


*Please note that this presentation is only a summary of the most important financial and administrative provisions applicable to Civil Protection Grant Agreements 2006, and does not claim to provide exhaustive coverage of all financial and administrative aspects.*





## Some basic recommendations...

1. Study carefully the Grant Agreement (GA) and “re-read” in case of problems of administrative-financial nature
2. Conclude agreements with project partners
3. Distribute the GA to all project partners and make sure that the relevant provisions are applied by them
4. Make sure your partners forward regularly their project accounting data and copy of supporting documents to you.
5. Start completing the financial forms (Excel workbook) from the project start
6. Keep your project accounting up-to-date
7. Plan your expenditure and compare with provisional budget – in order to anticipate timely if there are problems to respect the amounts per cost category



## Role and obligations of the beneficiary (Annex V, Art.2) – part 1

- ◆ **Solely legally and financially responsible** for the implementation of the project
- ◆ **Single point of contact** for the Commission
- ◆ **Receives the financial contribution** of the Commission and assures the distribution to the partners
- ◆ **Contributes financially** to the project and is directly involved in its implementation – NO PROFIT
- ◆ Concludes **necessary agreements** with the project partners



## Role and obligations of the beneficiary (Annex V, Art.2) – part 2

- ◆ Maintains **up-to-date books of account** and keeps all appropriate **supporting documents** for expenditure and income
- ◆ Keeps **copies of partners' supporting documents**

Supporting documents: e.g. purchase orders, invoices, payment proofs, public tendering documents

*for personnel*: monthly salary slips and annual salary certificates, presence/time sheets, calculation of social charges if not included in salary



## Role and obligations of the partner (Annex V, Art.3)

- ◆ **Contributes** to one or several of the tasks and to the costs incurred – NO PROFIT
- ◆ **Shall benefit** from the financial contribution of the Commission
- ◆ Under normal circumstances **no direct reporting** to the Commission
- ◆ Maintains **up-to-date books of account** and keeps all appropriate **supporting documents** for expenditure and income – sends copies of supporting documents to beneficiary
- ◆ **Is not allowed to act**, in the context of the project, **as sub-contractor** to the beneficiary or other partners



## Role and obligations of the co-financer (Annex V, Art.5)

- ◆ **Contributes financial resources** to the project – NO PROFIT
- ◆ **Does not benefit** from the financial Community contribution, unless they are also partner
- ◆ **Not** required to be directly **involved** in the project



## Role and obligations of the sub-contractor (Annex V, Art.4)

- ◆ **Provides external services** to beneficiary/partner(s) who pay for the services and report costs under “sub-contracting”) - **PROFIT BY SUB-CONTRACTOR ACCEPTED**
- ◆ Provides **specific tasks of a fixed duration**
- ◆ Does not benefit from any intellectual property rights
- ◆ Shall issue invoices including a **clear reference to the project** (to be controlled by beneficiary/partner)
- ◆ **Public participants must comply with applicable rules on public tendering**



## Documentation to be submitted for final financial reporting (Annex III)

- “Standard statement of expenditure and income” - including payment request; submission of a short cover letter stating amount of requested payment is recommended; declaration of interest yielded on pre-financing payment => state interest amount (or “0,00”)
  - “Participant Cost Statement Summary” must be completed and signed by each participant
  - If there is more than 1 participant => beneficiary must also complete and sign “Consolidated Cost Statement for the Action”
  - All financial forms in annex III
  - Please send request for final payment / final financial statement to unit ENV.F.4 (see address in Art.I.7)
  - VAT “certificates” for participants that cannot recover VAT (Art.II.14.4)
- NOT TO BE ANNEXED:** supporting documents such as invoices. Commission will request them if necessary !



