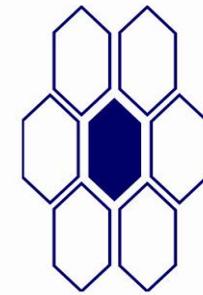


Knowledge and
Innovation Consultants



KiNNO

**Financial Management and
Reporting
Greek Magistral Lesson
Izmir, 28/06/2011**

Financial Management and Reporting

1

The financial management of a project requires the development of the **appropriate tools**, usually in Microsoft Excel, which allow the proper monitoring of the expenses of **each project partner and of the project in total**.

Furthermore, the financial management of a project demands constant collaboration and communication between the project's partners and between the Lead Partner and the Managing Authority of the Programme, within the framework of which the project is being implemented.

Financial Management and Reporting

2

The prompt financial management of a project foresees the following actions:

- ❑ **Pre-checking of the eligibility of expenditure**, based on the rules of the Programme concerned. The eligibility rules indicatively concern the following:
 - ✓ that the expenditure refers to the eligibility period
 - ✓ that the expenditure refers to the approved action
 - ✓ that the expenditure complies with the rules of the Programme
 - ✓ that the expenditure complies with the co-financing rate
 - ✓ that the expenditure complies with the national and European eligibility rules
 - ✓ that the expenditure complies with the rules of State Aid, the rules of environmental protection and sustainability and the principle of equal opportunities and non-discrimination
 - ✓ that the expenditure complies with the national and European rules on public procurement
 - ✓ that the expenditure respects the national and European rules of promotion/information

Financial Management and Reporting

3

- **Primary control and eligibility confirmation** of the expenditure of all partners, based on the system used by the Programme, within the framework of which the project is being implemented
- **Issuing**, where required, **of certificates** to the project partners, which verify the participation of each partner in the project and which justifies, based on the progress of the project, the expenditure, which are submitted for certification

Financial Management and Reporting

4

- **Monitoring of the certification process** for all the project partners and **gathering of certificates** for each reporting period
- **Monitoring of the payment process and transfer** of the approved amounts in the bank accounts of the project partners

