

News and selected aspects related to the financial monitoring

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Financial monitoring

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



Role of the financial monitors

- Evaluating of reports with payment request
- Providing financial guidance and assistance to technical monitors
- Providing assistance to the beneficiaries (via the coordinating beneficiary)
- Participating in monitoring visits
- Platform meetings

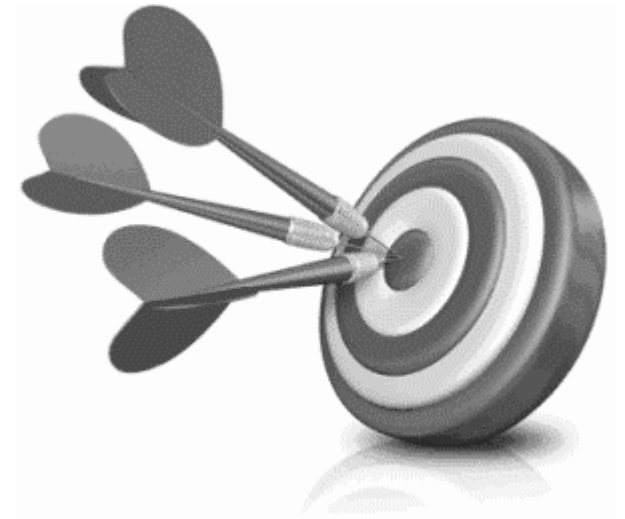
Agenda

1. Main purpose of the presentation
2. Recent changes in LIFE14 projects
3. General tips & tricks for financial reporting
4. The most common mistakes
5. Your feedback and further Q&A

The main purpose of this presentation?

On the occasion of this presentation we would like to:

- ▶ Describe recent changes in approach to LIFE14 projects
- ▶ Remind about common mistakes
- ▶ Share knowledge
- ▶ Answer your questions



Recent changes in LIFE14



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

Audit report requirements for LIFE14

Question: Details on the certificate on the financial statements of beneficiaries?

- ▶ Latest approach of EASME (will be communicated through amendments soon)
- ▶ For both traditional and IP projects: external auditor has to certify only financial statements of those beneficiaries for which the **budgeted EC contribution exceeds €750,000** and the requested **contribution in the payment request is higher than €325,000**
 - ▶ *For precise wording have a look at the GA for LIFE17 projects published on LIFE website*
- ▶ Audit reports can be provided per project (all relevant beneficiaries) OR separately for each relevant beneficiary
 - ▶ *Annex X - For practical reasons, an audit report for an individual associated beneficiary may be issued separately and by a different auditor, as long as the auditor of the CB includes and refers to any separate individual audits in the conclusions of the main audit report. (ADVICE but not an OBLIGATION)*
- ▶ Model terms of reference for the certificate on the financial statements available on LIFE websites

How to prove non-recoverability of VAT in LIFE14 projects?



- ▶ Previously (still applied for LIFE+ projects)
 - i. A certificate issued by a tax authority
 - ii. Self-declaration - together with a proof that the beneficiary has tried to acquire certificate in point 1 but failed
 - iii. Declaration of the independent auditor - Explicit indication of paid and non-recoverable amount of VAT in the audit report
- ▶ Now (LIFE14)
 - ▶ VAT certificates or other proofs of non-recoverability of VAT are no longer required by EASME
 - ▶ Beneficiary's responsibility to claim VAT only when it cannot be recovered on the national level
 - ▶ Will be communicated soon

Threshold for interim payments in IP projects

- ▶ Max 20% of Union contribution for interim payment stipulated in Article I.4.1 of the GC no longer applies
- ▶ EASME will reimburse all the eligible costs incurred within the concerned phase

General tips & tricks for financial reporting



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Providing requested documentation (Article II.1.3 (f) of the GC)

Question: Must the CB store all supporting documents from the associated beneficiaries? Original vs. copies?

- ▶ The CB bears the responsibility for providing necessary documents and retaining copies of documentation for all ABs (for 5 years after the final payment)
- ▶ Sufficient to provide copies of the documentation
- ▶ It is the responsibility of all project partners to submit documentation upon request, in particular:
 - ▶ All documents necessary to prove the eligibility of costs
- ▶ List of documentation should be stipulated in the PA
- ▶ In case of confidential information, the requested documents might be sent in a sealed envelope directly to the monitoring team and EC/EASME



Exchange rates (LIFE14)

For LIFE+ the rules remain the same

Question: Choice of exchange rate in IP projects, risks and recommendations?

