



## **DG Justice and Consumers**

# **Financial Management Financial Reporting**

**JUST/2015/RDAP/AG/VICT**  
**JUST/2015/JACC/AG/VICT**

**Kick-off Meeting – 24 January 2017**

# 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

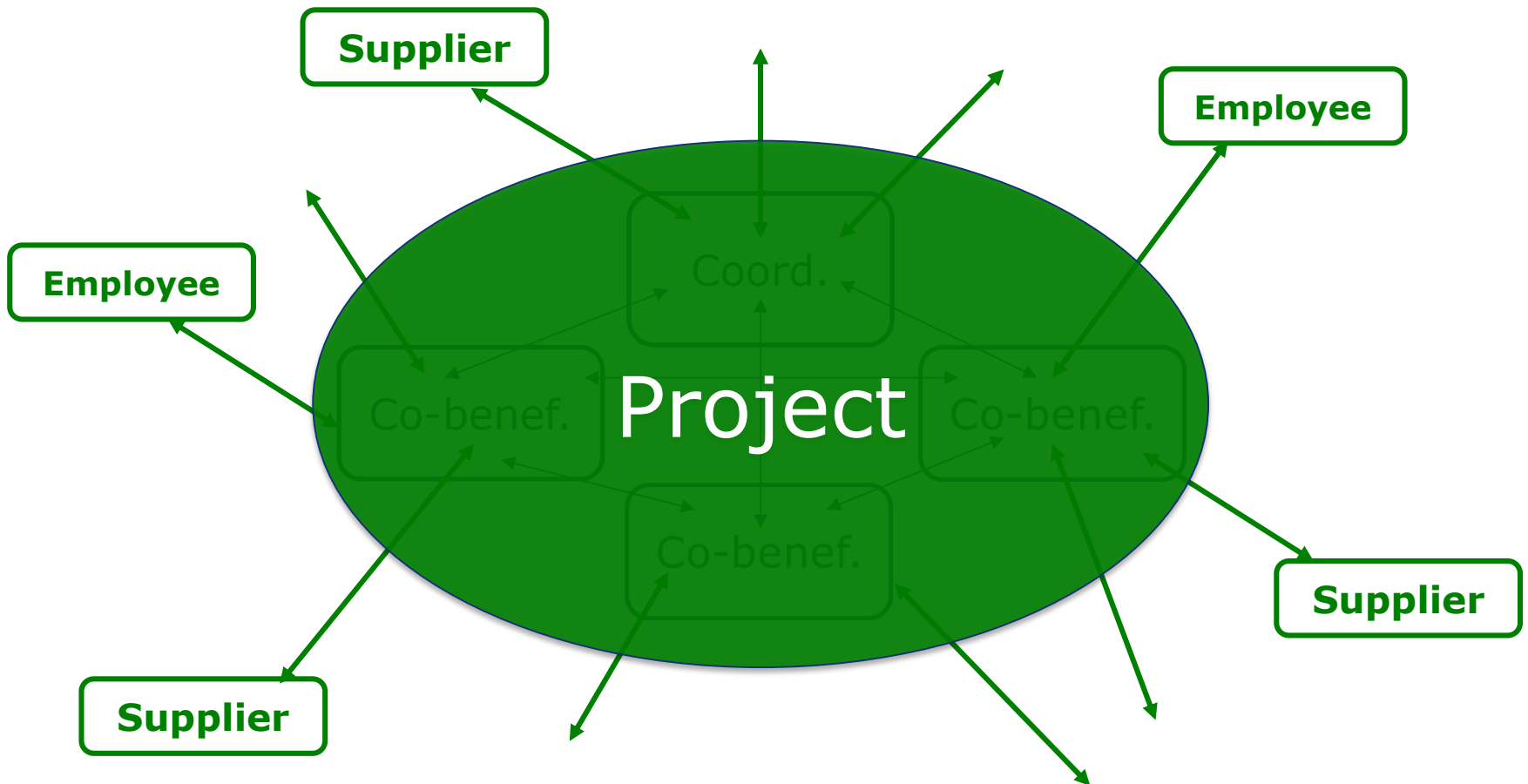


**Always favour payment by bank transfer**



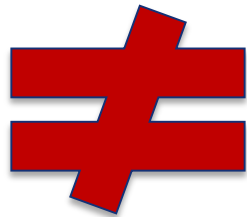
European  
Commission

# 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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- ➔ Last Minute Tips

# 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** 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

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

- 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

## 6 Categories of Costs

- A – Staff
- B – Travel & Subsistence
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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](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 / 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



## 6 Categories of Costs

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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\\_spo\\_b\\_ag\\_vict\\_en.htm](http://ec.europa.eu/justice/grants1/calls/2015_action_grants/just_2015_spo_b_ag_vict_en.htm)

- Questions after this kick-off meeting?  
Address them to [EC-REC-GRANTS@ec.europa.eu](mailto:EC-REC-GRANTS@ec.europa.eu)  
or [EC-JUSTICE-GRANTS@ec.europa.eu](mailto:EC-JUSTICE-GRANTS@ec.europa.eu)



Thank you for your attention!

Good luck with your project!