



DG Justice and Consumers

Financial Management Financial Reporting

JUST/2015/JTRA/AG/EJTR

Kick-off Meeting – 20 September 2016

Today's Programme

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

Request for Final Payment

- Prepared and submitted by the Beneficiary
- Sent both as paper copy **and excel file**
- Cost Claim
 - ⚠ **signed** by the legal representative
- Financial Statement includes:
 - Budget & Execution Summary
 - Detailed Budget Execution

Financial Statement

- Follows the same structure as the estimated budget
- Includes all project expenses and income
- Ideally, 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 must be registered in the accounts of the beneficiaries
- Beneficiaries should set up in their accounts a cost-revenue centre specific to the project
- Costs are reported in the currency in which they were incurred and then converted to € in the F.S.
e.g. salary in Romania is paid in RON => cost reported in RON

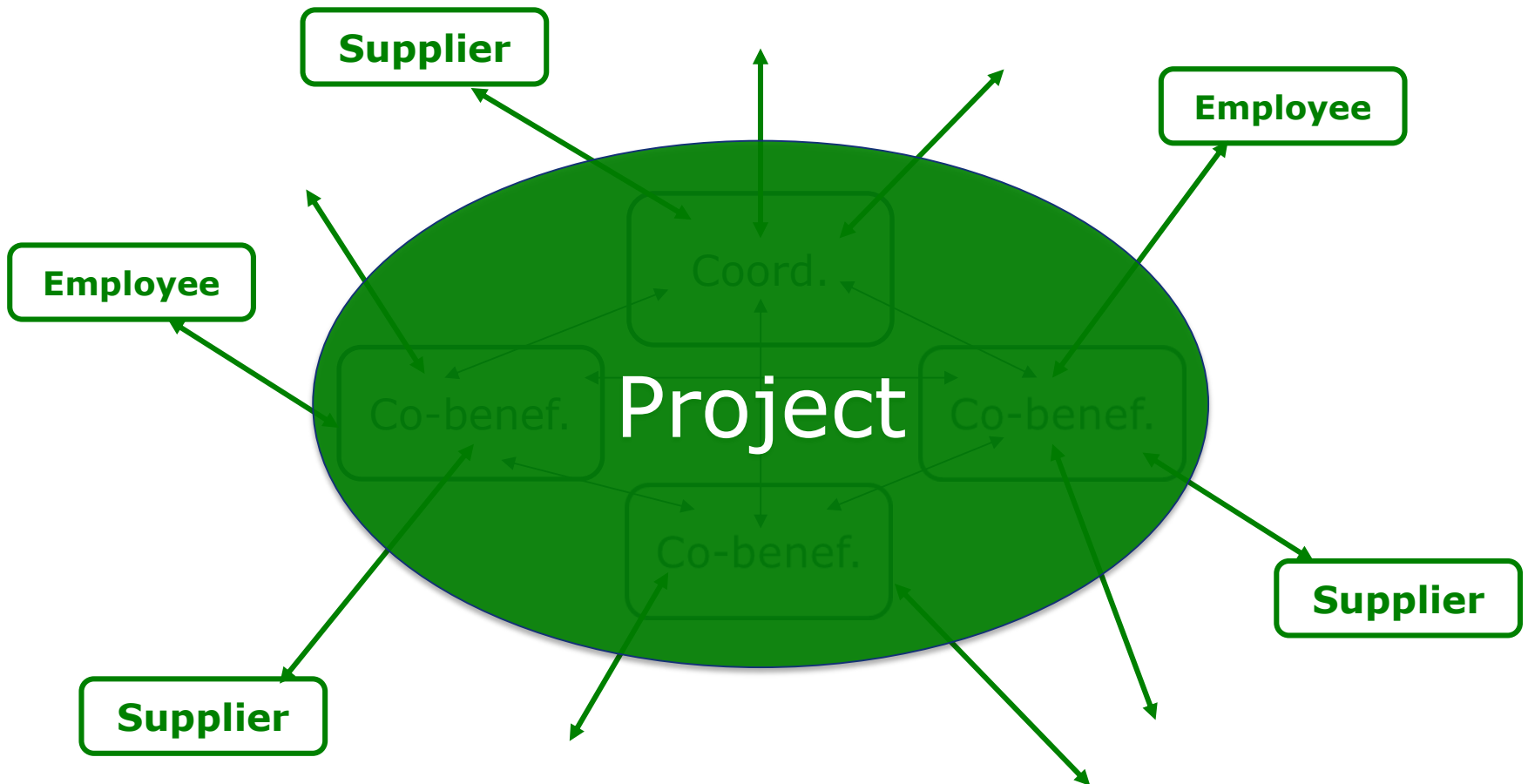


Always favour payment by bank transfer



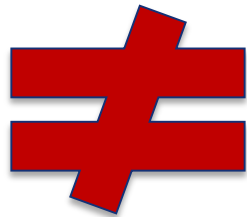
European
Commission

Relations between Beneficiaries Flows of Money



Relations between Beneficiaries

Coordinator



Request for Final Payment Supporting Documents

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

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Eligible Costs

Reference:

- Grant Agreement, Annex II General Conditions: Article II.19
- Guide for Action Grants 2015: Section V
 1. General provisions on eligible expenditure
 2. Detailed provisions per budget heading
 3. Supporting documentation per budget heading

http://ec.europa.eu/justice/grants1/calls/2015_action_grants/just_2015_jtra_ag_ejtr_en.htm

Eligible costs

(Annex II, Article II.19)

- Incurred **during eligibility period** defined in Article I.2.2
- Indicated **in the estimated budget** in 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 fiscal tax and social legislation
- Reasonable, justified and complying with the principle of sound financial management (economy and efficiency)

6 Categories of Costs

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

Calculation of Staff Costs

Annual gross salary + social charges

actual days or hours

**X working on the project as
substantiated by timesheets**

**Total actual annual productive
working days or hours**

- 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

Staff Costs

- Rates at which staff is charged to the project