Beneficiaries with general accounts in **non-EUR** currency (2 options):

- ▶ Monthly accounting rate applicable on **the day when the cost was incurred**
- ▶ Monthly accounting rate applicable on the **first working day** of the month following **the period covered** by the financial statement concerned (example: end of period 31/8/2017 => first working day of September)

Beneficiaries with general accounts in **EUR**:

- ▶ Conversion of costs in other currency according to their usual accounting practises
- ▶ IP projects (not entirely clear): current approach » exchange rates will not change once the phase ends and the interim report is accepted
- ▶ Risk: Many circumstances to be taken into account
 - ▶ E.g. stable x fluctuating exchange rates, administrative burden, reporting, etc.
- ▶ Recommendation: Your internal decision. Since the interim reports are considered to be “final reports” the risk of significant changes was slightly reduced.

Budget transfers (LIFE14)

Reporting of non-substantial budget changes

- ▶ GC Art II.22 – transfers between budget categories up to a limit of 20% of the eligible costs are allowed
- ▶ Transfers between beneficiaries DO NOT count into the limit
- ▶ Follow the financial reporting template (consolidated statement – Cost summary)

Participant's short name	Legal status of participant	Costs category	DIRECT eligible costs with non-recoverable VAT (in €)											OVERHEADS with non-recoverable VAT (in €)	Total ELIGIBLE costs with non-recoverable VAT	TOTAL COSTS with non-recoverable VAT
			PERSONNEL	TRAVEL	EXTERNAL ASSISTANCE	INFRASTRUCTURE	EQUIPMENT	PROTOTYPES	LAND PURCHASE /LEASE /ONE-OFF Compensation	CONSUMABLES	OTHER direct costs	Sub-total direct eligible costs				
AAA	Public body	Contractual Budget	200,000.00	10,000.00	20,000.00	0.00	0.00	0.00	0.00	50,000.00	65,000.00	345,000.00	24,150.00	369,150.00		
		Final Budget	180,000.00	10,000.00	40,000.00	0.00	0.00	0.00	0.00	50,000.00	65,000.00	345,000.00	24,150.00	369,150.00		
		Declared costs	110,000.00	3,000.00	18,000.00	0.00	0.00	0.00	0.00	28,000.00	30,000.00	189,000.00	13,230.00	202,230.00		
BBB	Private commercial	Contractual Budget	150,000.00	25,000.00	80,000.00	0.00	10,000.00	350,000.00	0.00	40,000.00	35,000.00	690,000.00	48,300.00	738,300.00		
		Final Budget	150,000.00	25,000.00	80,000.00	0.00	110,000.00	250,000.00	0.00	40,000.00	35,000.00	690,000.00	48,300.00	738,300.00		
		Declared costs	70,000.00	15,000.00	35,000.00	0.00	40,000.00	180,000.00	0.00	15,000.00	27,000.00	382,000.00	26,740.00	408,740.00		
CCC	Private NON-commercial	Contractual Budget	130,000.00	10,000.00	0.00	0.00	0.00	0.00	25,000.00	10,000.00	175,000.00	12,250.00	187,250.00			
		Final Budget	130,000.00	10,000.00	0.00	0.00	10,000.00	0.00	0.00	15,000.00	10,000.00	175,000.00	12,250.00	187,250.00		
		Declared costs	80,000.00	8,000.00	0.00	0.00	10,000.00	0.00	0.00	5,000.00	5,000.00	106,000.00	7,420.00	113,420.00		
TOTAL Contractual Budget			480,000.00	45,000.00	100,000.00	0.00	10,000.00	350,000.00	0.00	115,000.00	110,000.00	1,210,000.00	84,700.00	1,294,700.00		
TOTAL Final Budget			460,000.00	45,000.00	120,000.00	0.00	120,000.00	250,000.00	0.00	105,000.00	110,000.00	1,210,000.00	84,700.00	1,294,700.00		
Variance			-	-	20,000.00	-	110,000.00	-	-	-	-	130,000.00	-	130,000.00		
TOTAL Declared costs			260,000.00	24,000.00	53,000.00	0.00	50,000.00	180,000.00	0.00	48,000.00	62,000.00	677,000.00	47,390.00	724,390.00	0.00	

0% Budget shift under 20%



Microsoft Excel
37-2003 Worksheet

Below 20% = non-substantial changes
Above 20% = an amendment is needed

Budget transfers (LIFE14)

Question: Are there any tips to keep track of budget changes?