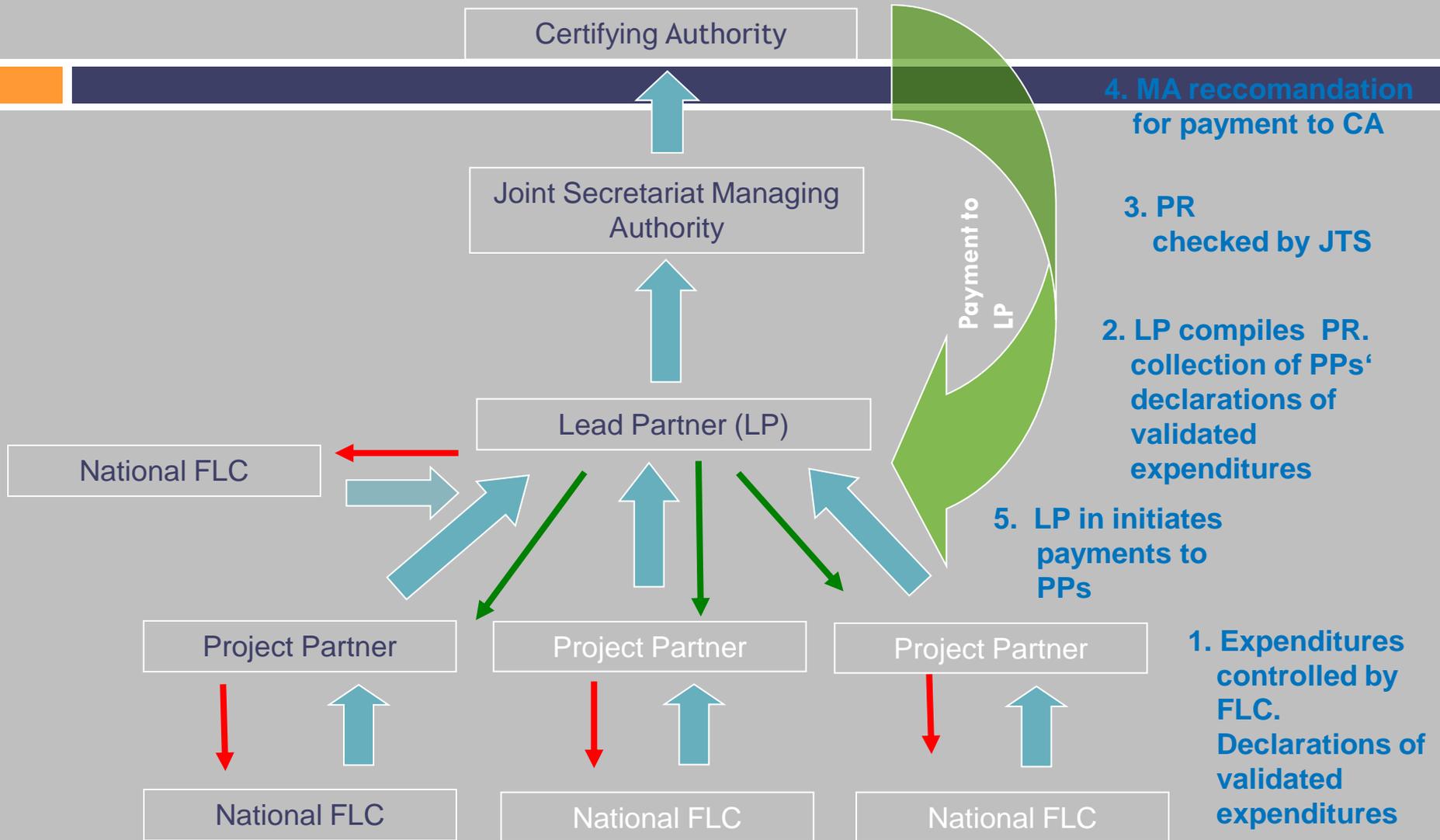
DECOMMITTMENT

- ✓ European Union will automatically decommit any part of a budget commitment of an Operational Programme that has not been used by 31 December
 - of the third year following the year of budget commitment until 2010
 - of the second year following the year of budget commitment from 2010 on

- ✓ Applies on Programme level but since the Programme consists of projects, any loss resulting from projects failing to achieve their yearly spending targets risks being passed on to these projects

Project: yearly spending targets to be respected
Ex: Respect spending target for 2009 by the end of 2009 etc.

FINANCIAL FLOW –General Outline



Budget Lines

7

1. Staff Costs
2. Durable Goods
3. Consumable Goods
4. Travel and Accommodation
5. External Expertise and Services
6. Promotion, Information and Publication
7. Overheads

Staff Costs 1/3

8

This category concerns **all Staff costs (including salary, tax, employer's and worker's social contribution, bonus, etc.** – following the national legislation) based on regular employment contracts used in the respective partner institution. Salaries must be coherent with national averages.

The staff budget line involves personnel costs for the time that the partner organisations' staff spends on carrying out the project activities in accordance with the application form (full-time or a certain percentage of total working time).

The persons whose staff costs are budgeted and later on reported must be **directly employed** and paid by the partner organisations officially listed in the application form (e.g. internal project coordinator, internal financial manager, internal independent financial controller; in compliance with country specific control requirements).

Staff Costs 2/3

9

The categories, in which the staff that will be involved in the project can be divided, differ according to each funding Programme.

