

Eligible Expenditures and other financial issues

Czech-Norwegian research programme CZ09

Ministry of Education, Youth and Sports
23 September 2015, Trondheim

- **Included and approved in the budget**
- Used solely for the purpose of achieving the objectives and expected results of the project described in Annex I to Decision
- **Is a real** - was founded and is recorded in the accounts must be **verifiable** (accounting document) and **controllable** (proof of payment - receipt, bank statement); **must be delivered** - on the basis of invoices, contracts
- Exception: Depreciation and overheads, which are not identifiable.
- Expended during the project (latest possible date of 30 April 2017!)
Exception: Preparatory costs of fund for bilateral cooperation

Eligible Expenditures

Basic Rules

When is expenditure eligible



- Is determined according to the usual accounting and management principles of organization
- Must be recorded in the accounts of the participant (depreciation, overhead)
- Is **reasonable, economical** (cost / performance ratio), **efficient** (directly linked to the project)
- Cleanse of ineligible expenditure
- **All financial transactions must be documented for audit**
- **Data archiving 10 years** from 1.1. year after approval of the final report on the Czech-Norwegian research program /(approx. 2019)
- Exceptionally, **payments** can be made **30 days of the completion of the project** (personal expenses, payment of invoices)

Eligible Expenditures

Accounting



- Accounting documents is correct, complete, conclusive, understandable and chronologically led
- **Expenditure conducted with a clear link to the program** (eg. project code, name on the invoice)
- Own resources separated from the support (grant CZ09)
- When checking the records the recipient provide full documentation (from order entry and invoice after the bank statement)
- **Costs incurred and paid by the partner are eligible under the same conditions as the expenses incurred and paid by the beneficiary**

Eligible Expenditures

Personnel Expenditures

- The staff performing specific **professional activities** necessary to achieve project goals or performing activities related to project management (coordinator)
- Calculating the amount of personal expenditure is derived from the common practice in the organization
- **The employee must have a contract with an organization for a definite or indefinite period**, whether in the form of agreement - changes in employment contracts to be reported! (Labor agreement must be signed before the emergence of the personal expenses.)
- Financial reward may not be higher than normal expenses according to expertise, time and place in the organization. (eg. a foreigner working in the country)

Eligible Expenditures

Personnel Expenditures



- Reimbursed only actually worked and reported hours - we recommend using Timesheets for all employees
- Timesheets are mandatory only if less than 100% of the worker's load to the project! - time registration is carried out in accordance with normal practice in the organization
- **Overtime NOT ALLOWED**
- Total staff costs are gross salary, social security and health insurance (or other compulsory charges)
- **You can include the usual rewards** that correspond to common practice in the organization
- **Exceptional rewards** – only if extra work and extra results are delivered

Eligible Expenditures

Tangible / Intangible assets



- **Depreciation is eligible expenditure**, rather than the purchase price – which must be accompanied by an invoice
- According to the Accounting Act in terms of long-term assets when it is time using the device longer than one year. The minimum cost limit in Norway is 15 thousand NOK with a minimum lifetime 3 years. Expenditures include also related expenditures (installation, transport, etc.)
- **Investments are tracked separately by Programme operator**
- Changes must be reported in advance and have them approved by the programme operator
- The property must be included in the accounting records of the project / organization
- **Depreciation of buildings and land are not eligible costs CZ09**

Eligible Expenditures

Depreciation of equipment



- Depreciation according to accounting standards of beneficiary or the partner
- **Depreciation - fast or regular, method cannot be changed**
- **Expense is incurred as having been entered in the books**
- Depreciation (expenses) applies only to the percentage of the equipment used on the project and depreciation can be applied only during the project
- *Example:* A new instrument, the price 500.000NOK; use for the project 60%; depreciation period of four years; the duration of the project three years.

$$VP \text{ (project costs)} = 500.000\text{NOK} \times 3 / 4 \times 0,60 = 225.000\text{NOK}$$

