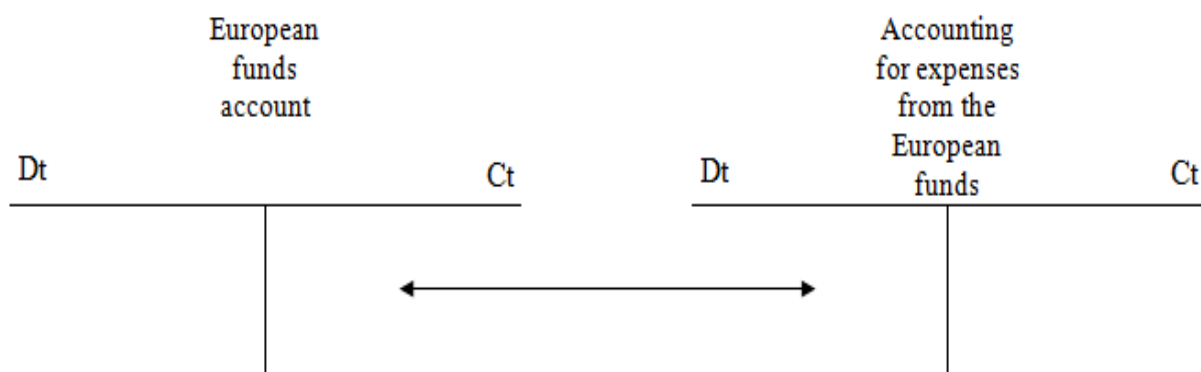


Fig. 1. Accounting for European resources transferred to a budget entity

Source: Sposób na dochodowy, 2017

In the account known as „Accounting for expenses from European funds”, there are transactions relating to expenses from European funds, which may be grouped as follows:

- European funds income which is intended to cover expenditures on programmes and projects financed directly by those resources. Those means are also considered in the “European funds account”.

- Reclassifying the means indicated by the Bank Gospodarstwa Krajowego, and which are connected with accounting and paying the financial obligation toward the contractor, *i.e.* the recipient.

- Originated from coordinating, managing, or mediating institutions, transactions which are connected with payments for beneficiaries from the Bank Gospodarstwa Krajowego on account of expenses mentioned in financial plans of the above-mentioned organizations.

Grants are a further relevant element concerning budget entities associated with EU funds. According to the existing regulations (Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych, 2013), a grant is defined as means from the Budget, local governments’ budgets, or government special funds, accounting of which is based on separate regulations. EU subsidies are aimed at financial support, or financing particular public tasks (Korolewska, 2017). In relation to grants, the Public Finance Act (“Ustawa o finansach publicznych”) states clearly that funding allotted for local government entities, as well as subsidies for tasks mentioned in separate acts, all must possess particular goals, which should be presented in annexes to the budget bill (Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych, 2013). Those appendices should contain as follows: a list of entities receiving subjective and special funds, as well as sums of grants, subjective and objective subsidies (*ibid.*, article 122). Grants constitute a distinct group of budget expenses (*ibid.*, article 124).

The procedure for applying for a grant by local government entities is regulated by acts concerning local government income (Ustawa z dnia 13 listopada 2003, 2010). To account for grants, a particular account is used, known as “Dotacje budżetowe, płatności z budżetu środków europejskich oraz środki z budżetu na inwestycje” (“Budget grants, budget payments of European funds, and budget means for investments”). This account corresponds with another, called „Rozliczenie dotacji budżetowych oraz płatności z budżetu środków w europejskich” (*i.e.* „Accounting for budget grants, and payments of European funds”). The accounting itself may be described with the use of the following diagram (fig. 2).

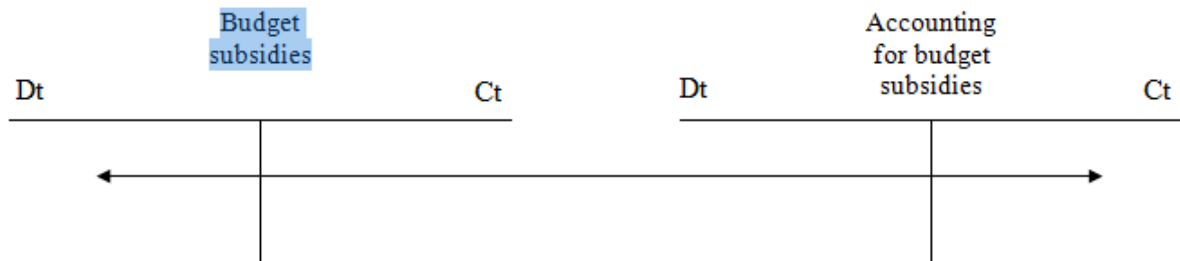


Fig. 2. Accounting for grants
Source: Sposób na dochodowy, 2017

Accounts shown above are used to present transactions related to decisions or agreements concerning funding, and concluded by the institution carrying out the projects funded by European resources.

Conclusion. European funds, as well as non-returnable foreign funding, received by local government entities as part of projects, are classified as income of those entities, the accounting of which is similar, and in accord with existing regulations. The same way of accounting applies to other budget means in local government. European Union subsidies, on the other hand, are accounted by means of a budgetary account, and are presented in accounts used for other financial resources allotted for projects, according to proper budgetary classification.

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