Example 1:

- Senior Expert
- Expert (Type 1)
- Expert (Type 2)
- Junior Expert

(Intelligent Energy Europe Programme)

Example 2:

- Project Director
- Project Manager
- Administrative staff

(MED Programme)

Staff Costs 3/3

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Calculation of staff costs →

Example:

- Monthly Salary before tax: 2,000.00 EUR
- Hours worked for the project: 116
- Hours worked outside the project: 60
- Hours worked in total: 176
- Hourly rate: $2,000 \text{ EUR} / 176 = 11.36 \text{ EUR}$
- Project related personnel costs: $116 \times 11.36 \text{ EUR} = 1,318.18 \text{ EUR}$
- Eligible costs: 1,318.18 EUR

Durable goods

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The declaration of the expenditure engaged for the use of the durable goods is subject to the countable standards on depreciation. Consequently, the cost allocation engaged for the durable goods will have to take account of the percentages of depreciation, highlighted (e.g. worksheets etc) by typology of goods.

The full cost of durable goods can be charged on the project only when it is clearly demonstrable and it is evident that durable goods are absolutely necessary to correctly carry out the activity foreseen by the project and that it would be impossible to reach the objectives of the project without the concerned durable goods.

Consumable goods

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The expenditures concerning consumable goods relates to the purchase of any good prone to a duration not exceeding one year.

Travel and accommodation

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This cost category refers to the travel and accommodation costs of employees of the partner institutions officially listed in the application form and relates to their participation in meetings, seminars, or conferences taking place within the EU. The trips are justified by the project's activities as foreseen in the application form. Trips outside the territory of the EU are possible if they are explicitly mentioned and justified in the application form.

Travel and accommodation costs should be budgeted taking account of the national and/or internal rules of the respective partner organisation for reporting these costs later on. Daily allowances for travel and accommodation are possible as long as the allowance is actually paid by the partner body to the employee and this is in line with the national or institutional conditions set for this partner body.

Services

14

- This category relates to the services which cannot be carried out by the partners of the project and which require the contribution of an external service provider.
- This expenditure is acceptable if within the partnership there are no necessary competences for the provision of the aforesaid services. The rules of public procurement must be respected during the selection of the company providing the external services.

External expertise 1/2

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- This category relates to the expertise, analyses, studies, reports, which cannot be carried out by the partners of the project and which require the contribution of experts or specialist bodies.
- This expenditure is acceptable if within the partnership there are no necessary competences for the provision of the aforesaid activities. The rules of public procurement must be respected during the selection of the body, company or individual providing the external expertise.

External expertise 2/2

Expenditures related to the realisation of the **audits** of the project, when they are carried out by external auditors, are included in this category. If audits are carried out by an internal auditor, the expenses will have to be budgeted and entered in the budgetary heading “Staff costs”.

Travel and accommodation expenses held by the external experts must be included in this budget line.

In most Programmes there is a limited acceptable percentage of the total eligible budget of the project, for the costs of external expertise category.

Promotion, information and publication

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- This category includes expenditures made to increase the visibility of the project towards the partners, general public or institutions. For example:
 - website design and hosting
 - drafting, lay out, printing and dissemination of publicity materials
 - organisation of external events
 - interpretation / translation
 - ...

If the partnership needs services providers, the related expenditure is acceptable if within the partnership there are no necessary competences for the realisation of the aforesaid services. The rules of public procurement must be respected during the selection of the company or the person providing the external expertise.

Overheads 1/2

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Pursuant to the article 52 of the regulation (EC) 1828/2006, overheads shall be eligible provided that they are based on real costs attributable to the implementation of the project concerned or on the average real costs attributable to operations of the same type.

□ The overheads include:

□ Telephone, fax, internet

□ Office supplies

□ Photocopying

□ Mailing

□ Office rent

□ Heating, electricity

□ Other administrative expenditures absolutely necessary for the implementation of the project

Overheads 2/2

In the case of indirect expenses, they must be affected in proportion with the project according to an equitable and duly justified method. These costs must be directly necessary for the activities and the realization of the project.

