



Model Grant Agreement and Financial Management

Kick-off Meeting CHRODIS-PLUS Joint Action

*18 September, 2017
Vilnius, Lithuania*

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Financial Officer*



- **Maximum grant amount: 4 999 999,56 EUR**
 - Pre-financing of 1 499 999,87 EUR is paid to the coordinator out of the max grant amount.
- **Total estimated budget: 6 249 999,48 EUR**
- **Reimbursement rate: 80%** - exceptional utility is granted
- **Duration: 01/09/2017 – 31/08/2020**
- **Consortium:** 42 beneficiaries + 9 affiliated entities
 - { As of 17/09/2017 **6 co-beneficiaries** have not yet signed the Accession Form – **11 days left to sign!!!!**
 - Coordinator is not able transfer the pre-financing}

Agenda



1. Principles of grant
2. Terminology
 - a. Duration
 - b. Grant amount
 - c. Estimated budget / Eligible costs
3. Cost categories
4. Administrative tasks
5. Procedures
 - a. Amendment
 - b. Payments
6. Calculation of the final grant amount
7. Annexes



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Principles of grant



Definition: a grant is a direct financial contribution to an action or functioning of a body

- **Co-funding rule:** external co-financing from a source other than EC funds is required (own resources or financial contributions from third parties, project income)
- **Non-profit rule:** the grant may not have the purpose or effect of producing a profit for the beneficiary
- **Non-retroactivity rule:** only costs incurred after the starting date stipulated in the grant agreement can be co-funded
- **Non-cumulative rule:** only one grant can be awarded for a specific action carried out by a given beneficiary



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Terminology



Article 3 / Article 6.1 / Article 15

- Indicates the **duration** (number of months) and the **starting date of the action** (fixed date or first day of the month following the signature).
- Costs are eligible within the duration of the action.
- Costs until **60 days after the end** of the action can be eligible if they are **directly and only linked to the completion of the final reports** – i.e. staff costs, editing, printing the report, etc.



Article 5, Annex 2

- **“Maximum EU Contribution”** (in Annex 2, column g): only a **“theoretical” amount**, it is the application of the reimbursement rate over the total estimated costs.
- **“Maximum grant amount”** (in Article 5.1 and Annex 2, column h): the maximum amount the Agency will pay as contribution to the action’s costs. In most cases it is equal to "Maximum EU Contribution", but can be lower.
- **“Final grant amount”** (Article 5.3): equals to or is lower than the maximum grant amount. Established at the balance payment and based on actual eligible costs reported according to article 15 in the template of Annex 4.



Article 5.2

- **Grant = partial reimbursement of costs that are actually** incurred by beneficiaries of the grant agreement **at the fixed reimbursement rate**. Costs are assessed at the time of the periodic reports (interim and balance payments).
- Grant amount is **assessed at project level**, allocation of the grant among beneficiaries is an internal agreement of the project consortium.
- **Double-ceiling of the grant:** maximum grant amount compared to the result of reimbursement rate applied to the consolidated total eligible costs of the action
 - In case of over-expenditure – maximum amount is paid
 - In case under-expenditure – reimbursement % is applied

Estimated budget



Article 4 / Article 5.2 / Annex 2

- Summarizes the estimated costs and estimated receipts of the action per partner (and its affiliated entities, if any) and per budget category as presented in Annex 2.
- Article 4:
 - Reference to Annex 2
 - **Budget transfers** – no amendment is necessary, except for new subcontracting items which are not foreseen in Annex 1.
- Article 5.2: contains the total amount of estimated costs



Article 6.1

General conditions - Cumulative requirements:

- **Connected with the action as described** in Annex 1 and included in the Estimated Budget (Annex 2);
- **Necessary** for the implementation of the action;
- **Reasonable and justified** - “good housekeeping”;
- **Incurred during the period of Article 3;**
- **Actually incurred by the beneficiaries of the grant;**
- **Identifiable and verifiable**, in particular being **recorded in the accounting records of beneficiary in accordance with accounting standards** and the beneficiary’ accounting practices.