Determination of indirect expenditures

- a) On the basis of analytical accounting system
 - b) Up to 20% of direct costs (excluding subcontracting)
 - c) Up to 60% of direct costs (excluding subcontracting, for non-profit organizations, research institutions, education org. second and higher degree)
- **Overhead costs can not be increased!**
 - The percentage of overheads must be maintained throughout the project (in each year, in periodic reporting)

Eligible Expenditures

Overhead Cost



- Indirect costs are those eligible expenses that cannot be directly associated with the project, but which can be identified and documented the organization's accounting system as incurred in direct relationship with the direct expenditure of the project

Examples:

- Expenditure on salaries of support staff (economist, accountant, network administrators ..)
- Expenditure on management of the organization
- Expenditure related to buildings: rent, cleaning, security, energy ..
- Administrative costs: mail, telephone, internet, office supplies
- Generally used equipment: computers, printers, copiers and others

Annex 12 allows you to:

- Reflect actual indirect costs using an analytical accounting system assigning various indirect costs to specific projects
- Use a flat rate for indirect costs (20% - 60%)
as follows: if the beneficiary / next project participant took part in FP7 projects and has an assigned **PIC** (Participant Identification Code), applies the same model to calculate indirect costs that are associated with the PIC. If the beneficiary / next participant does have a PIC:
- It shows the actual indirect costs (full cost)
- Exploits flat rate of 20% -60%

Calculation:

(A. direct expenditure - Subcontracting) * (% according to the above PIC)

= B. Indirect expenses

$(1,000,000 - 100,000) * 60\% = 540,000 \text{ CZK}$

The total budget of 1.54 million CZK

Eligible Expenditures

Purchase of Services



- Costs associated with the delivery of services are eligible provided that the delivery service is in line with the objectives of the project and provides added value. Beneficiary / next participant must justify his inability to service its own capacities.

Attention:

- The Programme provided special condition for CZ09: **Subcontracting is max. 10% of the partners budget including VAT**

Examples:

- Analyses, laboratory services
- See also instructions for PSSC

- **Travel expenses:** fares, accommodation, meals, other
Travels must be related to the implementation of the project and for the staff involved in the project!
- **Fare:** trains over 300 km higher class; air above 500 km; (over 200 km, if it is more advantageous than the train); **Taxi - exceptionally;** local transport; Private vehicle - wear + fuel; company vehicle - only fuel
- **Accommodation:** Accommodation expenses are paid in proven amount, while respecting the economy and prices in the usual place and time

Eligible Expenditures

Travel allowances



- **Meals and pocket money:** Meals provided, if not included in the price or disclosed at the hearing. Otherwise appropriately reduced
- Other expenses: parking, tolls, insurance
- Road tax - ineligible expenditure
- Beneficiary / next project participant must be in addition to the accounting documents able to submit written request invitation resp. programme of the meeting

Eligible Expenditures

VAT



- VAT - eligible only if the taxpayer can not deduct the input

Eligible Expenditures

Changes in expenditures and budget



Info from the Decision (Art. 4th)

- The change in the sub-structure of expenditures is subject to approval by the provider (Ministry of Education), it is not necessary to Change Decision
- **It is not necessary** to report changes if:
 - **Change of less than CZK 60,000. Bigger changes? Please ask via project promoter the Programme Operator to get a permission.**

Asking is necessary anytime:

- When increase in personal spending
- Any change in capital spending

Ineligible Expenditures

Examples:

- Interest on debt
- Charges for late payment
- Bank charges for transactions and other financial charges
- Fines and penalties
- Exchange losses
- Personal computers and standard office equipment
- Purchase of furniture, land, real estate
- VAT in the case of taxpayers
- Internal Invoice; eligible only without any profit and overhead cost
(example: core facilities of institution)

Ineligible Expenditures

Examples:

- Excessive or reckless expenditure
- Independent opponent opinions
- All expenses not meeting the eligibility requirements

Note: In case that an indirect tax is not identifiable, it is possible to include the entire amount of the eligible expenses (eg. VAT on the ticket)

- The pro forma invoice (eligible expenditure is only a bill) **in case of advances on energy it is eligible expenditure**
- Scholarships!, visiting professors
- Duty

Czech-Norwegien Research Programme

CZ09

Thank you!