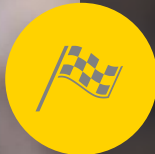


# Insights from the financial monitoring

LIFE Project Management Workshop  
Hungary, 30 March 2017





**01** ● Introduction

**02** ● Reporting & financial management

**03** ● New rules for the 2014+ project

**04** ● Most frequent errors, tips & tricks

**05** ● Q&A Session

# The Financial Monitoring Team: Why ?

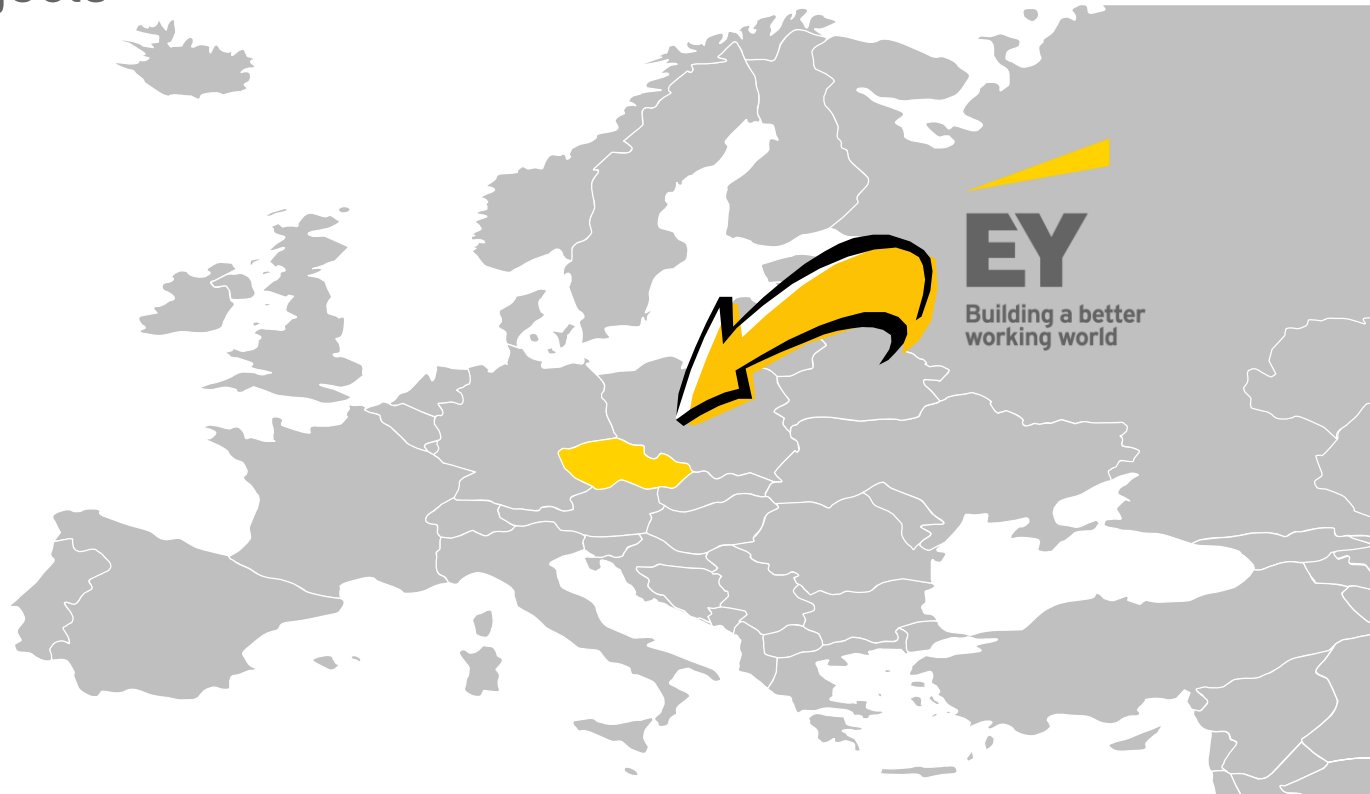
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- ▶ Need for specific financial knowledge
- ▶ Need for verification of compliance with the rules, national legislation
- ▶ Need for the check of financial reporting & documentation
- ▶ Ad-hod assistance for the technical monitors (requests, monitoring visits, integrated projects)

