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10 February 2015



DG HOME


Financial Management Financial Reporting

JUST/2013/ISEC/DRUGS/AG & JUST/2013/DPJP/AG PROGRAM
Kick-off meeting 10 February 2015

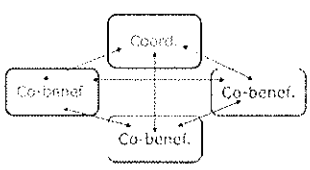


Today's Programme

- Relations between Beneficiaries
- Request for Final Payment & Financial Statement
- Eligible Costs: 6 Categories
- Ineligible Costs
- Income: 3 Categories
- Ex-post Audit
- Last Minute Tips




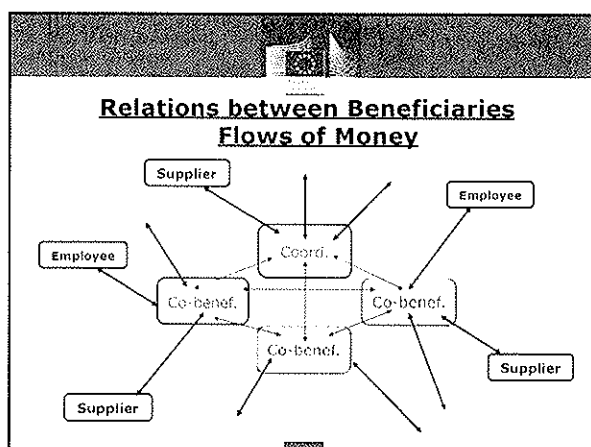
Relations between Beneficiaries Flows of Money



Relations between Beneficiaries


Coordinator






Request for Final Payment

- Prepared and submitted by the Coordinator
- Sent both as paper copy and electronic copy
- Cost Claim *ORIGINAL*
 - ⚠ signed by the legal representative
- Financial Statement including:
 - Budget & Execution Summary
 - Detailed Budget Execution



Financial Statement

- Follows the same structure as the budget
- Includes all project expenses and income
- Ideally, is prepared throughout the project duration
- Helps the Commission assess eligibility of costs
- Calculates the final EU contribution
the final payment / recovery




Financial Statement

- Costs reported should be registered in the accounts of the beneficiaries
- Beneficiaries should be able to identify costs/revenues linked to the project
- Costs are reported in the currency in which they were incurred and converted to € in the F.S. (Art. I.13)

⚠ e.g. salary in England is paid in GBP => cost reported in GBP

Always favour payment by bank transfer




Procedure

The Commission:


- will assess the ~~financial statement~~ by first checking that: *cost claim*
the ~~financial statement~~ is signed
the correct exchange rate is used in converting costs to €
the costs reported were foreseen in Annex III of the G. A.
the financial statement has been correctly filled in
- may request a sample of supporting documents

NEVER SEND ORIGINALS




Procedure

- On request of documentary evidence, the Coordinator sends **copies** only
Originals are kept with the beneficiary
- The payment period of 90 days is suspended until receipt of the requested information and documents
- Where the amount on the invoice is not the same as the amount reported, please provide an explanation



Eligible costs (Article II.19)

- Incurred during eligibility period (Art I.2.2) - with exceptions
- Indicated in the estimated budget (Annex III)
- Incurred in connection with and necessary for the action described in Annex I
- Identifiable and verifiable in the beneficiary's accounting (real costs)
- Comply with the requirements of applicable tax and social legislation
- Reasonable, justified and complying with the principle of sound financial management (economy and efficiency)



Eligible Costs: 6 Categories in the Financial Statement

A – Staff
B – Travel & Subsistence
C – Equipment
D – Consumables
E – Other Direct Costs
F – Indirect Costs

6 Categories of Costs

A – Staff

- B – Travel & Subsistence
- C – Equipment
- D – Consumables
- E – Other Direct Costs
- F – Indirect Costs

