

# Erasmus

## *Coordinators' Meeting*

# Financial Reporting

For projects selected in 2009

***Brussels, 01-02 February 2010***



Education and Culture DG

**EAC**  
**EA**  
Education, Audiovisual & Culture  
Executive Agency



## Presentation overview

- The grant agreement
- Progress report and 2nd pre-financing
- Final report - Financial analysis
- Calculation of the final grant
- Objections to financial analysis
- Audits
- Eligible costs: Staff costs, Travel and Subsistence costs, Equipment costs, Subcontracting costs, Other costs, Indirect costs
- Ineligible costs
- Change to the budget breakdown
- Exchange rate
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## The grant agreement (1)

Please read carefully the grant agreement which contains the **Special Conditions, the General Conditions and Annexes** below:

- **Annex I** Description of the action (project)
- **Annex II.A** Estimated budget of the action
- **Annex II.B** Eligible budget of the action
- **Annex III** Guidelines for administrative and financial management and reporting (Handbook\*)
- **Annex IV** List of partner organisations

\*[http://eacea.ec.europa.eu/llp/beneficiaries/2009/reporting\\_lifelong\\_learning\\_2009\\_en.php](http://eacea.ec.europa.eu/llp/beneficiaries/2009/reporting_lifelong_learning_2009_en.php)





## **The grant agreement (2)**

Please note that

- The terms set out in the Special Conditions shall take precedence over those in the other parts of the agreement.
- The terms of the General Conditions shall take precedence over those in the Annexes.





## **The grant agreement (3)**

The Special Conditions contain key information as

- ✓ Period of eligibility of costs
- ✓ Eligible budget and maximum grant (in EUR and %)
- ✓ Payment arrangements (40%-40%-20% or 70%-30%)
- ✓ Reporting obligations (progress report or no?)
- ✓ Bank details and contact details
- ✓ Exchange rate applicable for conversion into EUR





## Progress report and 2nd pre-financing (1)

- Progress report for **2** years projects (art. I.5):  
Deadline is 30 September 2010 and no 2<sup>nd</sup> pre-financing will be paid (art. I.4.2). Remember: payment arrangement 70% - 30%.
- Progress report for **3** years projects (art. I.5):  
Deadline is 31 March 2011 and a 2<sup>nd</sup> pre-financing will be paid (art. I.4.2). Remember: payment arrangement 40% - **40%** -20%.
- If at least 70% of 1st pre-financing payment is reported/spent, a 2<sup>nd</sup> pre-financing of 40% of the maximum grant is paid (i.e. 40% of amount indicated in art. I.3.3).
- If less than 70% of the 1st pre-financing payment is reported/spent, the 2<sup>nd</sup> pre-financing is reduced by the unspent part of the 1st pre-financing.





## Progress report and 2nd pre-financing (2)

### Example:

Grant: 100.000 € (40% - **40%** - 20%)

1st pre-financing: 40.000 € (70% of 1st pre-financing = 28.000 €)

Total expenditure reported in progress report: 26.000 € (< 28.000 €)

Not spent from 1st pre-financing: 40.000 € - 26.000 € = 14.000 €

2nd pre-financing (max **40%**) = 40.000 € - 14.000 € = 26.000 €







## Progress report and 2nd pre-financing (3)

- Approval of the Progress report does **not** imply a confirmation of the eligibility of expenditures declared in the financial reporting tables at the end of the project.
- A complete financial analysis on the eligibility of the expenditures declared will be made at the Final Report stage only.
- Comments following the analysis of the financial reporting table (annexed to the approval letter of your progress report) must be taken into consideration for the final implementation and final reporting of your project.







## Final report - Financial analysis (1)

- Covers full eligibility period (art. 1.2.2)
- Deadline for submission: end of eligibility period + 2 months (art. 1.5)
- Report **all actually** incurred expenses **and revenues** received. Costs must be incurred **during the eligibility period** but can be paid after.
- Actually incurred means: all real costs even when they exceed a ceiling (e.g. maximum staff daily rate, maximum subsistence costs daily rate).
- Use EACEA Excel financial reporting 2009 template\* (submit both printed and Excel versions). Some of you would even have used this table as a monitoring tool.
- Only provide supporting documents upon request (but it is advisable to already collect copies of supporting documents from all partners, in particular in case of audit).