# Financial monitoring

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- ▶ EY = Ernst & Young = One of the sub-contractors of the NEEMO consortium responsible for the financial monitoring of the LIFE projects



# The main purpose of the financial monitoring?

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„Money“



„Time“



„Rules“

# Role of the financial monitoring

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- ▶ Evaluating of reports with payment request
- ▶ Providing financial guidance and assistance to technical monitors
- ▶ Methodological advice
- ▶ Participating in monitoring visits
- ▶ Platform meetings
- ▶ Partially responsible for setting the financial rules
- ▶ Dealing with financial issues with EASME

# Reporting & financial management



# Managing of administrative/financial tasks

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- ▶ All the project beneficiaries shall:
  - ▶ be jointly and severally responsible for carrying out the project in accordance with the terms and conditions of the Agreement
  - ▶ be responsible for complying with any legal obligations incumbent on them jointly or individually
  - ▶ maintain up-to-date books of account, in accordance with the usual accounting conventions imposed on them by law and existing regulations
  - ▶ contribute financially to the project
  - ▶ ensure that all invoices include a clear reference to the project



# Coordinating beneficiary

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- ▶ The coordinating beneficiary shall:
  - ▶ monitor that the project is implemented in accordance with the Agreement
  - ▶ be the intermediary for all communications between the beneficiaries and the Agency/Commission
  - ▶ establish the requests for payment and ensure that all the appropriate payments are made to the other beneficiaries within 30 days of the receipt of the funds
  - ▶ bear responsibility for providing all the necessary documents in the event of checks and audits
  - ▶ conclude with all associated beneficiaries agreements describing their technical and financial participation in the project

# Associated beneficiaries

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- ▶ Associated beneficiaries shall:
  - ▶ inform the coordinating beneficiary immediately of any change likely to affect or delay the implementation of the project
  - ▶ inform the coordinating beneficiary immediately of any change in its legal, financial, technical, organisational or ownership situation or of its affiliated entities contribute financially to the project
  - ▶ submit in due time to the coordinating beneficiary the data and information needed to draw up the reports, financial statements and other relevant documents