Calculation of Staff Costs

$$\frac{\text{Annual gross salary + social charges}}{\text{Total actual annual productive working days or hours}} \times \frac{\text{actual days or hours working on the project as substantiated by timesheets}}{\text{Total actual annual productive working days or hours}}$$

Where:

- Annual Gross Salary + Social Charges = costs actually paid by the beneficiary in the timeframe of a year, including: salary, taxes, employer's contribution for national security schemes, etc.
- Total actual annual productive time = total time in days or hours worked in the timeframe of a year

NB: time spent on meetings, activities, training and similar activities are considered as productive working time



Reported amounts must be clearly identifiable from supporting documents

Staff Costs: Supporting Documents

Permanent staff (in payroll):

- Existing contract
- Secondment letter
with description of tasks, reference of the project, duration, time allocated to the project, hourly/daily rate
- Monthly salary slips (or summary for the year)
- Timesheets
NB: not necessary for staff working exclusively for the project
- Calculation of the hourly/daily rate / reported cost
=> Worksheet Staff Cost Calculation

Staff Costs: Supporting Documents

Permanent staff: civil servants

In addition to all documents required for permanent staff :

- In case of over-time: proof of payment of overtime or proof of the additional days granted by the public body as compensation of the overtime worked in the project
- In case the person is replaced for his/her normal work: contract of the additionally recruited person
- In case the staff cost does not represent an additional cost: no additional documents are required
NB: these costs are eligible only if covered by the own contributions to the project

Staff Costs: Supporting Documents


Non-permanent staff specifically recruited for the project (in payroll):

- Specific contract linked to the project
indicating tasks, reference of the project, duration, time allocated to the project, hourly/daily rate
- Salary slips
- Proof of payment (by bank transfer)

Staff Costs: Supporting Documents

Natural person with a contract other than an employment contract (not on the payroll of the beneficiary):

- Specific contract linked to the project
including tasks, reference of the project, duration, time allocated to the project, hourly/daily rate
- Invoices
indicating the tasks performed, date, number of hours/days worked, the price per hour/day
- Proofs of payment (by bank transfer)
- Timesheets
(not necessary when working exclusively on the project)




NB: Staff Costs of Natural Persons

Assimilated to staff costs under 4 conditions: *Consultant*

- 1) There must be a contract
- 2) The person works
 - on the premises of the beneficiary (must be allowed to work)
 - uses beneficiary's infrastructure
 - under the instruction of the beneficiary
- 3) The result of the work belongs to the beneficiary
- 4) The costs are not significantly different from the costs of staff performing similar tasks under an employment contract with the beneficiary


Otherwise considered as "E - Other Costs"



Timesheets


=> Kept on either a weekly or monthly basis

- Reference to grant agreement number
- Name of the employer
- Name of the employee
- Number of days / hours worked on the project
- Number of days / hours worked on other activities
- Total number of days or hours worked
- Details of the tasks performed for the project
- Date and signature of the employee
- Date and signature of the project manager



Staff Costs: Common Reasons of Ineligibility

- Staff contracted by organisations other than those mentioned in the Grant Agreement
- Daily/hourly rates claimed are those budgeted
- Inflated daily/hourly rates
- Wrong calculation of daily/hourly rates
- Costs not matching payslips / Lack of payslips
- Lack of timesheets or unsuitable timesheets provided
- Volunteer work costs
- Work done outside the eligibility period




6 Categories of Costs

A – Staff


B – Travel & Subsistence

C – Equipment
D – Consumables
E – Other Direct Costs
F – Indirect Costs



Travel and Subsistence Costs

- Directly linked to the project
- Travel made by persons taking part in the action
- In line with the beneficiary's usual practices and systems
- Additional events, persons, countries, must be notified and justified




Travel and Subsistence Costs

➤ Travel: travel costs (i.e. flight, train, car, etc.)
from the point of origin to the point of destination
including transfer from/to airport or train station

NB: The most economical fare should be applied


➤ Subsistence allowance: accommodation, meals, local travel
within the place of mission