Ineligible costs



Article 6.4 / Article 26

- Return on capital;
- Debt and debt service charges, Interest owed, Doubtful debts;
- Provisions for future losses or debts;
- **Currency exchange losses**
- Costs of the beneficiary's bank for transfers from the Agency;
- Costs covered by another action funded by an EU grant (**attention to operating grants**);
- Contributions in kind provided by 3rd parties;
- **Deductible VAT**;
- Excessive or reckless expenditure;
- Costs incurred during suspension of the action



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Cost categories



Article 5.2 / Article 6.2

Direct Costs - as actually incurred by the beneficiaries

1. Direct personnel costs

2. Subcontracting

3. Other direct costs

- a. Travel costs and subsistence allowances
- b. Equipment
- c. Other goods and services

Indirect Costs

4. Flat rate of 7% of total direct costs



Article 6.2.

- **Staff = employment contract** or equivalent appointing act with one of the beneficiaries.
 - Costs claimed: salary + social security + taxes;
 - Any other costs included in the remuneration (= statutory charges) based on national law or employment contracts;
 - Additional remuneration, if it is part of beneficiary's usual practices, objective and generally applied regardless of sources of funding.
- **Considered as personnel costs**
 - Costs of natural persons working under a direct contract with the beneficiary other than employment (on the beneficiary's premises, results belong to the beneficiary with similar costs of employment)
 - Costs of personnel seconded by a third party against payment



Article 6.2 / Article 10 / Article 25

- Contracts awarded to cover the execution of an action / task.
 - Activities undertaken by the project
 - Service contracts
 - Invoices (including taxes, charges, travel & subsistence costs)
- Core elements and technical / financial management of the action cannot be subcontracted (see Article 25);
- Tasks subcontracted must be clearly set out in Annex 1;
- Requirement of transparency, best value for money and, if appropriate, lowest price. Conflict of interest must be avoided;
- Documents of procedures applied must be available.



Article 6.2

Travel & subsistence incurred as costs by the beneficiary for **all participants, except subcontractors** shall be claimed here:

- Personnel
 - Collaborating stakeholders
 - Invited experts, speakers
 - Board members
 - Trainees, other participants
-
- Costs should be in line with the beneficiary's usual practice and rules on travel and subsistence.



Article 6.2

- **Specific equipment** (software, PC, laptop, fee for licence, etc.) necessary for the action
- **Costs eligible:**
 - Portion of **equipment's depreciation costs** only, for the period of the action, if recorded in the beneficiary's accounts. Purchase and depreciation is in accordance with international accounting principles and the beneficiary's usual accounting practices.
 - Costs of **renting** an equipment or **leasing** an equipment (excluding financing costs) – with limits to equivalent depreciation costs
- Common software (Microsoft Office, Excel, Word,) are part of Indirect Costs



Article 6.2 / Article 9 / Article 16.9

- Must be directly linked to and necessary to implement the action
- Requirement of transparency, best value for money and, if appropriate, lowest price. Conflict of interest must be avoided.
- Examples (non-exhaustive):
 - Dissemination of information;
 - Specific evaluation of the action;
 - Certificates of financial statements;
 - Translations, reproduction of reports;
 - Consumables and supplies (excluding general office supply);
 - Bank charges (please refer to Article 16.9);
 - Cost of financial guarantee, if applicable.



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Administrative tasks



Article 15.5

- **Financial statements must be drafted in EURO.**
- Beneficiaries with accounting established in another currency must convert costs at the **average of the daily exchange rates** published in the Official Journal of the EU calculated **over the corresponding reporting period.**
 - **In practice** average of exchange rates for currencies concerned are on **ECB website** – instructions in the Annex of this presentation
 - **<https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>**
- Beneficiaries with accounts established in euro must convert costs incurred in another currency into euro according to their usual accounting policies.



Article 13

- Keep all records and supporting documents for a **period of 5 years after the final payment** in order to prove proper implementation of the action!
- Beneficiaries **must keep the original documents.**
- Digital and digitalized documents are accepted in accordance with the national law.
- Records and supporting documents must be made available in the context of checks, reviews, audits and investigations.

Supporting documents of cost items



- **All activities generating costs must fall within the duration**
 - Events, meetings, delivery of consumables, services etc.
 - +60 days: activities directly linked to preparation of the final report
- **All debts must be established by the time the final report is submitted to the Agency**

Date of invoices and payments might be outside the duration

 - Prior the duration (e.g. equipment, kick-off meeting)
 - After the duration (e.g. service contracts, evaluation)
- **Type of supporting documents**
 - Timesheets, salary slips, invoices, contracts, purchase orders, acknowledgments of receipts / delivery, participants lists, documents of procurement procedures for subcontracting
 - The amounts of cost items must be accurately established from the supporting documents and reconciled to the accounting records.