# Financial project trail

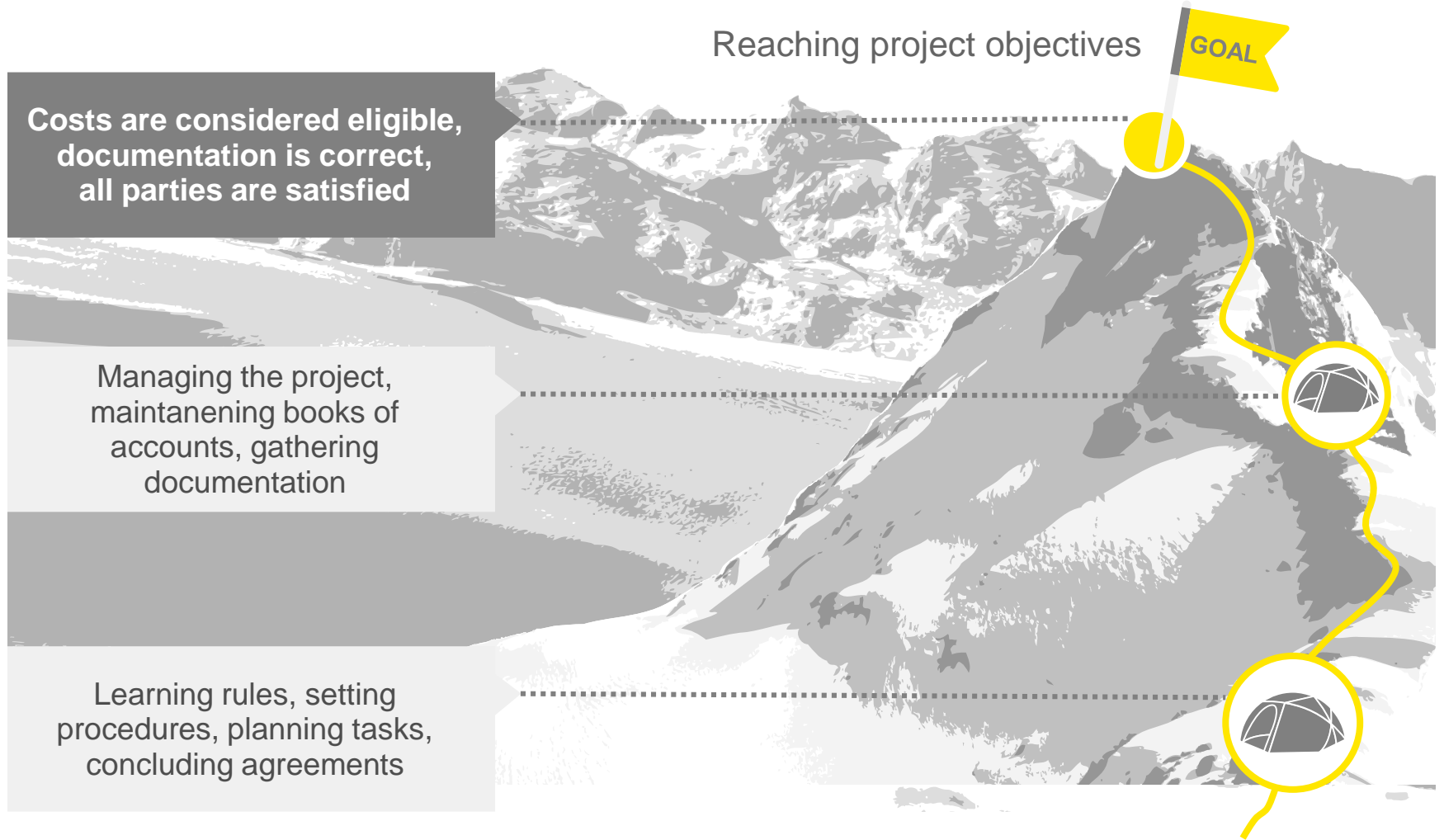
Reaching project objectives

GOAL

Costs are considered eligible,  
documentation is correct,  
all parties are satisfied

Managing the project,  
maintanening books of  
accounts, gathering  
documentation

Learning rules, setting  
procedures, planning tasks,  
concluding agreements



# Reporting scheme

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- ▶ Whenever the period between consecutive reports exceeds 18 months the coordinating beneficiary must submit a progress report, i.e. no Inception report unless EASME decides to request one
- ▶ All reports shall contain the necessary information for the Agency/Commission to evaluate the state of implementation of the project, the respect of the work plan, the financial status of the project and whether the project's objectives have been achieved or are still achievable
- ▶ The form and contents of the reports shall be in accordance with the Guidelines
- ▶ Reports in English only (technical annexes and supporting documents could be in EU official languages)

# Completeness of the reports and statements

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- ▶ Beneficiaries are expected to fill in all the required information in the financial statements and submit all the previously requested documentation to the Commission/Agency and to the monitoring team. In case this is not fulfilled, the payment is suspended and request for additional information is in place!
- ▶ Provided information must be sufficient enough to allow the assessment of the eligibility of costs – description of costs, applied procedures or internal rules has to be clear!
- ▶ All the deviations from the original GA/budget have to be justified thoroughly in a timely manner

