



Fostering Internationalization at Montenegrin HEIs through Efficient Strategic Planning (IESP project)

Kick-off meeting

IESP project Financial Management

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Financial relations/roles among project participants

- University of Montenegro – “the coordinator” (project applicant):
 - the sole recipient of grant payments from the Agency (EACEA)
 - manages the funds and ensures the respect of the Agency’s rules
 - will transfer respective grant instalments to each partner
 - will verify the appropriate spending of funds by the partners
 - bears the responsibility towards the Agency for the proper financial implementation of the project

- Partner institution:
 - will open a sub-account dedicated **solely for the IESP project**
 - responsible for sound and efficient financial management of its allocated part of the grant amount

Project budget and financing principles

	budget category	€	ceilings per category
UC	staff	270.344,00	max. 40% of the total grant
UC	travel	18.130,00	–
UC	costs of stay	87.360,00	–
AC	equipment	190.000,00	max. 30% of the total grant
AC	sub-contracting	67.500,00	max. 10% of the total grant
AC	exceptional costs (expensive travels)	49.680,00	–
	total awarded grant	683.014,00	

- grant amount calculation is based on two financing approaches:
 - unit costs (UC)
 - actual costs (AC)
- **co-funding principle** is implemented: grant amount < project costs
- co-funding is implemented through UC approach (by predefining the fixed maximum level of the unit costs used to calculate the grant contribution for budget items under these budget categories)

Unit costs

$$\text{UNIT COST} = \text{NUMBER OF UNITS} \times \text{FIXED CONTRIBUTION}$$

- no need to provide justifications to prove the level of expenses
- no need to send supporting documents when sending the financial statements
- have to prove that the activities have been (properly) implemented and the output produced
- supporting documents have to demonstrate that the volume of the activities justifies the number of unit costs charged to the grant

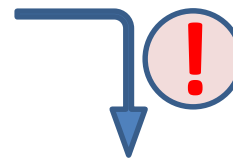
Actual costs

ACTUAL COST = EXPENSES ACTUALLY INCURRED

- need to be documented, justifying the level of costs incurred

Eligible costs

- incurred during the implementation period of the project (with the exception of costs for the preparation of the final report)
- in connection with the project action and necessary for project implementation
- identifiable, verifiable, recorded in the accounting records
- comply with applicable taxes and national legislation
- reasonable, complying with principle of sound financial management (in particular regarding economy and efficiency)
- foreseen in the project application/budget



Not all the activities and the costs planned under the awarded grant should be considered automatically approved by the Agency. Perform check of eligibility before starting the project's activities.

Ineligible costs

- equipment such as: furniture, motor vehicles, phones, alarm systems, equipment for research and development purposes
- cost of premises: rent - except for short events, purchase, repair, heating...
- activities not in the beneficiaries' countries, unless prior authorisation
- cost of opening and operating bank accounts
- VAT, when considered recoverable under the national legislation, unless competent authorities declare that these costs cannot be recovered
- cost in the framework of another action receiving an EU grant
- excessive or reckless expenditure
- exchange losses
- interest owed
- debt and debt service charges
- depreciation costs

Staff costs

- for the tasks directly necessary to the achievements of project objectives
- staff member must have a formal contract of employment with the beneficiary institution

	EUR per day			
	managerial work	teaching/training/ researching work	technical work	administrative work
France	280	214	162	131
Spain / Slovenia	164	137	102	78
Montenegro	108	80	57	45

- country in which the staff member is employed, not where the action takes place
- which staff category should be applied depends on the nature of work performed, not on the status/title of the individual
- in principle, maximum 20 working days per month or 240 per year

Staff costs

Staff categories:

- managerial work - top managerial activities related to the administration and coordination of project activities
- teaching, training, researching work - academic activities related to curriculum/training programme development, development and adaptation of teaching/training materials, preparation and teaching of courses or trainings
- technical work - technical tasks such as book-keeping, accountancy and translation activities (external translation services and external language courses should be classified under “sub-contracting costs”)
- administrative work - administrative tasks such as secretarial duties

Travel costs

- only for travels directly related to the achievements of project objectives
- include visa fee and related obligatory insurance, travel insurance and cancellation costs if justified

- travels intended for:

- project-management related meetings
- updating programmes and courses
- workshops/visits for result dissemination
- teaching/training assignments
- training and retraining purposes (for staff from Erasmus+ Partner Countries)
- practice in companies and institutions (for staff from Erasmus+ partner countries)

one-way travel distance	EUR per participant (round trip)
10 - 99 km	20
100 - 499 km	180
500 - 1.999 km	275
2.000 - 2.999 km	360
3.000 - 3.999 km	530
4.000 - 7.999 km	820
more than 8.000 km	1.500

- use the travel **distance calculator** supported by the European Commission:

http://ec.europa.eu/programmes/erasmus-plus/tools/distance_en.htm

Costs of stay

Include subsistence, accommodation, local transport, personal or optional health insurance.

