

Civil Society Support Team



Contract Requirements and Reporting

Grants Management
Workshop for the
Project Coordinators



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Process

- **Submitting interim reports (if relevant)**
- **Second advance payment (if relevant) or the final payment – *after approval of the report***
- **Submitting Final Reports**
- **Final payment – *after approval of the final report***

Process – Contracts Package

The following documents are attached to the **Special Conditions**:

- Annex I: Description of the Action
- **Annex II: General Conditions**
- Annex III: Budget for the Action
- **Annex IV: Contract-award procedures**
- **Annex V: Standard request for payment and financial identification form**
- **Annex VI: Model Narrative and Financial Report**
- **Annex VII: Expenditure Verification Report Template – *for projects exceeding 12 months and 100.000 euros financing***

Bank Accounts

For all projects

Accounts and expenditure relating to the Action must be easily identifiable and verifiable. This can be done by

- using separate accounts for the Action concerned or
- by ensuring that expenditure for the action concerned can be easily identified and traced to and within the Beneficiary's accounting and bookkeeping systems.

Accounts must provide details of interest accruing on funds paid by the Contracting Authority.

Please do not forget that you will at any time may be required to provide bank statements as proof of payments.

First Advance Payment

For Projects longer than 12 months

%40 of the total grant amount approved by the Commission is paid within maximum **45 days** following the signature of the contract (or the date you want the project to start)

Example:

Approved grant amount: 114.000 euros

first advance payment (pre financing):

$114.000 \times \%40 = 45.600 \text{ euros}$

First Advance Payment

For Projects shorter than 12 months

%60 of the total grant amount approved by the Commission is paid within maximum **45 days** following the signature of the contract (or the date you want the project to start)

Example:

Approved grant amount : 44.000 euro

first advance payment (pre financing) amount:

*44.000 x %60 = **26.400 euros***

Interim Payments

For Projects longer than 12 months

When?

At least the **70% of the pre-financing** (advance payment) **has been spent** in accordance with the rules and regulations (documented, justified and eligible) – (Article 15.1 of the GC)

Example:

Pre-financing amount: 45.600 euro

At least $(45.600 \times \%70) = \mathbf{31.920 \text{ euros}}$ should be spent

or

Maximum 45 days after the 12 month Project implementation time is over

Process – Submitting Interim Reports

For projects longer than 12 months and higher than 100.000 euros

How?

- **Interim Narrative Report**, written in **English and signed**, and which includes all the information regarding the Project implementation (template will be provided with the Contracts Package)
- **Interim Financial Report**, prepared **in English**, including all expenditures of the Project which can be documented and justified and which were foreseen in your approved budget
- **Expenditure Verification Report**, prepared by an approved auditor who is a member of an internationally recognised supervisory body for statutory auditing (template will be provided with the Contracts package – see Annex VII for a sample)
- **Request for Payment** form for requesting the second advance payment (template will be provided with the Contracts package – see Annex V for a sample)

Process – Submitting Interim Reports

For projects longer than 12 months and less than 100.000 euros

How?

- **Interim Narrative Report**, written in **English and signed**, and which includes all the information regarding the Project implementation (template will be provided with the Contracts Package)
- **Interim Financial Report**, prepared in **English**, including all expenditures of the Project which can be documented and justified and which were foreseen in your approved budget
- **Request for Payment** form for requesting the second advance payment (template will be provided with the Contracts package – see Annex V for a sample)

Process – Second Advance Payment

For projects longer than 12 months

When?

Within 45 days following the approval of the submitted report and documents by the Commission

Note: Payments not made within 45 days following the approval, you have the right to require interest

How Much?

40 % of the total grant amount approved by the Commission

Example:

Approved grant amount: 114.000 euros

Second advance payment (pre financing):

*114.000 x %40 = **45.600 euros***

*At this point, you would be provided (45.600 + 45.600)
91.200 euros of the total approved grant.*

Process – Submitting Final Report

For all projects

When?

Within the 3 months period after the last day of your Contract.

For beneficiaries which do not have their headquarters in the country where the Action is implemented, this deadline is 6 months.

Process – Submitting Final Reports

For projects longer than 12 months and higher than 100.000 euros

How?

- **Final Narrative Report**, written in **English and signed**, and which includes all the information regarding the Project implementation (template will be provided with the Contracts Package – see Annex VI for a sample)
- **Final Financial Report**, prepared **in English**, including all expenditures of the Project which can be documented and justified and which were foreseen in your approved budget
- **Expenditure Verification Report**, prepared by an approved auditor who is a member of an internationally recognised supervisory body for statutory auditing (template will be provided with the Contracts package – see Annex VII for a sample)
- **Request for Payment** form for requesting the final payment (template will be provided with the Contracts package – see Annex V for a sample)

Process – Submitting Final Reports

For projects shorter than 12 months or less than 100.000 euros

How?