Article 17

- **Checks** — during the implementation of the action or afterwards — any aspect relating to the grant, including the assessment of deliverables and reports.
- **Reviews** — at any moment and up until 5 years after the payment of the balance
Reviews **concern mainly the technical implementation** of the action, but may also cover financial aspects or compliance with other obligations under the GA.
- **Audits** — at any moment and up until 5 years after the payment of the balance. Rights to access for the European Court of Auditors.
- **Investigations** — by the European Anti-Fraud Office to establish whether there has been fraud, corruption or other illegal activity.
- The Agency may be assisted by external experts or auditors.



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Procedures



Article 34 / Article 39 / Article 40

- **The Grant Agreement may be amended**
 - If it does not call into question the decision awarding the grant
 - If it does not breach the principle of equal treatment of applicants
- Amendments may be requested by any of the parties. The requests of the co-beneficiaries must be submitted by the coordinator.
- Several amendments can be requested in parallel to address the different changes.
- Change of legal representative or any other administrative details (name, address, legal form) are done directly into the IT system.
- **Budget adjustments do not require formal amendment, except introducing new items under subcontracting.**



Typical cases, when amendment is necessary:

- Beneficiary terminates its participation and leaves the consortium;
- New beneficiary joins the project consortium;
- Change / extension of duration;
- Change of Annex 1 – description of the action (without changing the scope of the action);
- Addition of new subcontracting item;
- Change of reporting scheme.

Periodic financial report



Article 15.3 and 15.4

- **Individual financial statement from each beneficiary and affiliated entity!** It must detail **actual costs incurred** for the reporting period concerned. **Template: Annex 4**
 - All costs incurred must be declared. Supporting documents to be sent for equipment and subcontracting.
 - Corrections for the 1st period are possible in the 2nd period
 - The **2nd reporting period** must also detail the **receipts of the action** with supporting documents.
- **A certificate on the financial statements (CFS)** – not applicable to the beneficiaries of CHRODIS-PLUS.



Article 16

- **Pre-financing payment - Article 16.2**

It provides beneficiaries with a float and remains the property of the EU until the balance payment.

- **Interim Payment – Article 16.3**

- Approval of periodic report(s) + corresponding deliverables;
- **Payment is based on actual costs** incurred during the reporting period and approved by the Agency;
- Calculation: total accepted eligible cost x reimbursement rate
- Total amount of pre-financing and interim payment(s) is limited to 90% of the maximum grant amount;
- Receipts of the action are not considered at this stage.



Balance Payment – Article 16.4

Reimburses the remaining part of the eligible costs for the implementation of the action.

- Approval of final report + corresponding deliverables;
- The consolidated total eligible costs are created automatically by the system from the periodic reports of the action;
- Determination of the final grant amount;
- Calculations are made at project / joint action level;
- Amount due is the balance of the final grant after the deduction of pre-financing and interim payments;
- The balance is a recovery, if the amount of earlier payments exceeds the final grant amount.



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Calculation of the final grant amount



Article 5.3

- **Established at the time of balance payment**
 - **4 steps to calculate**
- 1. Assess the total eligible costs** as declared by the beneficiaries and approved by the Agency **and apply the reimbursement rate** defined in the grant agreement (Article 5.2).
 - 2. Limit of the maximum grant amount:**
Compare the result of step 1 with the maximum grant amount defined in the grant agreement (Article 5.1)

The final grant amount will be limited to the lower amount.



3. Application of no-profit principle – is it possible to pay the result of step 2?

Profit is generated when the sum of the grant amount (result of step 2) + the action's total receipts > the action's total accepted eligible costs (basis for step 1).

Check:

- a) Has the action generated any income?
- b) Is there any third party contribution?

If yes, calculate the sum (a + b) and add it to the result of step 2.

Compare result of step 3 to the amount of eligible costs

If step 3 > eligible costs – the action generates profit and the final grant amount will be adjusted in proportion of the reimbursement rate.