## Important elements for preparation and presentation of financial reports

- ◆ **Keep the project accounting up-to-date**, update the financial forms regularly
- ◆ **Introduce all data requested**, i.e. complete all “cells” of the financial forms, or explain why they remain “empty”
- ◆ **Describe with sufficient detail** the types of purchased services/goods and their link with the work programme or action
- ◆ For participants outside Euro-Zone:

Conversion of costs into Euro (Art.I.9.4 and II.16.1), use monthly accounting rate for the month of the payment request, published under [ec.europa.eu/budget/inforeuro/index.cfm](http://ec.europa.eu/budget/inforeuro/index.cfm)  
Alternatively, daily rate published on Official Journal can be used
- ◆ Attention: if **bank account has changed**, please provide new bank details as early as possible



## Eligible Costs...(Art.I.9 and II.14)

- ◆ ...have been provided for in the **provisional budget**;

*Examples:*

- 12 missions from beneficiary to partner instead of 10 foreseen  
→ *additional missions eligible but provide explanations*
  - Purchase of 10 PCs instead of 3 foreseen  
→ *purchase costs of 7 PCs not eligible*
- ◆ ... are **directly linked and necessary** for carrying out the project;  
*Example:* Purchase of durables during the last month of the project  
→ *not eligible*
- ◆ ...are **reasonable** and comply with the principles of **sound financial management**  
*Examples:* Lodging in luxury hotels, business class tickets  
→ *not eligible unless exceptional circumstances*



## Eligible Costs...(Art.I.9 and II.14)

- ◆ ... have been **actually incurred** during the lifetime of the project
- ◆ ... must be **identifiable and verifiable**

Requires functioning financial and analytical accounting system in place  
=> *Costs based on internal costing systems are generally not eligible, unless for the nature of the costs it may be impossible to give the exact actual costs (e.g. laboratory costs, costs for accommodation or meals within the beneficiary's own training facilities). This can be accepted if detailed proof is given to show that the analytical costing system is based on up-to-date real costs*

- ◆ For **ineligible costs**, see list of Art. II.14.4;  
e.g. provision on losses, interest owed, doubtful debts, excessive expenditure
- ◆ **VAT is eligible** if participant cannot recover it



## Definition of costs actually incurred during the lifetime of the project (Art.I.2.2)

- ◆ Expenditure are incurred, i.e. **legal obligation** to pay the cost, after the starting date and before the completion date of the action
- ◆ The corresponding action are **carried out** after the starting date and before the completion date of the action
- ◆ The costs are **fully paid** before submission of final reports or during the first three months after completion date of the action (*whatever is the earlier*)
- ◆ **Exceptions:** (Art .I.9.2): Specific budgeted costs related to final technical and financial reports, e.g. printing and translation of the final reports, costs for independent audit, but NOT personnel costs



## Definition of costs actually incurred during the lifetime of the project (Art.I.2.2)

### Example

- |                                     |                     |
|-------------------------------------|---------------------|
| - Condition: project duration       | 01/01/07 – 31/12/07 |
| - Contract with external consultant | 25/07/07            |
| - Consultancy provided              | 01/09/07 – 15/12/07 |
| - Invoice issued by consultant      | 20/01/08            |
| - Payment by beneficiary            | 25/02/08            |
| - Final report submitted            | 31/03/08            |

=> Cost item eligible

Typical problem cases: organisation of the final conference, publication of final brochure, drafting of final reports after the project end



## Personnel costs

- ◆ Relate to costs of employees – not to costs of consultants etc. (external assistance), classification of freelance « staff » can be difficult and depends on contractual terms and conditions;
- ◆ **Actual (annual) gross salary** – add up all salary components comprised in employment contract:
  - Hourly rate per number of working hours, or fixed monthly salary;
  - 13th/14th salary (if applicable)
  - Other components as to the employment contract if not comprised in hourly/ daily/monthly rate, e.g. allowances for holidays / transport / meals / seniority
  - NOT: Voluntary allowances, or additional payments based on the company's profit
  - PLUS: obligatory social charges, borne by the employer and not included in the salary, e.g. contributions to pension, sickness and unemployment schemes



# Personnel costs

- ◆ Calculation of **annual working time** and **working time spent on the project**:
  - Net working time, this includes time spent on the project, any other project, administrative or other activities, training periods, staff meetings (except after-work events)
  - Exclude Saturdays (if not working day), Sundays, public holidays, personal holidays and other absences
  - Actual time devoted to the project: to be registered by means of time sheets which should be established timely, signed by the staff member and certified by the responsible project manager
  - Excel-Workbook for financial reporting includes a “model time sheet”