- Final Narrative Report**, written in **English and signed**, and which includes all the information regarding the Project implementation (template will be provided with the Contracts Package – see Annex VI for a sample)
- Final Financial Report**, prepared in **English**, including all expenditures of the Project which can be documented and justified and which were foreseen in your approved budget
- Request for Payment** form for requesting the final payment (template will be provided with the Contracts package – see Annex V for a sample)

Process – Final Payment

All projects

When?

Within 45 days following the approval of the submitted report and documents by the Commission

Note: Payments not made within 45 days following the approval, you have the right to require interest

Process – Final Payment – Scenario A

For projects longer than 12 months

How much?

If you would be able to spend ALL your budget amount in an identifiable and verifiable manner:

20 % of your approved project budget

Example:

Total project budget: 128.000 euros,

Total approved grant amount: 114.000 euros and

Project budget spent: 128.000 euros

Final payment: $114.000 \times 20\% = \mathbf{22.800 \text{ euros}}$

At this point your grant amount will be completed as $(45.600 + 45.600 + 22.800 =) \mathbf{114.000 \text{ euros}}$.

Process – Final Payment – Scenario B

For projects longer than 12 months

If you **would not** be able to spend ALL your budget amount in an identifiable and verifiable manner:

Example:

Total Project Budget: 128.000 euros,

Total grant amount: 114.000 euros (89% contribution) and

Total project budget spent: 118.000 euros

Final payment: $118.000 \times 89\% - (45.600 + 45.600) = 91.200 =$
13.820 euros

*At this point, the total grant amount will sum up to be $(45.600 + 45.600 + 13.820 =)$ **105.020 euros** which is the 89% of the total approved grant amount (118.000 euros)*

Process – Final Payment – Scenario B

For projects longer than 12 months

Example:

Administrative costs calculation

11. Total Project Budget: 128.000 euros and

9. Total direct costs: 119.630 euros and

10. Administrative costs: 8370 euros (max. 7% of total direct costs)

And at the end of the Project:

9. Total direct costs: 110.280 euros

10. Administrative costs: 7720 euros (110.280 x %7)

Process – Final Payment – Scenario A

For projects shorter than 12 months

How much?

If you would be able to spend ALL your budget amount in an identifiable and verifiable manner:

40% of your approved project budget

Example:

Total project budget: 50.000 euros,

Total approved grant amount: 44.000 euros and

Total project budget spent: 50.000 euros

Final payment: $44.000 \times 40\% = 17.600$ euros

At this point the total grant amount will be completed to $(26.400 + 17.600 =) 44.000$ euros.

Process – Final Payment – Scenario B

For projects shorter than 12 months

How much?

If you **would not** be able to spend ALL your budget amount in an identifiable and verifiable manner:

Example:

Total project budget: 50.000 euros,

Approved grant amount: 44.000 euros (88% contribution) and

Total project budget spent: 46.000 euros

Final payment: $46.000 \times 88\% - 26.400 = 14.080$ euros

*At this point, the total grant amount provided will be summed up to $(26.400 + 14.080)$ **40.480** euros.*

Process – Final Payment – Scenario B

For projects shorter than 12 months

Example:

Administrative costs calculation

11. Total Project Budget: 50.000 euros and

9. Total direct costs: 46.730 euros and

10. Administrative costs: 3.270 euros (max. 7% of total direct costs)

And at the end of the Project:

9. Total direct costs: 42.991 euros

10. Administrative costs: 3.009 euros (42.991 x %7)

BE CAREFUL!!!!

For all projects

On the last day of your project end date (mentioned in the contract) *-independent from the advance payment amount you received-* you are expected to spend **the WHOLE approved project budget in an identifiable and justifiable manner** (with the exceptions of costs related to prior expenditures incurred during the project period and costs associated with the preparation and submitting of a final report)!

DO NOT FORGET that the final payment which will be made by the Commission will be calculated over the **TOTAL** expenditures incurred during the project period!

In project budgets not monitored and/or effectively managed, there is a risk of not getting the final payment at all or even to fall into a position to make refunds!