 - must correspond to the **beneficiary's normal policy on remuneration**
 - should **not exceed** the rates currently applicable in the relevant area - both **geographically** and with respect to the **profile** of the staff concerned
- Reported amounts must be **clearly identifiable from the supporting documents**

Staff Costs: Supporting Documents

Permanent staff (on payroll):

- Existing contract
- Secondment letter (only for those allocated 100% to the project)
 - with description of tasks, reference to 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

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

- Specific contract linked to the project
indicating tasks, reference to 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 to 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)

Main Conditions to be Assimilated to Staff Costs when not on Payroll

(see Guide for Action Grants 2015, p.63-64)

- ✓ The person works
 - under the instructions of the beneficiary
 - on the premises of the beneficiary (unless otherwise agreed with the beneficiary)
- ✓ The result of the work belongs to the beneficiary
- ✓ The costs are not significantly different from the costs of staff performing similar tasks under an employment contract with the beneficiary

=> *Otherwise considered in "E - Other Costs"*

Timesheets

=> Kept either on a weekly or monthly basis

- 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 on this project
- Date and signature of the employee
- Date and signature of the project manager/supervisor

Staff Costs: Common Reasons of Ineligibility

- Staff contracted by organisations other than those mentioned in the Grant Agreement as beneficiaries
- Daily/hourly rates claimed are exactly 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
- Estimation of costs for volunteer work
- Work done outside the eligibility period

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Travel and Subsistence Costs

- Directly linked to the project
- Travel made by persons taking part in the action (staff, participants to meetings, seminars, etc.)
- 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
(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
- Attendance list signed by the participants for meetings, seminars, conferences, etc.

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 for meetings, seminars, conferences, etc.

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 for meetings, seminars, conferences, etc.

