

## WYTYCZNE DOTYCZĄCE ZARZĄDZANIA FINANSOWEGO I SPRAWOZDAWCZOŚCI 2015 (GUIDANCE FOR FINANCIAL MANAGEMENT AND REPORTING 2015)



### Guidance for Financial Management and Reporting

This note is intended to assist LIFE beneficiaries to submit complete and accurate Financial Reports; it is a complement to the legal requirements established in the Common Provisions (CP) of the grant agreement.

In order to prepare comprehensive and compliant financial reports, project beneficiaries need to establish and operate, throughout all phases of project implementation, a reliable system for collecting, recording and reporting financial transactions. For this reason, it is suggested that the Coordinating Beneficiary (CB) read this document thoroughly at the very beginning of the project, and share it with the Associated Beneficiaries (ABs), if any. Its contents will also be a useful reference when completing the financial reports that are required at the time of the midterm and final reports to the Commission.

### Establishing a Financial Management and Reporting System:

In order to establish a reliable accounting and reporting system, the following issues should be addressed:

- Establish project codes in the analytical accounting system(s).
- Establish project codes in the time registration system(s).
- If any beneficiary (CB or AB) does not already have a time registration system in place, they should, as a minimum: **develop their own master timesheet on the basis of the model timesheet which is available on the LIFE website (please also refer to point 57-62 of annex II)**, establish registration and submission routines for the project staff, and introduce a validation routine for the supervisors/line managers to certify the correctness of the timesheets. Time worked for the project should be registered per day. For more detailed recommendations with regard to timesheets, please refer to the circular note on timesheets of 8th December 2010 which is available on the LIFE website.
- In all cases, the project file should contain a short description of the time registration system employed in particular for the registration and submission routines for the employees and the validation procedure for the supervisor/line manager.



- If any of the beneficiaries are public bodies, it is important to be aware of the 2% rule<sup>1</sup> in the CP. In order to be able to check if a project is in compliance with this rule, it is necessary to clarify whether each member of the project staff is classified as temporary staff or not. Staff is considered to be temporary if the work contract does not begin before the project start date nor finish after the end date of the project and if the contract specifically mentions the LIFE project, see also point 21 of annex II.
- Furthermore, if any of the beneficiaries are public bodies and they employ permanent staff in the project, that staff must be specifically seconded to the project, i.e. their personnel file must contain a written instruction to work for the project, as stipulated in the CP.
- Clarify whether any of the beneficiaries are able to recover VAT. If not, and if VAT is reported as an eligible cost, a declaration from the national tax authorities must be obtained certifying that the beneficiary/ies in question is/are NOT able to recover VAT (fully or partially). This declaration should be kept in the project file and submitted to the Commission annexed to the Final Report at the latest.
- There should be a clear reference to the project on all invoices in the format LIFE[Year] [NAT/ENV/INF]/[Country]/[Number] - acronym. Inform suppliers and subcontractors to the project accordingly. It is always useful to include the project reference in the postal address which the beneficiaries provide to their suppliers so that it automatically appears on their invoices.
- All beneficiaries should obtain and get familiar with the applicable tender rules, please also refer to point 35 of annex II. Furthermore:
  - If any of the beneficiaries are public body/ies, they should establish when tenders and competitive price offers are required and the necessary documentation. The project file should contain a short description of these tender rules and the regulatory references.
  - Non-public beneficiaries should observe the requirement of competitive price offers for contracts above 125,000€, as stipulated in the CP, and should be able to provide written evidence of the procedure followed. If a beneficiary has existing internal guidelines for selecting subcontractors, these guidelines should also be kept in the project file.
  - It should be noted that contracts may not be split in smaller contracts ("saucissonage") only for the purpose of avoiding the requirement of asking for competitive price offers.
  - Regardless of the method used to select external contractors, beneficiaries must always be able to demonstrate that the costs listed in the financial report provide good value for money, as an element of applying sound financial management
  - For each contracts involving significant expenditures, it is recommended to keep in the project file the following:
    - Short description of the service/item purchased,
    - Short description and justification of the selection procedure employed with reference to the statutory documents, if applicable,

<sup>1</sup> The total financial contribution of public bodies in a project should cover at least 102 % of the total personnel costs of permanent staff (ie total personnel costs less the cost of temporary staff)



- Copy of the report from the selection committee, if relevant, or internal memo justifying the choice of subcontractor,
  - Copy of contract,
  - Explanation if invoice amounts differ from the contractual amount (particularly where the invoiced amount exceeds contracted amounts)
  - **Proof/documentation of the value of the losing offers.**
- Each beneficiary should establish and include in the project file an explanation of the depreciation method used to calculate eligible costs for durable goods.
  - The CB should monitor costs and compare them to the budget on a continuous basis.
  - In case a project has ABs:
    - The CB should establish routines for when and how the ABs submit their financial information to the CB, including which documents they should annex to their financial report. Experience shows that collecting documents every quarter is a minimum to ensure adequate financial management. These rules should be clearly set out in the Partnership Agreement. Please be reminded that according to the CP, the CB is obliged to retain copies of all supporting documentation from the ABs for 5 years after the final payment.
    - If, for whatever reason, ABs are not willing to provide such copies (confidentiality reasons) to the CB they should be aware that in case documents are not provided on the request from the Commission or auditors that act on their behalf, the related costs will be declared ineligible. The Partnership Agreement should, in such cases, clarify the obligations of the ABs in case of audit.
    - The financial report Excel templates workbook should be downloaded from the LIFE website by the CB and distributed to the ABs.