Important Issues

- Conformity of expenditures with the budget and activities
- Payment methods
- Exchange rate – euro vs others
- Per diem amounts
- Service and Goods procurement
- Amendments (methods) in budget, activity and/or activity plans
- (Financial) Audit
- Supporting documents
- Contents of technical and financial reports
- Visibility guidelines
- Communication(s) with the Commission

Important Issues – Conformity of expenditures with the budget and activities

- **You cannot add another budget item which is not already in the approved project budget without the authorization of the Commission**
- **You have to respect the unit prices and total costs in the approved project budget**

Example: If you have foreseen the unit prices of flight tickets as 200 euros and you have 4 flight tickets in your budget, it is expected that you should not exceed (as much as possible) the 1000 euros total amount but also not exceed the 200 euros per flight.

- **Your expenditures should be in accordance (in line) with your project activities**

Example: If you have a 1500 euros budget for realizing a workshop, then, along with the expenditure invoice, you should also have the supporting documents such as signature lists, evaluation forms, photographs to prove that the activity was actually realized.

Important Issues – Payment Methods

- Do not forget that all costs in your budget are GROSS amounts and include all additional costs such as taxes (excluding VAT) or security payments associated with it.

***Example:** If you have foreseen a 1500 euros salary for the project coordinator, make sure your expenditures for this salary including the net salary, insurance, taxes, etc does not exceed this total amount.*

- Please take extra caution to make your payments through **bank transfers**. Strongly advised to use this method for relatively higher amounts such as salaries, publications, etc.
- All expenditures should be accurately **recorded in your** (or your partners') **accounting books** and/or tax documents and they should all be **reasonable, justifiable and verifiable by original supporting documents**.

Important Issues – Payment Methods

- You should keep an appropriate accounting and double-entry book-keeping system. These systems may either be an integrated part of your organisation's regular system or an adjunct to that system.
- All your expenditures should be recorded and verifiable. These proofs and documents should be kept (in original) for 7 more years following the end of the project date.
- Supporting documents are documents such as accounting records, bank statements, invoices, contracts, procurement documents, timesheets, transport tickets (including boarding cards), receipts, vouchers, pay-rolls, tax or insurance payment proofs, etc

Important Issues – Payment Methods

- **For some of your expenditures you may need to provide additional supporting documents. Please keep them for a possible audit.**

Example:

For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs (per km) and maintenance costs; a statement as to who went where and why, etc.

Important Issues – exchange rate – euro

- Please do not forget that you will be preparing your financial reports in euros. Any expenditures you make in other currencies should be transferred to euros in these reports. Commission publishes a monthly euro exchange rate (for all currencies) and you should use this exchange rate during this transfer. These currencies are published monthly at the following web site:

<http://ec.europa.eu/budget/inforeuro/index.cfm?Language=en>

You cannot use market exchange rates (nor bank rates) for this calculation. If there are differences between the market rates and the rates published by the Commission, due to the general conditions, these currency exchange losses will not be accepted as eligible costs

Important Issues – Per diem rates

- Maximum per diem rates which could be provided to project personnel and/or participants are published by the Commission which are renewed annually. These rates are published at the following web site:

http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm

Please check these amounts when necessary and do not exceed these amounts. You cannot exceed these rates even if your approved budget rates are higher. If such a situation develops, please make necessary adjustments in your budget and let the Commission know.

Important Issues – Per diems

- Please do not forget that per diems can only be provided to the project personnel and/or participants to your activities, only when over night stays take place. If there is no over night stay, you cannot provide per diems. Per diem units are calculated by taking into consideration the number of nights spent in another city or country and not the number of days.

Important Issues – Services / Supplies Procurement

- Service contracts worth less than € 200 000 and supplies contracts worth less than € 30 000 must be awarded by means of a negotiated procedure without publication, in which the Beneficiary consults at least three service providers of its choice (in written form) and negotiates the terms of the contract with one or more of them.
- For services or supplies of a value of € 5 000 or less, the Beneficiary may place orders on the basis of a single tender.
- For supplies contracts between € 30 000 – 60 000 euros are awarded by means of an open tender procedure published locally: the procurement notice is published in all appropriate media but only in the country in which the Action is being carried out.

Important Issues – Services / Goods Procurement

- In services purchases, (especially when the human resources are concerned) do not forget to make a contract with a Terms of Reference which includes a detailed job description, period of service and fees
- Any taxes born out of service purchases should be within the GROSS unit and total costs you have identified in your budgets.
- In supplies purchases, prepare a technical terms of reference for goods/supplies you want to purchase and by using them ask suppliers to quote prices, from which you will choose the best option (cost-effective option)

Important Issues – Budget and Activity Amendments

- You must submit an amendment (in WRITTEN form) request to the Commission at least **one month before** the date on which the amendment should enter into force
- Where the amendment to the Budget or Description of the Action does not affect the basic purpose of the Action and the **financial impact is limited to a transfer between items within the same main budget heading or a transfer between main budget headings involving a variation of 15% or less of the amount originally entered (or as modified by addendum) in relation to each concerned main heading for eligible costs**, you may amend the budget and inform in writing without delay the Commission accordingly.