Usually, overheads (or administration costs as they are named in another Programmes) can reach a specific percentage of the overall budget of the project. This percentage depends on the Programme, within the framework of which the proposal is being submitted. For example in MED Programme overheads duly justified can be refunded until a maximum of 7% of the total eligible budget of the project.

Reporting

5

After the end of each reporting period and after the completion of the aforementioned actions, the Lead Partner proceeds with the elaboration of a **Progress Report**, based on the rules and requirements of the Programme. The reporting periods are usually six month long, in any case the deadlines for the submission of the activity reports are declared in the contract of the project.

Reporting

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- The Activity Report includes information both on the implementation of the project's activities, as well as on the financial management. As far as the financial management is concerned the Activity Report provides information on the following:
 - Total expenditure from the beginning of the project
 - Expenditure of the specific reporting period
 - Analytical description of the expenditure/deliverable
 - Description of potential problems that have occurred during the payment claim procedure, of potential payment delays and of possible solutions in the aforementioned problems
 - Completion of tables with the costs, which are being submitted in the specific reporting period
 - Achieved financial results, in accordance with the objectives of both the project and the overall Programme, in the framework of which it is being implemented

Modification of the structure of the budget [1]

- ✓ **Up to 10 %** between budget lines & components of the total eligible budget
 - communication to MA/JTS (Lead Partner informs the Joint Technical Secretariat then replies with an acknowledgement of receipt proving as approval.
 - dully justified
- ✓ **Exceeding 10 %**
 - approval of the Selection Committee
- ✓ **Limit: 30 %**
- ✓ The modifications should not increase the global budget of the project.
- ✓ **Budget changes are cumulative**
 - the base to calculate the overall % of budget changes during the whole duration of the project is the application form as firstly approved
- ✓ **Among PPs:** Transfers between partners always need a preliminary agreement of the Selection Committee, whatever the amounts are.

Changes

- ✓ Changes including:
 - a. **redistribution of the ERDF** amount among partners
 - b. **changes in the nature of the project**, particularly the aims and expected results
 - c. a **prorogation of the planned deadline** for the closure of activities
 - d. a **modification of partnership**

are **subject to approval by the Selection Committee** (if necessary, by written procedure) and an amendment to the Subsidy Contract will have to be made. T

The First Level Controller **must confirm** that changes in the working plan, in the budget or in the partnership have been recorded by the MA/JTS and approved according to the conditions above.

Reporting within the framework of the MED Programme

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In projects, which are implemented within the MED Programme the Activity Reports are being submitted in the Managing Authority (Joint Technical Secretariat) in the predetermined deadlines, thus two (2) months after the end of each reporting period, in three different ways, as it is foreseen from the Programme's rules:

- Online submission through the PRESAGE system
- Via email
- Hard copy via mail

Reporting within the framework of the MED Programme

8

The hard copy folder, apart from the Activity Report must contain the following:

- Photocopies of the Certificates of all partners, which are issued by the competent National Authorities
- Original copy of the Payment Claim, which is issued through the PRESAGE system and which states the total claimed amount from European Regional Development Fund (ERDF), from all the project partners according to their certificates
- The deliverables, which are finalised during the specific reporting period, according to the approved timeplan of the project, in electronic version

It has to be pointed out that the procedures of the eligibility control, the preparation and submission of the Progress Reports and of the Payment Claims to the MA, are based on the PRESAGE system.

PRESAGE CTE Application

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The circuit is as follows:

- All project partners must use the **PRESAGE CTE application** to enter all activities completed and expenditure made in the reference period. **This tool is the only MED programme management tool**
- PRESAGE CTE connects all of the management organisations (MA, and the JTS, the Certification Authority, the national authorities, the FLCs– article 16, the beneficiaries)
- Once a project partner has entered all of the data concerning the activities and expenses of the reference period into PRESAGE CTE, it must notify it to the Lead Partner for validation in PRESAGE CTE and to its FLC after the end of the 6 month reporting period
- All of the invoices, proofs of payment and any other justification document for declared expenditure must be made available for the FLC