- ▶ No specific tool has been developed
- ▶ Own responsibility of beneficiaries
- ▶ Compliance with the limit of 20% of total eligible costs is easily verifiable in the consolidated cost statement (previous slide)

„Time to share experience!“



Reporting of personnel costs in incomplete years

Question: Details on the reporting methods of personnel costs?

KEY OBJECTIVE:

- ▶ Reporting in incomplete years should not lead to significantly different hourly rates compared to other years!

OPTIONS:

- ▶ Report actual costs and annual hours **covering the incomplete period** (i.e. 9-12/2015)
 - ▶ May lead to an increase in the hourly rate
- ▶ Report actual costs and annual hours **covering the whole year** (i.e. 2015)
 - ▶ However, the annual productive hours must be recorded in a reliable time registration system for the entire year OR 1,720 annual hours should be used
- ▶ Report actual annual costs and productive hours **for the next year** (i.e. 2016)

LIFE14 (EASME): Report estimated annual costs and productive hours for the whole year (based on actual available numbers + explained in the report)

Most common mistakes/misinterpretations in LIFE14

Question: There is the %-column that causes some misunderstandings?!

- ▶ Use the latest version of the financial statement published on LIFE website
- ▶ Should be filled in only if fixed % of time allocation to the project was agreed and is indicated in a contract
 - ▶ Column D3 of the financial statement ? % of time allocated to the project

? 1,720 hours



? Employees / Non-employees

Most common mistakes/misinterpretations in LIFE14

Question: Are there situations where the default number of 1,720 hours can't be used?

- ▶ Inappropriate formulation in Annex X (to be amended by EASME)
- ▶ Similar to LIFE+
 - ▶ Actual values based on reliable time registration system (e.g. timesheets)
 - ▶ Non-productive hours should not be included (e.g. weekends, holiday, sickness)
- ▶ There are three exceptions when the timesheets do not need to be filled in and 1,720 hours could be used:



Staff working less than 2 days/month on average in year
Staff working full time for the project
Staff allocated to the project for fixed % of working time

Most common mistakes/misinterpretations in LIFE14

Employees / Non-employees

- ▶ Employees - working under an **employment contract with the beneficiary** or an equivalent appointing act and **assigned to the project**
- ▶ Non-employees - working under a contract with a beneficiary **other than an employment contract** (e.g. civil contract or in-house consultancy contract with natural persons - fixed rate, timesheets), provided that the following conditions are fulfilled:
 - ▶ the person works under the **instructions of the beneficiary** and, unless otherwise agreed with the beneficiary, **in the premises** of the beneficiary;
 - ▶ the **result of the work** belongs to the beneficiary; and
 - ▶ the **costs are not significantly different** from the costs of personnel performing similar tasks under an employment contract with the beneficiary.

Other Questions raised before the meeting

Question: Is it possible to expand upon the structure of the financial statement to include the actions?

- ▶ It is not forbidden. You can include additional columns as long as it enhances the quality of reporting

Question: Some workers are confused, how to fill out the timesheets; e.g. how many hours can be included for a travel?

- ▶ General rule - fill in ACTUAL hours worked on the project and other activities!
 - ▶ Depends on internal rules in the organisation
 - ▶ Respect the requirements stipulated in Annex X to the GA
 - ▶ *Time to discuss it in more detail!*



Subcontracting

General rules

Question: Following of the procurement rules. Could be once again explained?

- ▶ Public and sectorial (water, waste, energy) entities
 - ▶ National public procurement rules must be followed
 - ▶ Below the thresholds, the rules for subcontracting applicable in the organisation must be followed

- ▶ Private entities
 - ▶ Internal rules
 - ▶ For the contracts with estimated value above €130,000 (LIFE14) or €125,000 (LIFE+), an open tender has to be launched (i.e. call for tenders with pre-determined criteria published – on the website of the beneficiary or in other public places, comparison of several offers to ensure that the best value for money principle was followed, report on evaluation of tenders explaining the reason for selecting the subcontractor, written contract concluded, etc.)

Subcontracting

Question: How to handle cooperation agreements between public bodies? Used sometimes instead of procurement according to “LOU”. According to Swedish practice correct, but are there some details to consider?