\*[http://eacea.ec.europa.eu/llp/beneficiaries/2009/reporting\\_lifelong\\_learning\\_2009\\_en.php](http://eacea.ec.europa.eu/llp/beneficiaries/2009/reporting_lifelong_learning_2009_en.php)





## Final report - Financial analysis (2)

- Total expenditures = total revenues (i.e. sources of financing)
- Any **ineligible** cost will be deducted from the total amount of expenditures reported, in order to calculate the **total eligible costs of the project**
- Non profit rule (profit means any surplus of total actual revenues over the total actual costs): final grant will take into account **other** sources of financing reported (art.II.17.4)
- Bank interests generated (if any) on pre-financing payment(s) must be declared if pre-financing exceeded 50.000 EUR. Interests will be deducted from the final grant





## Calculation of the final grant (1)

- The **final grant** is determined as follows:  
Declared expenditures from the Excel financial reporting table  
**LESS**  
Ineligible costs found during the financial analysis  
**EQUAL**  
Eligible costs of the project

**Final grant** = Eligible costs of the project X percentage of co-financing stated in the agreement (article I.3.3)

### **Final grant is the lowest of 3 ceilings:**

- Eligible expenditures x Community co-financing percentage
  - Maximum Community contribution amount (agreement)
  - Final grant can not result in any profit (non profit rule)
- Calculated final grant > pre-financing payment(s) ➔ **FINAL PAYMENT**
- Calculated final grant < pre-financing payment(s) ➔ **RECOVERY ORDER**





## Calculation of the final grant (2)

### Example

- The Grant Agreement indicated an approved Budget of eligible costs of 107.000 € (including 7% i.e. 7.000 € of indirect costs) and a total Community grant of 77.000 €, representing a co-financing percentage of 71,96%. A pre-financing payment of 53.900 € (70%) has been made.
- In the final financial report, the beneficiary declared actual expenditures of 117.700 € (including 7.700 € of indirect costs). The own funds from the partnership and from other sources of financing amounted to 40.700 €. Therefore, the Community grant requested by the beneficiary was 77.000 €





## Calculation of the final grant (3)

- 117.700 € Declared actual expenditures in the financial report
- 6.000 € Deemed ineligible under staff costs as it exceeds the maximum ceilings of transfers between budget headings (10% rule)
  - 8.000 € Deemed ineligible under travel & subsistence costs as it exceeds the maximum subsistence rates
  - 980 € Deemed ineligible under indirect costs (7% applied to staff and travel & subsistence declared ineligible)
- = 102.720 € **Total eligible costs of the action**





## Calculation of the final grant (4)

- Ceiling 1      The Community grant, when applying the fixed percentage of co-financing of 71,96 % to **actual** incurred **eligible** costs (102.720 €), amounts to 73.917,31 €
- Ceiling 2      The maximum Community grant foreseen in the grant agreement is 77.000 €
- Ceiling 3\*      The Community grant requested in the final report (non profit clause) is 77.000 €

**The *final Community grant* is determined by the minimum value of the three above ceilings which is 73.917,31 €.**

\* In some other examples, in order to avoid profit, the calculated grant will be reduced accordingly so that Community grant + other sources of financings declared (own funds not incl.) = Declared actual expenditures.

E.g. in the above example, if other sources of financing declared were 45.000 €, the Ceiling 3 would be reduced to 72.700 € (as Declared actual expenditures are 117.700 €).







## Calculation of the final grant (5)

	73.917,31 €	Final grant determined
-	500 €	Interests earned on pre-financing
-	53.900 €	Pre-financing amount already received
=	19.517,31 €	<b>Balance Payment</b>

- Since interest earned on pre-financing is declared for an amount of 500 €, the *final Community grant* has been reduced to 73.417,31 €.
- The final Community grant calculated being higher than the pre-financing payment already made (53.900 €), the positive balance of the project is 19.517,31 €. Under these circumstances, a payment order from the Agency will be issued.







