



DG Justice and Consumers

Financial Management Financial Reporting

JUST/2015/RDIS/AG/NRP2

Kick-off meeting – 26 May 2016

Today's Programme

- ➔ Request for Final Payment & Financial Statement
- ➔ Eligible Costs: 6 Categories
- ➔ Ineligible Costs
- ➔ Income
- ➔ 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, 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 must be registered in the accounts of the beneficiary
- 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 Hungary is paid in HUF => cost reported in HUF



Always favour payment by bank transfer

Request for Final Payment Supporting Documents

- Upon request of documentary evidence, the Beneficiary sends only **copies**
Originals are kept with the beneficiary
- The 90 days payment period 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

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

Eligible costs

(Annex II, Article II.19)

- Incurred during eligibility period defined in Article I.2.2
- 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 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

Staff Costs

- Only the costs related to staff specifically recruited for the project are eligible.

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)

Staff Costs: Common Reasons of Ineligibility

- Daily/hourly rates claimed are those budgeted and not the actual costs
- **Inflated daily/hourly rates** (Rates at which staff is charged to the project must correspond to the individual Beneficiaries' normal policy on remuneration and should not significantly exceed the rates currently applicable in the relevant area - both geographically and with respect to the profile of the staff concerned).
- Costs not matching payslips / Lack of payslips
- Volunteer work costs
- Work done outside the eligibility period

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Travel and Subsistence Costs

- Directly linked to the project
- Covers 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
- *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

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.



Must be 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

Travel and Subsistence Costs: Common Reasons of Ineligibility

- Missing documents – e.g. missing proof of presence
- Undue subsistence allowance paid
- Per diem exceeding the threshold per country
- 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



Rental costs of own 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 the Beneficiary
- Full cost claimed
- Cost claimed does not reflect the period and percentage used for the implementation of the grant

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Consumables

- Identifiable and exclusively used for the project
- 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 the Beneficiary
- Cost cannot be linked to the project, cannot be traced or is part of the normal running costs
- Cost claimed = general office supplies
=> not eligible, covered by overheads
- Cost not foreseen in the budget

6 Categories of Costs

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Other Direct Costs

- Directly linked to the project's activities
- Examples:
 - fees for experts and facilitators
 - costs of project's evaluation
 - Catering for events
 - Subcontract of website development
 - purchase of information materials (studies, electronic data, etc.)



Visibility rules & disclaimer on all deliverables

Award of Contracts

- Procurement of goods, services, equipment, consumables, supplies, etc., needed to carry out the project
- Contract awarded based on 2 principles: **tender offering the best value for money or the lowest price** and **avoid any conflict of interests**
 - => You must therefore request several offers**
- As Public bodies you should follow your national procurement rules
- The beneficiary has sole responsibility for carrying out the action
- The contractor has no rights *vis-à-vis* the Commission
- The Beneficiary cannot act as a subcontractor to the project

Subcontracting Rule

- May only cover the execution of a **limited** part of the action: maximum 30 % as a general rule
- 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 the budget
- 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

Other Direct Costs: Supporting Documents

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

Award of Contracts – Supporting Documents

In addition to invoice(s) and proof(s) of payment:

- Tender procedure followed
 - proof of other offers received
 - comparisons of individual offers
 - minutes of meetings/decision process
 - etc.
- The contract
(including the terms listed in the Guide)

Other direct costs: Common reasons of rejection

- Invoice does not have any link to the project
e.g. title of publication, date when activity took place, etc., are missing
 - Lack of visibility of the EU financial support and of the EU logo on publications or other outputs
 - Costs not foreseen in the budget
 - Publication not available yet when submitting final report
 - Public procurement rules not followed or not followed correctly
 - 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!

6 Categories of Costs

- A – Staff
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Indirect Costs

- 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)
- No supporting documents are required

Common Reasons of Rejection

- **% overheads requested higher than agreed in Art. I.3**

Examples of Ineligible costs (non-exhaustive list)

- Excessive or reckless expenditure
- Travels and subsistence costs of EU officials
- Fees for EU officials
- Costs declared but not supported by adequate justifying documents

3 Categories of Income

K: Other income, including own contribution from beneficiaries

Cost which form part of your own contribution should also be part of the budget. This means that only expenditure reported in the financial statement can be covered by the project income/contribution.

Ex-post Audit (*Annex II Art. II.27*)

- Be aware that your project can be randomly selected for an ex-post audit

=> all contracts, invoices, proof of payments, receipts, accounting records, technical and financial evidence, 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
- Questions after this kick-off meeting? Address them to EC-REC-GRANTS@ec.europa.eu

Thank you for your attention!

Good luck with your project!