4. Reduction due to improper implementation or other breach of obligations

Personal advice, observations



- Read the grant agreement and the guidelines
- Involve your HR, Accounting and Procurement
 - **HR department** – who is staff, components of salary
 - **Accounting** – must have all available financial information and supporting documents
 - **Procurement / Sourcing** – contract management with third parties, applicable procedures
- Collect **supporting documents** systematically from Day 1
- Internal reporting within the consortium, covering the budget, too; close follow-up of expenditure.
- Communication, communication!

Thank you for your attention!

Questions?



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Annexes



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KK-Financial Management_Kick off meetings_Call2014.pptx - Microsoft PowerPoint

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ECB: Euro foreign exchange reference rat...
https://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html

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Languages: English

Home > Statistics > Exchange rates > Euro foreign exchange reference rates

Euro foreign exchange reference rates

The reference rates are usually updated by 15:00 CET on every working day, except on TARGET closing days. They are based on a regular daily concertation procedure between central banks across Europe and worldwide, which normally takes place at 14:15 CET.

Latest overview Downloads For developers

Euro foreign exchange reference rates as at 8 June 2015

All currencies quoted against the euro (base currency)

Currency	Spot	Chart
USD US dollar	1.1162	<input checked="" type="checkbox"/>
JPY Japanese yen	139.84	<input checked="" type="checkbox"/>
BGN Bulgarian lev	1.9558	<input checked="" type="checkbox"/>
CZK Czech koruna	27.431	<input checked="" type="checkbox"/>
DKK Danish krone	7.4602	<input checked="" type="checkbox"/>
GBP Pound sterling	0.73189	<input checked="" type="checkbox"/>
HUF Hungarian forint	313.35	<input checked="" type="checkbox"/>
PLN Polish zloty	4.1511	<input checked="" type="checkbox"/>
RON Romanian leu	4.4800	<input checked="" type="checkbox"/>
SEK Swedish krona	9.3673	<input checked="" type="checkbox"/>
CHF Swiss franc	1.0470	<input checked="" type="checkbox"/>
NOK Norwegian krone	8.8270	<input checked="" type="checkbox"/>
HRK Croatian kuna	7.5530	<input checked="" type="checkbox"/>
RUB Russian rouble	62.3147	<input checked="" type="checkbox"/>
TRY Turkish lira	3.0865	<input checked="" type="checkbox"/>
AUD Australian dollar	1.4615	<input checked="" type="checkbox"/>
BRL Brazilian real	3.5023	<input checked="" type="checkbox"/>
CAD Canadian dollar	1.3879	<input checked="" type="checkbox"/>
CNY Chinese yuan renminbi	6.9278	<input checked="" type="checkbox"/>
HKD Hong Kong dollar	8.6536	<input checked="" type="checkbox"/>

Select currency then click on "chart"

70% 09:37 09/06/2015



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ECB: Euro exchange rates HUF

https://www.ecb.europa.eu/stats/exchange/eurofxref/html/eurofxref-graph-huf.en.html

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Hungarian forint (HUF)

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HTML5 version Flash version

Latest (8 June 2015): **EUR 1 = HUF 313.95 +2.67 (+0.9%)**

Change from 1 May 2014 to 1 June 2015

Minimum (8 April 2015): 296.62 - Maximum (15 January 2015): 322.09 - Average: 308.18

Select: EUR vs. HUF

From: 01-05-2014 to: 01-06-2015

Zoom: 1m 3m 6m 1y 2y 5y 10y all

Reference rates over last four months - Hungarian forint (HUF)

Jun - 2015 May - 2015

Other charts

- USD 1.1162
- JPY 139.84
- BGN 1.9558
- CZK 27.431
- DKK 7.4602
- EUR 0.73180
- GBP 0.73135
- PLN 4.1551
- RON 4.4850
- SEK 9.3678
- CHF 0.1470
- NOK 8.8270
- HRK 7.5530
- RUB 62.3147
- TRY 3.0865
- AUD 1.4615
- BRL 3.5023
- CAD 1.3879
- CNY 6.9278
- HKD 8.6536
- IDR 14900.68
- ILS 4.3139
- INR 71.5360
- KRW 1252.08
- MXN 17.4998
- MYR 4.2075
- NZD 1.5776
- PHP 50.465
- SGD 1.5165
- THB 37.694
- ZAR 14.0463

Alternative data format

- XML (SDMX-ML) data file
- RSS feed

Average for the reporting period

Enter reporting period