## Objections to financial analysis

- Queries or objections must be submitted not later than **60 days** after receipt of the closure letter of the final payment/pre-information letter of a recovery order (article II.16.5).
- Arguments must be justified and accompanied by supporting documents and by a revised financial report, if necessary.





## Audits

- Project are selected or chosen randomly for a check or an (ex-post) audit
- Keep all supporting documentation and justifications for a period of **5 years** after final payment/recovery (art. II.19.3)
- The European Anti Fraud Office (OLAF) may also carry out on the spot checks and inspections (art. II.19.5)





## Eligible costs

- Check the Project Handbook 2009\* (also named Guidelines for administrative and financial management and reporting) which is the Annex III of your agreement. Refer to pages 30 to 40 (Financial rules) (EN version, for FR and DE other pages )
- Directly connected with project and budgeted
- Necessary for implementation of the project
- Reasonable and justified
- Generated during the eligibility period of the project
- Actually incurred, duly recorded in accounts
- Identifiable and verifiable

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## Staff costs (1)

- Staff costs = salary + social charges
- To be reported on real basis, keep also time sheets in order to document the number of working days
- **Example** (on the basis of 220 working days/year):  
For Ms. X, the annual cost (21.632,60 EUR) is composed by the gross salary (16.000 EUR) and social security charges (5.632,60 EUR). We can calculate the daily cost as  $21.632,60 \div 220$  working days = 98,33 EUR/day
- Report this actual rate even if above maximum eligible rate
- Actual costs spent for staff may be reduced in case of weak implementation (art. I.10.6)





## Staff costs (2)

- Staff costs must be entered by partner organisation and by staff category in the reporting tables.
- Statutory staff, having either a permanent or a temporary employment contract with the partner organisation.
- Temporary staff, recruited through a specialised external firm (staff recruited through temp/interim agencies).  
In order to calculate the daily cost, fees paid to the interim firm can also be taken into account.
- Maximum rates published for the Call 2009 are applicable for the whole duration of the action.





## Travel and Subsistence costs

- Subsistence costs must be applied and reported based on partners' internal regulations. If they exceed maximum eligible daily rate, the exceeding part will be declared ineligible.
- Maximum rates published for the Call 2009 are applicable for the whole duration of the action (same remark than for staff rates)
- If **no** overnight stay, subsistence cost maximum rates are reduced by 50%

### **Example:**

Meeting from 01/02/2009 to 03/02/2009 (2 nights stay):  
actual subsistence costs will be compared to 2,5 days (and **not** 3 days) X maximum subsistence rate





## Equipment costs

- Limit for total equipment costs: max 10% of total **eligible direct** costs
- Rent/lease: no depreciation
- Depreciation according to annual depreciation rate under national legislation (e.g. use of 25% below)
- Rules for procurement apply (see Subcontracting costs)

Justification (& reference to Work package)	Total Cost	Cost Date	Purchase or Rent/Lease ?	Annual Depreciation rate (%)	Period of Use in the project (months)	Degree of use in the project (%)	Eligible costs
							4.300,00 €
PC laptop	3000,00	1/03/2009	Purchase	25%	24	100,00%	1.500,00
Printer	900,00	1/04/2009	Purchase	100%	24	100,00%	900,00
Digital camera	800,00	1/04/2009	Purchase	100%	24	50,00%	400,00
Projector	1500,00	1/05/2009	Rent/Lease			100,00%	1.500,00







## Subcontracting costs (1)

- Limit for sub-contracting: 30% of total **eligible direct** costs
- The estimate/offer will cover all costs (staff costs, travel costs etc...)
- Management of the project may not be subcontracted
- Procurement contract to an external body, organisation or individual (self-employed)
- Individual must **not** be an employee of any of the Partner organisations of the consortium