# Travel costs

- ◆ Shall be charged in accordance with the internal rules of the participant
- ◆ Unless otherwise specified in the project budget, the costs should only relate to persons accounted for under “personnel costs” (travel costs of External consultants should be part of their service contract/fees)
- ◆ NOT: “travel” costs of personnel between home and beneficiary’s/ partners’ premises
- ◆ Avoid double-accounting of transport costs, e.g. if organisation-company car is used!
- ◆ Repetitive travel costs can be grouped together (e.g. travels by same person to same short distance destinations for monitoring purposes). In that case a clear audit trail should exist: e.g. use as account reference the car log book identified with the service car plate and the logbook number



# Equipment

- ◆ Costs relate to expenditure on purchase of equipment
- ◆ Eligible costs = **Depreciation**
  - Depreciation is calculated **in accordance with tax and accounting rules** applicable to beneficiary/ partner and generally accepted for items of same kind
  - only proportion of depreciation corresponding to the **duration of the action**: => maximum **from purchase date** to completion date
  - **rate of actual use** for the purposes of the action



## Sub-contracting / External Assistance

- ◆ Costs relate to the purchase of **services, not of goods**  
=> examples: consultancy/ studies/ works undertaken by external companies, organisation of conferences, renting of infrastructure/ equipment, personnel service contracts;
- ◆ Respect provisions on public procurement (Art. II.9)
- ◆ Explain to the sub-contractor that you are (under normal circumstances) the owner of the results/ deliverables



## Other direct costs

- ◆ Other direct costs not falling within another defined (direct) cost category
- ◆ Attention: such costs must be **directly and exclusively attributable** to the project
- ◆ Examples: consumables (i.e. material that cannot be considered as equipment); costs of financial services (bank guarantees, bank fees for money transfers), inscription fees
- ◆ **NB: Please respect the allocation of costs according to the approved project budget**



## Overheads (indirect costs)

- ◆ Costs that **cannot be directly and exclusively attributed** to the project
- ◆ Eligible up to a maximum of **7%** of the total amount **of eligible direct costs** = total or personnel, travel, equipment, subcontracting and other direct costs; (equal to approx. 6.54% of the total eligible costs)
- ◆ Costs must be **identifiable and justifiable** in the accounting system
- ◆ Typical overheads: communication costs (telephone, mailing), costs linked with buildings (rent, heating, electricity, cleaning), administrative costs (office equipment, stationery, secretarial costs)



## Supplementary agreements (Art. II.13 and Annex IV)

- ◆ In principle, any amendment to grant conditions is subject to a written supplementary agreement; but in practise, only **substantial changes** require prior written supplementary agreement
- ◆ Request for supplementary agreement must be submitted at the latest **two months** before completion date
- ◆ List of “substantial changes” in Annex IV, Art.2 – most frequent examples are **extension** of project duration, and **modifications to the project budget = transfer of costs exceeding 10%** of the original amount per cost category
- ◆ Substantial changes without prior agreement => Commission can refuse to co-finance such modified actions and if necessary, cancel, suspend or recover all or part of Community contribution
- ◆ Our recommendation: always keep the Commission informed (in writing) before changes are realised, the contact persons will advise whether such changes require supplementary agreement or not



## When does a budget modification require a supplementary agreement ?

	Original Budget	If modification is more than 10% of original amount
Personnel	150.000 €	> 15.000 €
Travel	20.000 €	> 2.000 €
Equipment	0 €	Any "new" amount requires supplementary agreement
Sub-contracting	29.000 €	> 2.900 €
Other costs	1.000 €	> 100 €
Overheads (7%)	14.000 €	Not possible since already maximum of 7% foreseen



## Common problems in managing grant agreements...

- ◆ Absence of partnership agreements
- ◆ Partners do not receive copies of the grant agreement
- ◆ Partners do not receive their share of the pre-financing payment
- ◆ Partners' supporting documents not available at the beneficiary's premises
- ◆ Reported "Personnel" costs are based on estimated amounts in project budget or on rates
- ◆ Absence or late registration of time sheets
- ◆ Unfinished activities at project end



## Who are your contact persons for financial-administrative matters ?

For “Marine Pollution” projects...

Mrs Miroslava Honzova

Tel.: +32.2.2964067

E-mail: [Miroslava.Honzova@ec.europa.eu](mailto:Miroslava.Honzova@ec.europa.eu)

For “Action Programme” projects...

Mr Thomas Foersch

Tel.: +32.2.2953768

E-mail: [Thomas.Foersch@ec.europa.eu](mailto:Thomas.Foersch@ec.europa.eu)