- ▶ Acceptable as long as it complies with the national procurement rules
- ▶ Already discussed in several LIFE projects
- ▶ The best value for money principle has to be respected

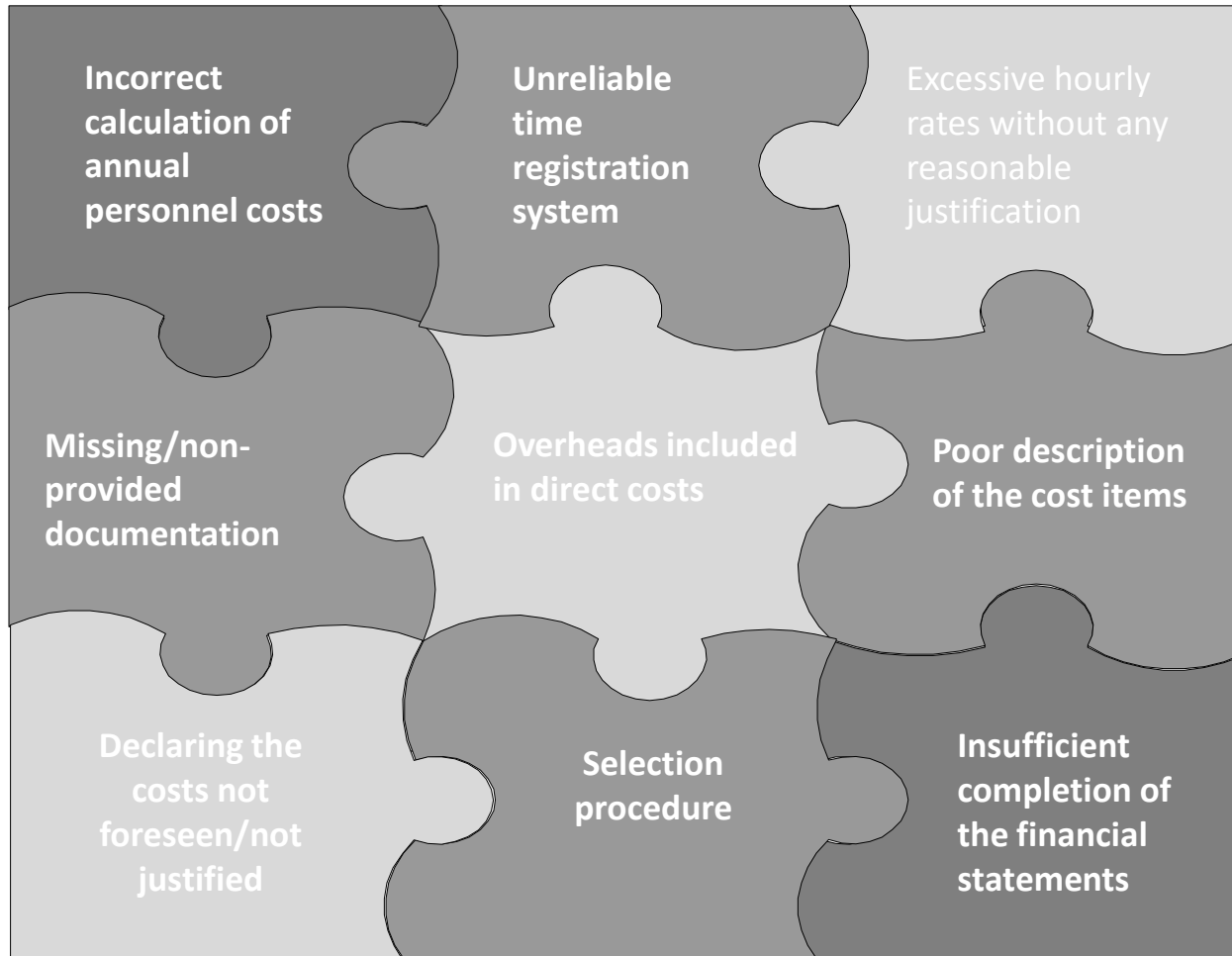


More specific tips & tricks



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

The most common mistakes



Top six tips to avoid problems

1

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

4

Describe/justify all the changes in a timely manner.

2

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

5

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

3

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

6

Be transparent and trustworthy as much as possible.

Your feedback and Q&A



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