## **Subcontracting costs (2)**

Award the contract to the tender offering best price-quality ratio following the rules for procurement set in art. I.10.2 of the agreement (and keep proof of tender procedures):

- < 12.500 € simply on presentation of an invoice
- between 12.500 € and 25.000 € procedure involving at least three tenderers
- between 25.000 € and 60.000 € procedure involving at least five tenderers
- > 60.000 € national rules to apply





## Other costs

- Activities which are **specific** and **necessary** for achieving the goals of the project
- Distinction between **subcontracting** and **other costs**

**Example:** if you wish to produce a dissemination brochure, you may ask a supplier to do the full work (lay-out, proofreading, translation, printing, etc). This is considered as a subcontract. On the other hand, if you do parts of the work with internal staff and you only ask a supplier to do the printing, this is not to be considered as subcontracting and the printing costs should be reported under other costs.

- Catering costs considered eligible only during working meetings
- Transfer costs charged by banks are eligible (but costs for opening and operating bank accounts are not eligible)





## Indirect costs

- Based on a flat rate **fixed** in the eligible budget (Annex II.B) of the agreement. Limited to **maximum** of 7% of total **direct costs**.
- The flat rate for indirect costs is applied to the total direct costs (not by budget heading).
- These costs must **not** be justified by accounting documents
- Examples of indirect costs are:
  - Costs for equipment used for project administration (e.g. PCs)
  - Communication costs (postage, fax), office supplies, photocopies
  - Infrastructure costs (rent, electricity, etc.) of the premises where the project is being carried out





## Ineligible costs

Costs may be **ineligible**

- By nature of costs i.e. not linked to the project
- If not compliant with the "10%" **transfer rule** (art. I.3.4 of the agreement)
- If not compliant with maximum ceilings of some budget headings (equipment 10%, subcontracting 30% and fixed flat rate of (max. 7%) indirect costs)
- If not compliant with maximum rates for Staff & Subsistence costs (rates of the Call 2009)
- Handbook (Annex III) gives more details on types of costs which are in no case considered eligible





## Change to the budget breakdown (article I.3.4 of grant agreement) (1)

- An amendment is **not** necessary when the project adjusts the eligible direct costs by making a transfer **between staff costs and operational costs** of **maximum 10%** of the amount of the *heading* for which the transfer is intended, irrespective of the adjustment made between *items* of operational costs.
- Direct costs include staff costs heading and operational costs heading (the latter being divided among various items).
- Accepted only if this adjustment of expenditure does not affect implementation of the action.
- Please note: total budget and maximum grant **cannot** be modified.







## Change to the budget breakdown (article I.3.4 of grant agreement) (2)

### Example 1:

**Staff costs** in Eligible budget (Annex II.B of the grant agreement) = 30.000 €

- 1) increased to 33.000 €, **no amendment** needed as  $\leq 10\%$
- 2) increased to 36.000 €, an **amendment is needed** because +6.000 € is  $> 10\%$

### Example 2:

**Operational costs** = 20.000 € (including 5.000 € in Equipment costs, and 15.000 € in travel and subsistence costs)

- 1) increased to 22.000 €, **no amendment** needed as  $\leq 10\%$  (even if Equipment costs increased to 10.000 €, travel and subsistence costs decreased to 10.000 €, and other costs increased from nil to 2.000 €)
- 2) increased to 23.000 €, an **amendment is needed** because +3.000 € is  $> 10\%$







## Exchange rate

- Stated in article I.10.1 of the grant agreement
- Any conversion of actual costs into euros shall be made at the monthly accounting rate established by the Commission for the **month preceeding the month** of the deadline for delivering the **progress** report to the Agency
- **If no progress report:** rate of the **last month** of the period of eligibility of costs
- <http://ec.europa.eu/budget/inforeuro>





**Thank you** for your attention !

Don't hesitate to contact your financial officer for  
any question related to finance and  
contract





## ERASMUS FINANCE TEAM at EACEA



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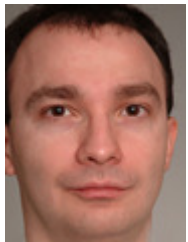


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