NB: Reimbursement of real costs should be favoured
Reimbursement of a lump sum / per diem in
application of beneficiary's usual practice



Supporting Documents for Travel Costs

- Travel invoice
- Transport ticket
(boarding pass, train receipt, bus ticket, etc.)
- Travel by car: reimbursement claim, calculation of amount, internal reimbursement policy
NB: up to the equivalent of first class rail fare
- Proof of payment or reimbursement
- Signed attendance list
in particular for meetings and conferences




Supporting Doc. for Subsistence Costs

Reimbursement on the basis of real costs:

- Expenses reimbursement claim form
- Accommodation invoice
- All receipts related to food, beverages, local transport and other expenses
- Proof of reimbursement
- Attendance list signed by the participants

NO ALCOHOL
(AUDIT EXCLUDED)
THAT COST




Supporting Doc. for Subsistence Costs

Reimbursement of a lump sum / per diem:


=> in application of beneficiary's usual practice

- copy of the internal policy
- reimbursement claim
- calculation of the amount paid
- proof of payment (bank transfer is preferred)
- attendance list signed by the participants



**Travel and Subsistence Costs:
Common Reasons of Ineligibility**

- Missing documents – e.g. proof of travel
- Taxi where public transport could have been used
- Undue subsistence allowance paid
- Subsistence allowance exceeding the threshold per country
- Missing proof of payment / bank transfer




6 Categories of Costs

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Equipment

- Audiovisual equipment, etc.
- Only if strictly necessary and specifically for the project's core activities
- Purchased and delivered during the implementation period
- Must be itemized and bear an inventory number
- Supplier chosen according to the best value for money principle




Equipment

- Eligible cost = only the depreciation cost of equipment at a rate that reflects the degree and duration of use within the project
- Depreciation cf. national tax and accounting rules

NB: When a beneficiary does not have any specific rules, apply the method indicated in the Guide for applicants

⚠ - Rental costs of premises = Indirect costs

- Costs of purchase of land and immovable property = ineligible




Equipment: Supporting Documents

- Invoice showing date of purchase and delivery
- Proof of payment
- Beneficiary's accounting practice regarding depreciation
- Calculation of the depreciation amount requested

Common Reasons of Ineligibility

- Invoice not addressed to a beneficiary
- Full cost claimed (when this is not in accordance with the beneficiary's usual accounting practice)
- Cost claimed does not reflect the period and percentage used for the implementation of the grant




6 Categories of Costs

A – Staff
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Consumables

- Identifiable and exclusively used for the purpose of the action
- Real costs necessary to produce the outputs and strictly related to the activities of the project
- Their cost is traceable and distinct from normal running costs
- Goods of a short length of life
 - => not registered as fixed assets in the accounts / inventory and not written off

⚠ General office supplies (pens, paper, folders, ink cartridges, electricity, telephone, postal services, Internet connection time, computer software, etc.) are indirect costs




Consumables: Supporting Documents

- Invoice and proof of payment

Common Reasons of Ineligibility

- Invoice not addressed to beneficiary
- Cost cannot be linked to the project, cannot be traced or is part of the normal running costs
- Costs claimed = general office supplies
 - => not eligible, covered by overheads
- Cost not foreseen in Annex III of Grant Agreement




6 Categories of Costs

A – Staff
 B – Travel & Subsistence
 C – Equipment
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Other Direct Costs

3 sub-categories of costs:


- **Publications and dissemination**
 - costs of layout, editing, printing, translation, project-specific website creation, etc.
- **Conferences and seminars**
 - rental of rooms, interpretation, coffee breaks, lunches, seminar materials, etc.
- **Costs not falling into any other categories**



Other Direct Costs

Publications and dissemination:


- Exclusively linked to the project
- Visibility rules & disclaimer on all deliverables
- Clear and precise reporting: type of publication, no. of pages, price per unit, number of copies, languages, etc.
- Any related incomes from books/tickets sold
=> declared under category "I – Income"