# Most crucial information to be completed

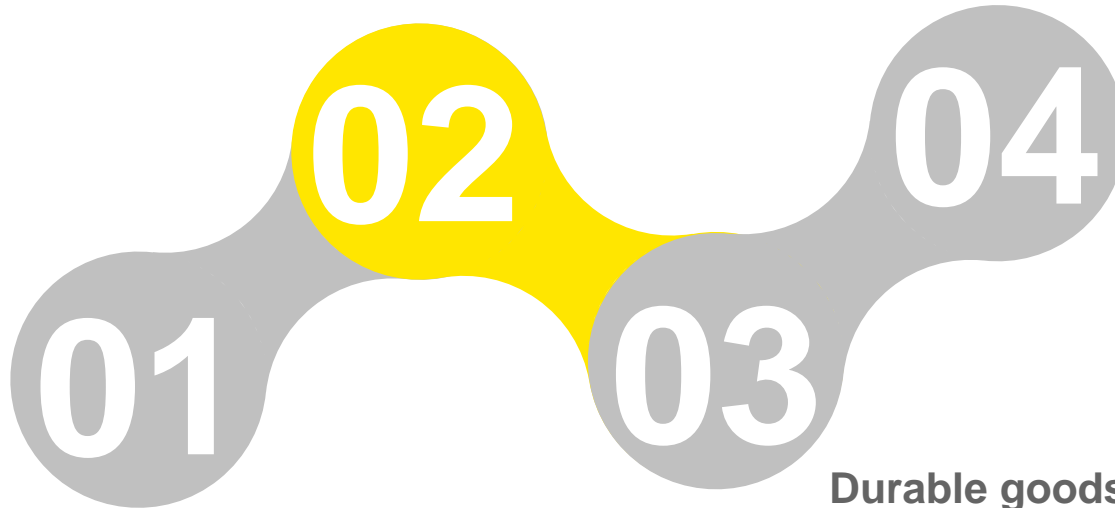


## Personnel

- Gross salary + social charges (pension)
- Actual number of annual and project hours
- Type of contract (non/additional)
- Project role

## External Assistance

- Thorough description of provided services
- Reference period
- Selection procedure



## Travel

- Purpose and duration of travel
- Detailed description of travel cost
- Indication of traveling person

## Durable goods

- Proper technical description
- Depreciated amounts in line with internal rules
- Selection procedure

# Documentation to be learned precisely

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- ▶ Model LIFE Grant Agreement
- ▶ Model technical report (Annex V)
- ▶ Model financial statement (Annex VI)
- ▶ Model certificate on financial statements (Annex VII) (coming soon)
- ▶ Financial and Administrative Guidelines (Annex X)
- ▶ Guidelines for applicants (Annex XI)
- ▶ Guidelines re. Amendments
- ▶ Guidelines re. Partnership agreements
- ▶ Monitoring indicators
- ▶ Timesheet template



**Why is this so important?**



The better the question. The better the answer.  
The better the world works.



# Because...

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**1**

**The Commission/Agency want to pay  
the money**

**2**

**You want to receive the money**

**3**

**And both of you want it ASAP**

# BUT!

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The Commission/Agency want to give the money only to

- ▶ beneficiaries implementing successful and useful projects
- ▶ beneficiaries providing continuously all information that they are asked for
- ▶ beneficiaries submitting accurate and exhaustive financial reports

# A systematic approach

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- ▶ Timely and precise explanation of the project related processes, such as:
  - ▶ Accounting rules
  - ▶ Time registration system
  - ▶ Including LIFE reference in accounting documentation
  - ▶ Procurement rules for purchasing of goods and services
  - ▶ Depreciation rules
  - ▶ and the list goes on...
- ▶ Frequent project visits are the best time for clarification
- ▶ Necessary for EACH beneficiary
- ▶ In order to avoid troubles, discuss all the issues with your TMO once they emerge in a timely manner.

# Selected LIFE 2014 – 2020 rules



# Exchange rates



- ▶ Beneficiaries with general accounts in other currency  (e.g. applied in Hungary) convert costs incurred in another currency into € using:
  - ▶ The monthly accounting rate established by the EC and published on its website applicable on the day when the cost was incurred
  - ▶ The monthly accounting rate established by the EC and published on its website applicable on the first working day of the month following the period covered by the financial statement concerned
  - ▶ Same method in the MtR and the FR
  - ▶ Personnel costs – one line per year acceptable if calculation provided separately



- ▶ The budget transfers requiring amendments:
  - ▶ the nature of actions is significantly modified
  - ▶ the transfers exceed a limit of 20% of the overall eligible costs (taking into account all budget categories in total)
- ▶ The beneficiary is required to closely track the transfers and demonstrate compliance with the limit of 20% at the FR stage – to be completed in the consolidated cost statement at the FR stage (in the sheet called „COST summary“).
- ▶ The 20% limit does not apply to the situations when the foreseen activities are performed by another beneficiary than originally planned.