Important Issues – (Financial) Audit

- If the length of your project is more than **12 months AND the grant amount you have requested from the Commission is more than 100.000 euros**, you are required to make a contract with an independent auditor and purchase her/his service.
- The auditor should be **an approved auditor who is a member of an internationally recognised supervisory body for statutory auditing** who will be preparing the “Expenditure Verification Report” after making relevant inspections in your records.

Important Issues – (Financial Audit)

- You may be required to find the auditor you would be working and sign the contract with her/him with before the contract signature. If this is the case, you will be providing the name and address of the auditor to the Commission to be written in the Special Conditions.
- Independent of the auditor requirement, you accept, by signing the contract, any kind of audit which may be made by the Commission. This is binding for ALL PROJECTS and this audit could be made during the project implementation period or any time within the 7 years after the project ends.

Important Issues – Supporting Documents

For both auditors or any possible auditing by the Commission, you should record, save and submit documents such as the following:

- Accounting records (computerised or manual) from the Beneficiary's accounting system such as general ledger, sub ledgers and payroll accounts, fixed assets registers and other relevant accounting information;
- Proof of procurement procedures such as tendering documents, bids from tenderers and evaluation reports;
- Proof of commitments such as contracts and order forms;
- Proof of receipt of goods such as delivery slips from suppliers;
- Proof of completion of works, such as acceptance certificates;
- Proof of payment such as bank statements, debit notices, proof of settlement by the subcontractor;

Important Issues – Supporting Documents

- Proof of delivery of services such as approved reports, time sheets, transport tickets (including boarding passes), proof of attending seminars, conferences and training courses (including relevant documentation and material obtained, certificates), etc;
- Proof of purchase such as invoices and receipts.
- For fuel and oil expenses, a summary list of the distance covered, the average consumption of the vehicles used, fuel costs and maintenance costs;
- Staff and payroll records such as contracts, salary statements, time sheets. For local staff recruited on fixed-term contracts, details of remuneration paid, duly substantiated by the person in charge locally, broken down into gross salary, social security charges, insurance and net salary.

Important Issues – Contents of Narrative Reports

- **Report Headings**
 - Definition: Name, surname, partners, etc
 - Evaluation of activity implementation
 - Partners and other collaborations
 - Visibility
- **Supporting documents** (*examples*)
 - Participant lists
 - Action plan
 - Evaluation reports
 - Expert reports
 - Reports of other institutions
 - Statistics
 - Logframe sources of verification

Important Issues – Contents of Narrative Report

- **Action Plan**
 - Proposed
 - Executed
 - Future

Important Issues – Contents of Financial Report

- Expenditure list – list of all expenditures, enumerated, dated, include short explanations, in euros and classified according to budget items
- Bank statement for the period covered in the report
- Budget table (excel) including the comparison of the approved project budget and the real expenditures
- Cover page, including the amount of advance payment(s) made, the real expenditures, differences and the amount of request for payment

Important Issues – Visibility guidelines

- You will be expected to take all measures in announcing that the Commission is funding your project.
- Include relevant information about the project and Commission's contribution in all information/medium open to public, communication with the media, in your reports, etc.
- Use EU logo anywhere possible.
- Include relevant visual material, information and/or sentences in conferences, seminars, publications or press releases indicating the EU financial aid.
- Follow the visibility guidelines of the Commission within the duration of the project, as much as possible.

Important Issues – Visibility Guidelines

- Any publication in whatever form and by whatever medium, including the internet, must include the following statement:

“This document has been produced with the financial assistance of the European Union. The contents of this document are the sole responsibility of < Beneficiary’s name > and can under no circumstances be regarded as reflecting the position of the European Union.”

Important Issues – Communication with the Commission

- Be in constant communication with the person/people designated by the Commission as responsible for your projects.
- In instances when you feel unsure or need more clarification, consult these person/people in WRITTEN form and require WRITTEN answers as much as possible.
- Take print outs of all communications with the Commission, even if they are e-mails, and save them for 7 years.
- Inform these designated person/people about your upcoming project activities as early as possible (15 days prior to the event if possible) in WRITTEN form.