duration of stay	EUR per participant
up to 14 days	120 EUR/day
+ from the 15 th until 60 th day	70 EUR/day
+ from the 61 st day up to 3 months	50 EUR/day

Exceptional costs

- relate to **expensive travels**, provided that it can be justified that the standard funding rules (based on unit costs per travel distance band) do not cover at least 65% of the real travel costs
- can be claimed up to a maximum of 80% of the total real costs
- the exceptional costs replace the standard travel funding scheme

Procurement method for goods and services

less than 25.000 €

best value for money

25.000 € - 134.000 €

tendering procedure*

more than 134.000 €

national legislation

The grant beneficiaries may not split the purchase into smaller contracts with lower individual amounts below the threshold in order to avoid launching a formal tendering procedure.

* Obtaining at least 3 competitive offers and retain the one offering the best value for money.

Equipment

- **if relevant** to the project objectives and foreseen in the application
- **only for the benefit of the HEI** in the Erasmus+ Partner Country
- the purchaser is **the sole owner** of the equipment
- the equipment **must be recorded in the inventory** of the institution
- all purchased equipment **must bear an Erasmus+ sticker** (to be printed or bought by the beneficiary)
- should be purchased and installed **as soon as practically possible**

Sub-contracting

- engagement of third parties for specific project-related tasks which cannot be performed by the consortium members themselves
- it includes self-employed / free-lance experts
- sub-contracting to external bodies should be very occasional
- sub-contracting for project-management-related tasks is not eligible
- travel costs and costs of stay for sub-contracted service providers have to be declared under the sub-contracting budget category
- activities which may be sub-contracted:
 - compulsory financial audits and any external QA procedure
 - IT courses, language courses
 - printing, publishing and dissemination activities
 - translation services
 - web design and maintenance
 - logistic support for the organisation of events (except for catering and hospitality costs for participants receiving the costs of stay)

Reallocation of funds between budget categories

- up to 10% → no prior authorisation by the Agency, even if the increased amount exceeds the defined ceilings for staff, equipment and sub-contracting
- for more than 10% → prior authorisation by the Agency is needed
- if, as a consequence of the increase, the maximum ceilings are exceeded, the request will not be accepted
- these requests must be submitted at least one month before the end of the project implementation period
- at final reporting stage, after re-calculation of the actual financial contribution of the EU for the overall project, on the basis of the actual activities carried out, the EU contribution to the individual budget categories cannot exceed 110% of the amount for the respective categories indicated in the Grant Agreement or its amendments (while the maximum grant amount defined in the grant agreement can never be exceeded)

Supporting documents for financial reporting and evaluation/audit

- staff costs:
 - need to be justified that the declared workloads are identifiable & verifiable
 - Joint Declaration (with time-sheets attached) for each person

- travel costs and costs of stay:
 - need to be justified/proved that the journeys actually took place
 - Individual Mobility Report (with related documentation attached)

- equipment and sub-contracting:
 - the supporting documents (invoices, tender offers, sub-contracts) have to be sent with the final financial statement only when the value of the invoice is higher than 25.000 EUR

Checks and audits by the Agency

- the Agency may carry out technical and financial checks and audits
- may also check the statutory records of the beneficiaries
- entitled to reduce (after final report) the grant initially awarded

score of the final report (max. 100 points)	reduction of the initial grant amount
at least 40 and below 50 points	25% reduction
at least 30 and below 40 points	35% reduction
at least 20 and below 30 points	55% reduction
below 20 points	75% reduction

- entitled to reduce initial grant by 20% if an obligation under the agreement is breached, in particular the visibility of EU funding
- check/audit may be done at any time **up to 5 years**, starting from the date of payment of the balance at the end of project

Instalments from EACEA to the coordinator/UoM

- **first pre-financing payment** (50% of the grant awarded):
 - already transferred
- **second pre-financing** (40% of the grant awarded) when/if:
 - a payment request with a statement on the use of the previous payment and a progress/technical report are sent to the Agency
 - at least 70% of the previous pre-financing instalment is spent (if the statement shows that less than 70% of the previous payment has been spent, the amount of the second payment shall be reduced by the unused amount of the previous payment)
- **balance payment** (up to the remaining 10% of the grant awarded):
 - upon the approval of the final report

Instalments from the coordinator to the partners

- **1st instalment** - within 30 days after the signing of the partnership agreement (the transfer of the amount for purchase of equipment will be separately implemented, after the signing of the contract with supplier)
- **2nd instalment** - within 30 days after the coordinator has approved the partner's documentation related to previous expenditures, demonstrating the expenditures covering at least 80% of the amount already transferred (and the equipment has been purchased), provided that the coordinator has received the second pre-financing payment from the Agency
- **3rd instalment** - within 30 days after the coordinator has approved the partner's documentation related to previous expenditures, demonstrating the expenditures covering at least 90% of the amount already transferred
- **final instalment** (if applicable) - within 30 days after the UoM receives a balance payment based on the eligible final grant defined by the Agency

Concrete amounts/percentages of instalments will be written in partnership agreements. The partner will have to return to the coordinator the funds not used and to reimburse any expenditure declared ineligible by the Agency.