Other Direct Costs

Conferences and seminars:


- Linked to the organisation of project-related conferences
- Avoid reimbursement in cash
(e.g. speakers fees / interpretation services)
- Avoid double reimbursement of meals
when meals are offered, subsistence costs must be reduced accordingly



Other Direct Costs

Costs not falling under any other cost category:


- Comply with the GA's requirements, obligations and general eligibility rules
- Directly linked to the project's activities
- Examples:
 - fees for bank transactions
 - costs of audits and project's evaluation reports
 - purchase of copyrights and other intellectual property rights
 - purchase of information materials (studies, electronic data, etc.)

Award of Contracts


→ Database IT Professionals


- Implementation contracts: for procurement of goods, services, equipment, consumables, supplies, etc., needed to carry out the project
- The contract shall be awarded to **the tender offering the best value for money or the lowest price.**
=> You must therefore request several offers.
- Public bodies shall follow national procurement rules
- The beneficiary has sole responsibility for carrying out the action
- The contractor has no rights *vis-à-vis* the Commission
- The conditions of the grant on liability for damages, conflict of interests, confidentiality, ownership, intellectual property rights, checks, audits and evaluation apply also to the contractor



Subcontracting Rule


- Concerns any external contract for the purposes of carrying out the action
- May only cover the execution of a **limited** part of the action: maximum 30 %
- **No core activities, no management tasks**
- Must be justified by the nature of the action and be necessary for its implementation
- The tasks concerned must be set out in Annex I and the related costs must be set out in detail in Annex III
- Any recourse to the award of contracts while the action is under way, if **not provided for in the initial grant application**, shall be notified to the Commission

 All rules on the award of contracts also apply !




Other Direct Costs: Supporting Documents

- Invoice with indication of:
 - name of publication
 - number of pages
 - number of copies
 - language
 - date of service provided
 - etc.
- Proof of payment
(bank transfer showing payment to the supplier)




Award of Contracts - Subcontracting

- Tender procedure followed
 - proof of other offers received
 - comparisons of individual offers
 - minutes of meetings
 - etc.
- Subcontracting agreement
- Invoices
- Proofs of payment
(bank transfer showing payment to the supplier)



Other direct costs: Common reasons of rejection


- Invoice does not have any link to the project
e.g. name of publication missing, date when activity took place missing, etc.
- Lack of visibility of the EU financial support and EU logo on publications
- Cost not foreseen in Annex III of the Grant Agreement
- Cost incurred outside the eligibility period
NB: Cost must be contracted within the eligibility period and must relate to activities that took place within the eligibility period.
Audit costs: the contract must be signed within the eligibility period. (The invoice and proof of payment may then be dated outside the eligibility period.)



6 Categories of Costs


- A – Staff
- B – Travel & Subsistence
- C – Equipment
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- E – Other Direct Costs


F – Indirect Costs




Indirect Costs

- Necessary to the project but not specifically linked to it
- General indirect costs needed to employ, manage, accommodate and support directly the personnel working in the project
 - office space, electricity, heating, insurances, management and administrative costs, telephone, internet, office furniture, ...
- Calculated as a percentage of eligible direct costs after analysis of the costs by the Commission
- Percentage specified in Art. I.3 of the Grant Agreement (May never exceed 7% of direct eligible costs)

 Any beneficiary receiving an operating grant from the EU budget cannot request indirect costs in the final statement for an action grant covering the same period




Indirect Costs

*  No supporting documents are required
Indirect costs do not need to be justified

Common Reasons of Rejection


- % overheads requested higher than agreed in Art. I.3
- One of the beneficiaries has an operating grant running within the same period as the action grant

→ Tail to partners




Ineligible costs (non-exhaustive list)

- Excessive or reckless expenditure
- Gifts, flowers, recreational costs, cultural activities
- Financial incentives, e.g. for persons replying to a survey
- Travels and subsistence costs of EU officials
- Fees for EU officials
- Costs declared but not supported by adequate justifying documents
- Costs declared by a beneficiary and covered by another action or work programme receiving an EU grant