PRESAGE CTE Application

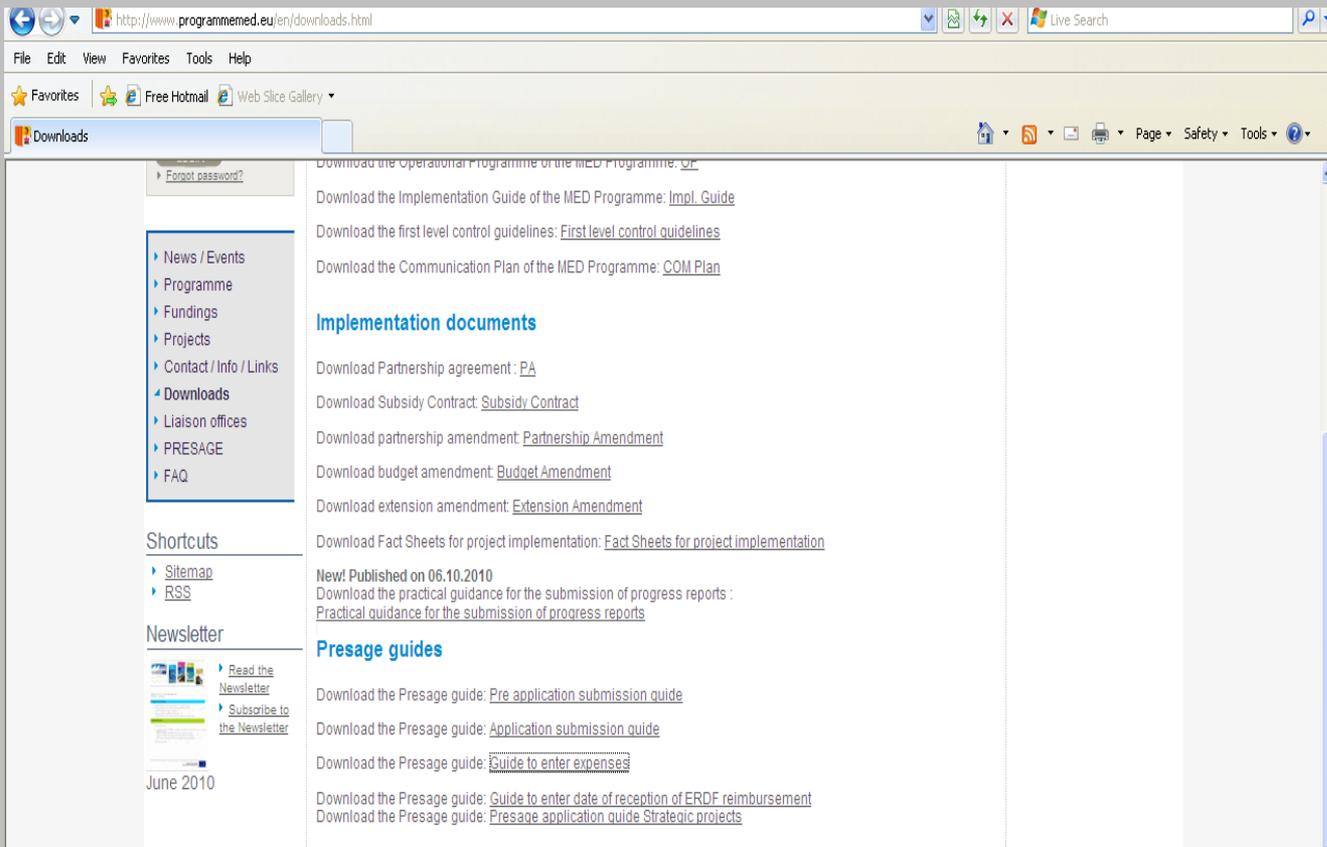
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- ❑ The controller will have a login name and password in order to access the PRESAGE CTE application and thus all of the information given by the partner
- ❑ The controller must confirm the eligible amounts and may include observations regarding amounts deemed ineligible
- ❑ Finally, he/she shall use PRESAGE CTE to record the fact that he/she has carried out the First Level Control, then fill in and print the declaration of the validation of expenditure in order to date it, sign it and stamp it with the official stamp
- ❑ As soon as the control report and the declaration of the validation of expenditure are ready, they will be sent to the partner who will, in turn, send them to the Lead partner
- ❑ A copy of these documents sent to the PL must also be kept on the premises of the partners