# Eligible costs



- ▶ Actually incurred by the beneficiary during project period apart from the costs for audit („*Requests for payment of the balance and supporting documents*“)
- ▶ Indicated in the estimated budget or accepted by the Commission/Agency
- ▶ Incurred in connection with + necessary for the project
- ▶ Identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country
- ▶ Compliant with applicable tax/social legislation
- ▶ Reasonable, justified, compliant with principles of sound financial management (economy/efficiency)

# Costs of personnel

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- ▶ Based on employment contract or any equivalent appointing act
- ▶ Assigned to the project
- ▶ Actual salary costs + social security contributions + other statutory costs in line with beneficiary's usual policy on remuneration
- ▶ Costs of natural persons under contract with beneficiary (work under his instructions, in his premises, result owned by him, cost not significantly different of own personnel)
- ▶ The costs are not significantly different from the costs of personnel performing similar tasks under an employment contract with the beneficiary



# How to calculate the personnel costs in LIFE14 projects?

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## Hourly rate times actual hours worked

- ▶ Classic formula:  $\text{annual personnel costs} / \text{annual productive hours} * \text{hours assigned to the project}$
- ▶ No significant change from the CP

## Lump-sum cost per employee = Gross salary

- ▶ Personnel working full time for the project or a contractually defined fixed percentage of time
- ▶ **Exempted from the time registration obligation**

## Specific work contracts

- ▶ Non-employees sheet
- ▶ Time-recording necessary

# 2% rule and interpretation of „additional“ personnel

The sum of the contributions to the project budget of public beneficiaries must exceed by at least 2 % the sum of the salary costs of employees who are not considered „additional“

## Annex X - Financial and administrative guidelines Art. IV.2

Additional personnel includes all employees (permanent or temporary) of public bodies whose contracts or contract renewals:

- start on or after the start date of the project or on or after the date of signature of the grant agreement (if this takes place before the project start date), and
- specifically second / assign them to the project (i.e. personnel file must contain a written instruction to work for the project, e.g. for ten hours per month)

		Assigned to the LIFE project in a contract renewal signed after the start of the project	
		YES	NO
Previous type of contract	Temporary	ADDITIONAL	NON - ADDITIONAL
	Permanent	NON - ADDITIONAL	NON- ADDITIONAL



- ▶ Charged in accordance with beneficiary's usual practices on travel
- ▶ Costs incurred by employees, travel costs of subcontractors or related to persons not directly working on the project should be declared under the Other Costs category
- ▶ You can group expenses in one single transaction (e.g. regarding one travel) but describe them thoroughly
- ▶ Missions to any destination outside the EU should be reasonable and justifiable as necessary for the project objectives and agreed beforehand, if not already mentioned in the grant agreement
- ▶ Beneficiaries shall endeavour to travel in the most economical and environmentally friendly way (video conferencing must be considered as an alternative)
- ▶ Not for travel between home/work place

# Subcontracting



- ▶ Different rules for private/public beneficiaries
- ▶ Applicable for all budget categories
- ▶ Always keep the documentation!

## Public

Always obey national rules

Internal rules for tenders below the national threshold

When asked for tender documentation – proof of publication/addressing potential suppliers

## Private

Be prepared to defend value for money

Invite tenders (how many?) for contracts above the threshold €130,000 (including publication of the call for tender in the relevant media)

# Durable goods



- ▶ Depreciation in accordance with international accounting standards & usual accounting practises of beneficiary
- ▶ REAL depreciation acc. to figures from the inventory list/depreciation plans
- ▶ In beneficiary's inventory (or similar)/capital expenditure
- ▶ 50/25 % cap on eligibility applied for ENV projects
  - ▶ Applicable for the whole budget category
- ▶ For NAT projects certificate is necessary for all beneficiaries purchasing durable goods!
- ▶ Depreciation only for % allocated to the project
- ▶ LIFE Logo

# Overheads

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- ▶ Max. 7 % of the eligible direct costs of the beneficiary concerned, excl. costs related to land purchase/long-term lease of land/one-off compensations for land use rights
- ▶ Applicable for each beneficiary individually
- ▶ No supporting documents needed