Ineligible costs (non-exhaustive list)

- Deductible VAT
- VAT incurred by public bodies when acting as a public authority
- Exchange losses
- Costs of transfers from the Commission charged by the bank of the beneficiary
- Return on capital
- Debt and debt service charges
- Provisions for losses or debts
- Interest owed
- Doubtful debts
- Contribution in kind from third parties

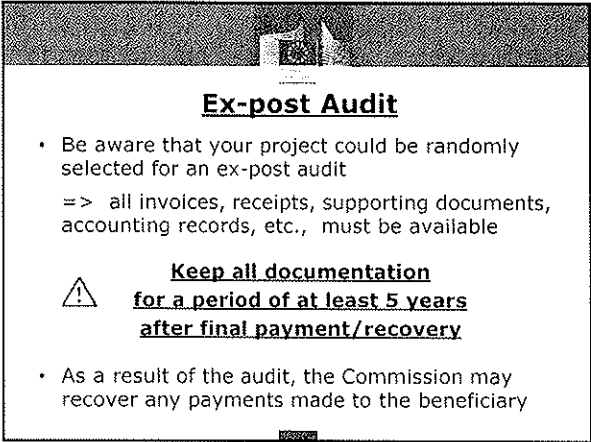


3 Categories of Income

I: Financial contributions specifically assigned by donors to the financing of the eligible costs & Income generated by the financed activities


K: Other income, including own contribution from beneficiaries

J: Pre-financing already received

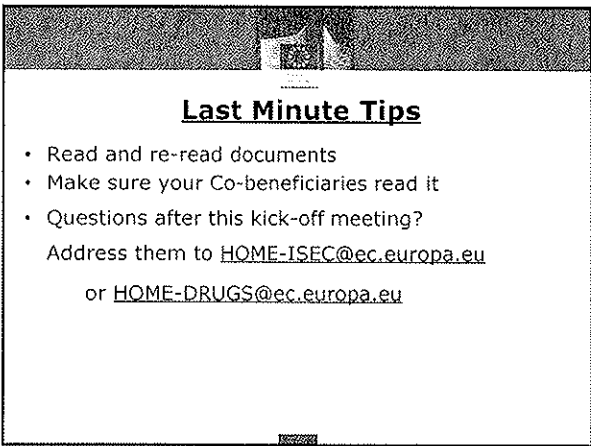


Ex-post Audit

- Be aware that your project could be randomly selected for an ex-post audit
=> all invoices, receipts, supporting documents, accounting records, etc., must be available

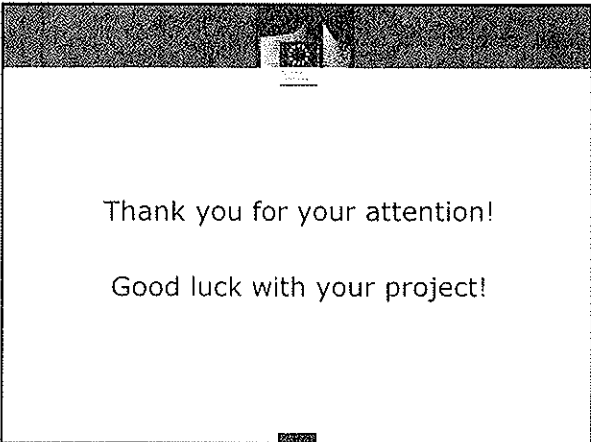
 **Keep all documentation for a period of at least 5 years after final payment/recovery**

- As a result of the audit, the Commission may recover any payments made to the beneficiary



Last Minute Tips

- Read and re-read documents
- Make sure your Co-beneficiaries read it
- Questions after this kick-off meeting?
Address them to HOME-ISEC@ec.europa.eu
or HOME-DRUGS@ec.europa.eu



Thank you for your attention!

Good luck with your project!