PRESAGE CTE Application

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Analytical Presentation of the PRESAGE CTE System is provided by the MED website.



The screenshot shows a web browser window displaying the 'Downloads' page of the MED website. The browser's address bar shows the URL <http://www.programmed.eu/en/downloads.html>. The page content is organized into several sections:

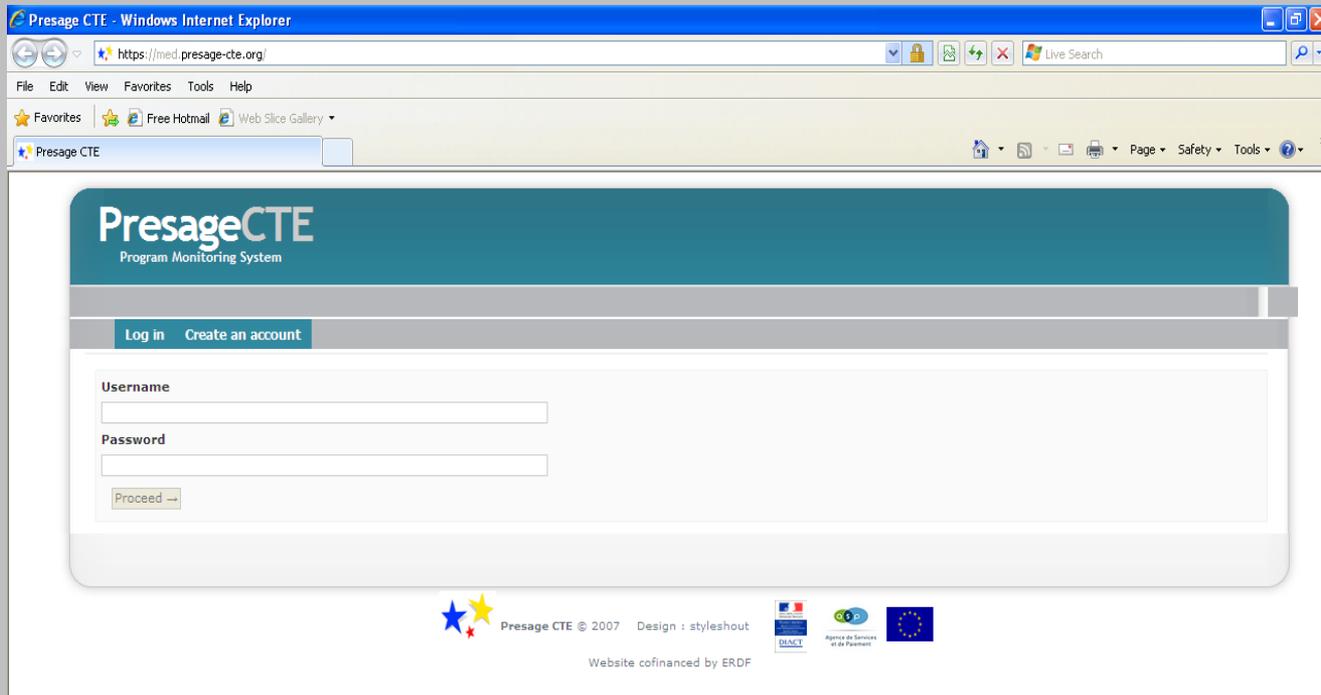
- Navigation Menu:** Includes links for News / Events, Programme, Fundings, Projects, Contact / Info / Links, Downloads (highlighted), Liaison offices, PRESAGE, and FAQ.
- Shortcuts:** Includes links for Sitemap and RSS.
- Newsletter:** Includes links for Read the Newsletter and Subscribe to the Newsletter.
- Downloads List:**
 - Download the Operational Programme of the MED Programme: [OP](#)
 - Download the Implementation Guide of the MED Programme: [Impl. Guide](#)
 - Download the first level control guidelines: [First level control guidelines](#)
 - Download the Communication Plan of the MED Programme: [COM Plan](#)
- Implementation documents:**
 - Download Partnership agreement: [PA](#)
 - Download Subsidy Contract: [Subsidy Contract](#)
 - Download partnership amendment: [Partnership Amendment](#)
 - Download budget amendment: [Budget Amendment](#)
 - Download extension amendment: [Extension Amendment](#)
 - Download Fact Sheets for project implementation: [Fact Sheets for project implementation](#)
- Presage guides:**
 - Download the Presage guide: [Pre application submission guide](#)
 - Download the Presage guide: [Application submission guide](#)
 - Download the Presage guide: [Guide to enter expenses](#)
 - Download the Presage guide: [Guide to enter date of reception of ERDF reimbursement](#)
 - Download the Presage guide: [Presage application guide Strategic projects](#)