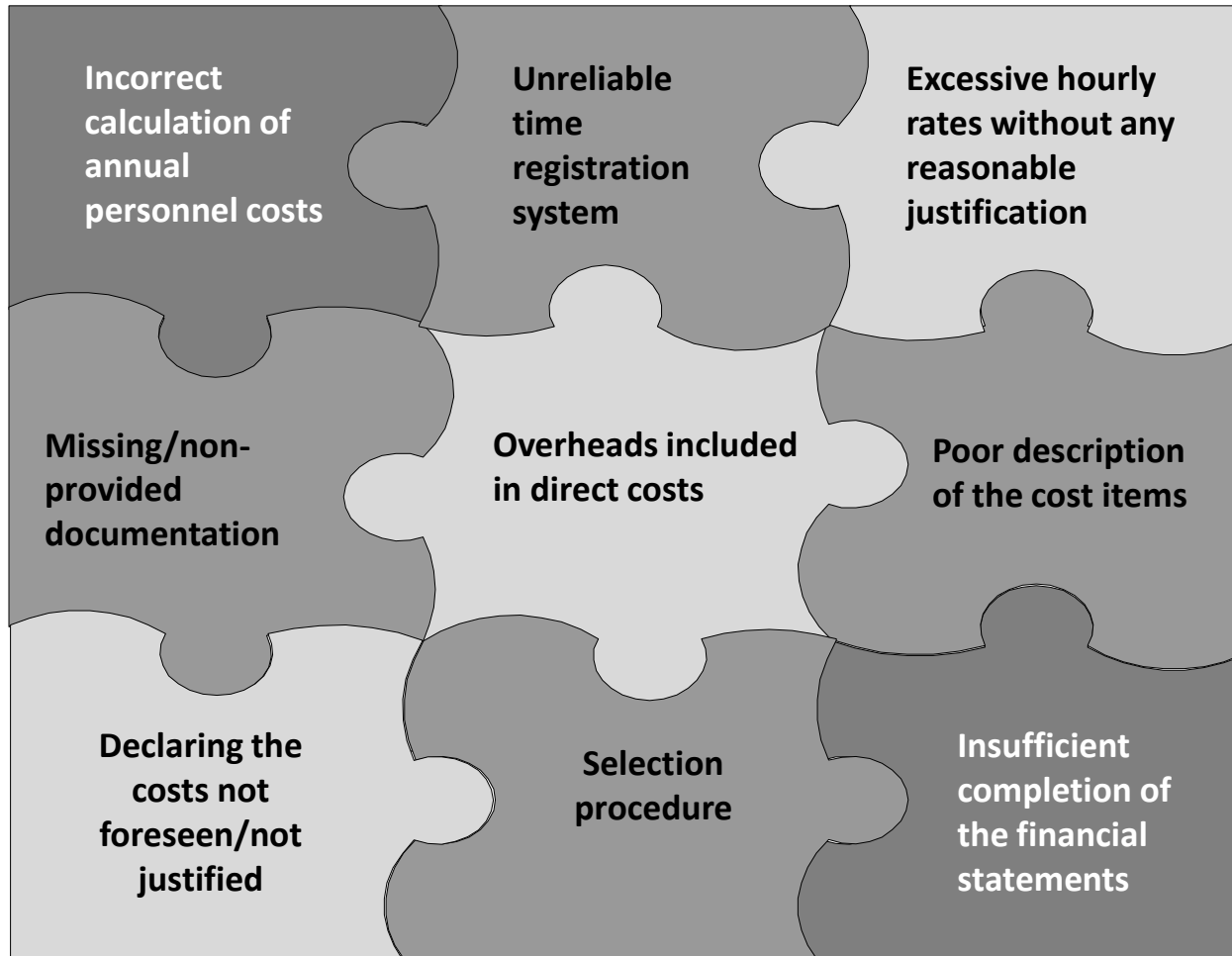
**What are the most frequent errors?**



The better the question. The better the answer.  
The better the world works.

# The following...

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# Tips & tricks



# Top six tips to avoid problems

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**1**

Fill in all the cells within the statements, complete all the information.

**2**

Always pay attention to the last letter received after project visit/report.

**3**

Gather all the project documentation and annex it to the report once requested.

**4**

Describe/justify all the changes in a timely manner.

**5**

Discuss all the potential problems/irregularities with the monitoring team.

**6**

Be transparent and trustworthy as much as possible.

# Q&A Session



# Thank you for your attention and good luck!





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