Important Notes on Per Diem

- Within the limits per country set out by the Commission http://ec.europa.eu/europeaid/funding/about-calls-tender/procedures-and-practical-guide-prag/diems_en
- 62% per diem = accommodation
- 38 % per diem = subsistence
- Accommodation part accepted when overnight stay is requested
- When breakfast / lunch / dinner is offered, the subsistence part of per diem is reduced accordingly:
 - breakfast = 15%
 - lunch = 30%
 - diner = 30%
 - local transport and sundry expenses = 25%

Travel and Subsistence Costs: Common Reasons of Ineligibility

- Missing documents – e.g. proof of presence
- Systematic use of taxi where public transport is available
- Undue subsistence allowance paid
- Meals charged twice to the project
- Per diem exceeding the threshold per country
- Travel and subsistence allowance costs for activities outside the EU
- Cancellation, modification costs (covered by overheads)
- Missing proof of payment / bank transfer

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Equipment

- Computer, audiovisual equipment, etc.
- Only if strictly necessary and specifically for the project's core activities
- **Purchased 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

When a beneficiary does not have any specific rules, apply the method indicated in the Guide for Action Grants 2015



Rental costs of own premises = Indirect costs

Costs of purchase of land and immovable property
= ineligible

Consumables

- **Identifiable and exclusively used for the project**
- 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**

Other Direct 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:

fees for experts, fees for financial guarantee, audits, project's evaluation reports, purchase of copyrights and other intellectual property rights, purchase of information materials (studies, electronic data, etc.)

Other Direct Costs

Publications and dissemination:

- **Visibility rules & disclaimer on all deliverables**
- Clear and precise reporting: type of publication, number of pages, price per unit, number of copies, languages, etc.
- Any related incomes from books/tickets sold
=> declared under category "I – Income"

Conferences and seminars:

- 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)

Award of Contracts

- Procurement of goods, services, equipment, consumables, supplies, etc., needed to carry out the project
- Contract awarded to the **tender offering the best value for money or the lowest price**
- **Avoid conflict of interests**
=> 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 Beneficiaries /the Associate Partners cannot be subcontractors
- 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

- Procurement contract which covers the implementation by a third party of tasks forming part of the action as described in Annex I
- May only cover the execution of a **limited** part of the action: maximum 30 % as a general rule
- **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 subcontracts 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 !

Supporting Documents

- Invoice(s) with indication of:
 - description of goods or services provided
 - title of publication / translation / event
 - number of pages
 - number of copies
 - language(s)
 - date of purchase and delivery of goods
 - date when service provided
 - date of the event
 - etc.
- Proof(s) of payment
(bank transfers showing payment to the supplier)

Additional Supporting Doc. Required

For Equipment:

- Beneficiary's accounting practice regarding depreciation
- Calculation of the depreciation amount requested

For Award of Contracts:

- Tender procedure followed
 - proof of other offers received
 - comparisons of individual offers
 - minutes of meetings/decision process
 - etc.
- Subcontracting agreement (including reference to the project)

Common Reasons of Ineligibility

- Invoice not addressed to one of the Beneficiaries
- Cost not foreseen in Annex III of 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.)
- Cost cannot be linked to the project, cannot be traced
- Consumables: cost is part of the normal running costs
- Consumables: cost = general office supplies

Common Reasons of Ineligibility

- Equipment: full cost claimed
- Equipment: cost claimed does not reflect the period and percentage of use for the implementation of the grant
- Lack of visibility of the EU financial support and EU logo on publications or other outputs
- Publication not available yet when submitting the final report

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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 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
- A beneficiary receives an operating grant running within the same period as the action grant

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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
- Costs not supported by adequate justifying documents
- Costs declared by a beneficiary and covered by another action or work programme receiving an EU grant
- Travels, subsistence costs or fees for EU officials
- Contribution in kind from third parties / Volunteers' work
- Deductible VAT / VAT incurred by public bodies when acting as public authority
- Costs of transfers from the Commission charged by the bank of the beneficiary
- Exchange losses

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 (*Annex II Art. II.27*)

- Be aware that your project can 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 the Guide for Action Grants 2015

- Guide for Actions Grants 2015 and reporting templates: see webpage of your call

http://ec.europa.eu/justice/grants1/calls/2015_action_grants/just_2015_jtra_ag_ejtr_en.htm

- Questions after this kick-off meeting?

Address them to

EC-JUSTICE-GRANTS@ec.europa.eu

Thank you for your attention!

Good luck with your project!