Reporting obligations of the coordinator

AFTER THE FIRST PROJECT YEAR

- Mid-term technical progress report.
- Summary report for publication.
- No financial supporting documents need to be submitted with financial statement on the use of the previous pre-financing instalment (unless requested by the Agency). The eligibility of the expenses will only be verified following the submission of the final report and the required supporting documents. As a result, the approval of the progress report refers exclusively to the acknowledgement of the project activities but does not imply the eligibility of the indicated expenses.

Reporting obligations of the coordinator

AFTER THE END OF THE PROJECT

- A **final financial statement** (together with final technical report and summary report for publication) has to be submitted to the Agency not later than 60 days after the end of the project contract period. An **external audit report** and certificate on the coordinator's financial statement and underlying accounts must be sent with the final report and the required supporting documents.
- The coordinator is free to choose a qualified external auditor, including its statutory external auditor, provided that the external auditor is independent from the coordinator.
- Just for transparency and statistical purposes, the coordinator will need to provide an indication on the level and source of its own financial contribution (for dissemination, publishing, translation if not subcontracted, as well as for overheads costs, bank fees, etc), without submitting proof of expenditures or supporting documents.

Obligations of the partners

- the partners have to submit periodical technical reports and financial reports to the coordinator – detailed schedule will be defined in partnership agreements
- the partners have to inform the coordinator and ask for a prior approval for each modification of project activities and budget items
- the coordinator will prepare a project handbook, which will provide the partners with all necessary information/instructions about their obligations, procedures to follow, forms to use and how to fill them in, how to keep records, what and when to send to the coordinator, etc (the handbook will be published on the project website)

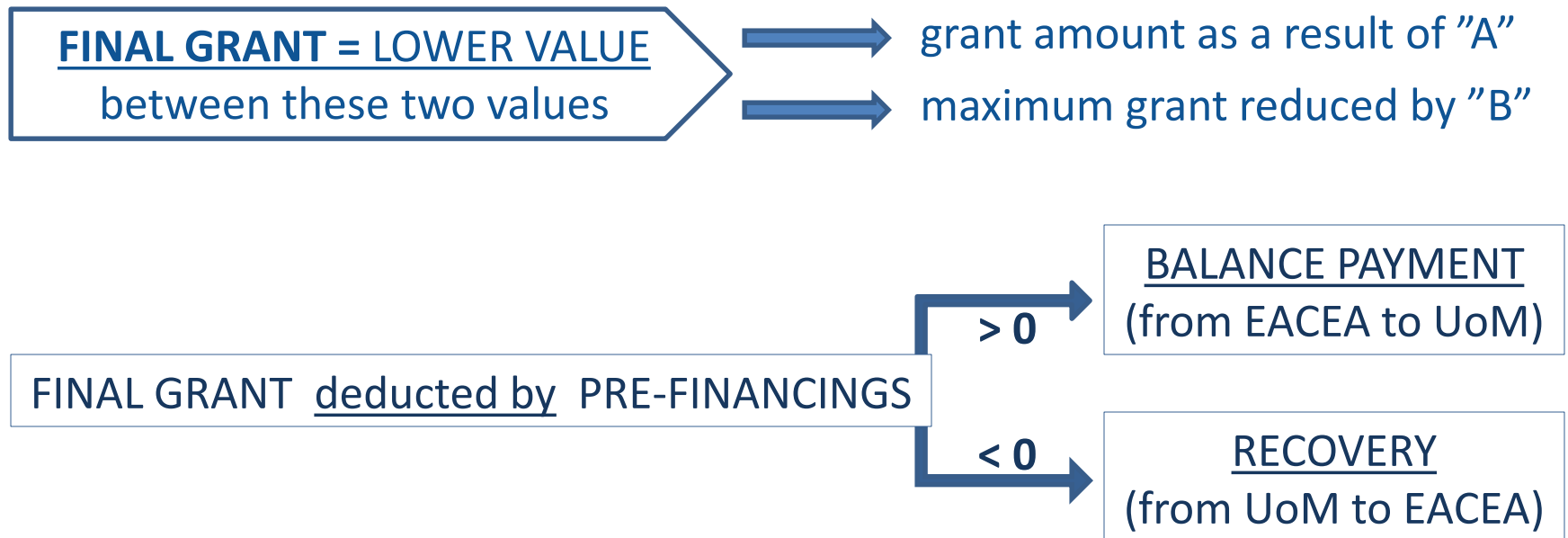
Calculation of the final grant amount

FINAL (ELIGIBLE) GRANT AMOUNT

A) examination of:

- financial statements
- eligibility of activities implemented
- eligibility of declared expenses

B) examination of potential penalties applied on maximum (initially awarded) grant



Thank you for attention

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