The page also features a 'New! Published on 06.10.2010' notice and a date indicator 'June 2010' at the bottom left.

PRESAGE CTE Application

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- <https://med.presage-cte.org/>
- Each PP will be given separate username & password to access the system



The screenshot shows a Windows Internet Explorer browser window displaying the Presage CTE Program Monitoring System login page. The browser's address bar shows the URL <https://med.presage-cte.org/>. The page features a teal header with the text "PresageCTE Program Monitoring System". Below the header, there are two buttons: "Log in" and "Create an account". The login form includes a "Username" field, a "Password" field, and a "Proceed" button. At the bottom of the page, there is a footer with the text "Presage CTE © 2007 Design : styleshout" and "Website cofinanced by ERDF", along with logos for the French Republic, the Ministry of Higher Education and Research (MESRI), the European Union, and the ERDF.

Most common mistakes identified

13

TYPE OF MISTAKE

Staff costs

1. Staff costs are not based on actual time worked for the project but on estimations according to the number of projects the partner is participating in.
2. For monthly cost of employees partially charged on the project it is not possible (or it is very difficult) to understand and thus check if the declared amount corresponds to the % of the monthly working time spent on the project. In case the same partner takes part to several projects, it is not possible to check whether the same person for the same month has been wrongly charged on several projects more than 100% of his/her working time.

FOLLOW-UP MEASURES

1. Staff costs must be based on real costs, supported by proper documentation.
2. Timesheet should contain information about the hours worked for the relevant project and for other MED projects and, if possible, for other projects financed through public funds.

Most common mistakes identified

14

TYPE OF MISTAKE

Durable/Consumable goods External expertise/ Services

If the partner structure is not submitted to the public procurement rules or in case of minor contracts, a simplified procedure of effective competition has not been implemented.

FOLLOW-UP MEASURES

Partners and FL Controllers have been invited to take into consideration that even if the considered amounts are low and if internal procedures, according to national/regional law, allow the purchasing of services/external experts/Durable/Consumable goods without any kind of selection of the provider, in the framework of the MED Programme, a simplified procedure of selection is warmly recommended.

1. Financial Management
2. Eligible Costs (per budgetary line)
3. Guidelines on First Level Control
4. The expenditure Reporting Procedure
5. Presentation of the Presage CTE

Sources : JTS official documentation (Guidelines on First Level Control, Implementation Guide presentations of the LP Seminar)

THE END

Thank you for your attention !