#### Eligibility of Costs:

Full rules concerning the eligibility of costs are contained in the CP that forms part of the grant agreement. The following information only highlights certain key elements of the CP that need to be considered during project implementation.

According to the CP, in order for costs to be considered eligible, they must have been actually incurred during the project period. This means that the legal obligation to pay (contract or purchase order) was signed after either the start date of the project or the signature date of the LIFE grant, whichever is earlier, and that the good or service to which the cost is related was delivered entirely in the period between the start and end dates of the project. The only exception to this rule concerns costs related to the provision of a financial guarantee, and the costs of the independent financial audit. (See the CP for details.) Furthermore, in order to be eligible, costs must have been paid before the submission of the request for payment, i.e. it must be possible to provide proof of payment (= transfer of money) before the submission of the Financial reports.

Costs foreseen in the budget are usually accepted as eligible costs if they comply with the CP. If costs are not foreseen in the budget they may be accepted if they are technically justified in the Final report and the justification is accepted by the Commission. In order



to be assured about their eligibility, before individual costs not explicitly foreseen in the budget are incurred, it is recommended that the CB should seek the advice of the LIFE monitor and, if so advised, request prior authorisation from the Commission, see also point 16 of annex II.

Costs should be classified according to the guidelines in the CP. If the classifications in the budget in the grant agreement are not correct according to the CP (particularly if durable costs in Environment projects are classified in a different cost category), the LIFE monitor should be contacted for advice.

Beneficiaries in a project cannot issue invoices to the project (i.e. they cannot act as subcontractors or suppliers). The same generally applies to companies related to the beneficiaries, or departments of beneficiaries. Such transactions are only permitted where it can be shown that the subcontractor/supplier is independent of and on an equal footing to the beneficiary placing the order and where all elements of profit, VAT and overheads are excluded from the invoiced costs. Furthermore, costs incurred by entities affiliated with the beneficiaries (i.e. having a legal or capital link to the beneficiaries) are only eligible if the costs are explicitly foreseen in budget, if the affiliated entity is identified in the grant agreement as the supplier, and if the affiliated entity agrees to all the conditions of the CP. The LIFE monitors can provide advice concerning the applicable rules in a specific situation.

As a general rule, VAT is not an eligible cost, unless beneficiaries can prove through an appropriate certificate issued by the competent national authority that they are not able to recover VAT. In this case, the date of the appropriate certificate should be indicated in the form "Financial Statement of the Individual Beneficiary" and this certificate must be provided to the Commission with the request for Final Payment at the latest.

Costs incurred by co-financers are not eligible.

#### Exchange Rates:

The Euro is used as the default currency for financial reporting. Beneficiaries having their accounts in other currencies shall convert the amounts into the Euro using the exchange rate published by the European Central Bank on the first working day of the year in which the expenditure is paid. These rates are published on the following website:

<http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>

Please note that no exception from the above rule can be granted.

#### Contents of a Complete Financial Report:

A complete financial report consists of:

- "Standard Payment Request and Beneficiary's Certificate" .
- For Nature projects, and for Biodiversity projects from year 2010 and later, the "Beneficiary's Certificate for Nature Projects" must be submitted with respect to all beneficiaries claiming costs for durable goods.



- If one or more AB participates in the implementation of the project, "Consolidated Cost Statement for the Project".
- "Financial Statement of the Individual Beneficiary" to be completed for each project beneficiary. If the project does not involve any ABs, it is sufficient for the CB to complete this document instead of the consolidated statement. This statement includes the individual transactions which are specified in the following forms (which do not necessarily have to be printed, but must be submitted on electronic media, e.g. CD ROM, USB key)
  - o Personnel costs
  - o Travel costs
  - o External assistance
  - o Infrastructure
  - o Equipment
  - o Prototype (only applicable for ENV and BIO projects)
  - o Land purchase (only applicable for NAT projects)
  - o Lease of land (only applicable for NAT projects)
  - o Consumable material
  - o Other direct costs
  - o Overheads
  - o Funding from other sources, divided in "Contribution of the associated beneficiary", "Other sources of funding" and "Direct income".
- Supporting documents and further information and clarifications requested in previous letters from the Commission (e.g. in the letter announcing mid-term pre-financing payment, in the feed-back letter following project visits, etc.), and not already submitted.
- Auditor's report using the standard reporting format (**compulsory** for most projects, please refer to the section "independent financial audit" in the CP)

Incomplete or inaccurate reports are invalid and need to be corrected and re-submitted, which will delay payments. Please note that any calculation of payment delays and possible late payment interest, where applicable, will be calculated from the date on which the corresponding report is considered to be complete, i.e. when all requested documents (technical as well as financial) are received by the Commission.

For the following documents, the originals must be submitted, bearing original signatures by the legal/ statutory representatives of the beneficiary concerned:

- "Payment Request" (*completed, signed and dated by the CB*),
- the "Consolidated Cost Statement for the Project" (*completed, signed and dated by the CB if there are any ABs*).
- the "Financial Statement of the Individual Beneficiary" (*completed, signed and dated by the beneficiary to whom it relates*).
- "Beneficiary's Certificate for Nature projects" (*completed, signed and dated by the CB and by each ABs which has acquired durable equipment purchased/manufactured for the project during the project period and for which the life-expectancy is longer than that for the project, in order for the related costs to be accepted as eligible costs*).



Financial Reports containing scanned versions will not be refused but original signed documents must be submitted in parallel; Financial Reports are not considered complete until the originals are received by the Commission.

Supporting documents (e.g. pay slips, timesheets, invoices, proof of payment, etc) should not be annexed to the Financial Report unless explicitly requested by the Commission. If such previously requested documents are not annexed to the Financial Report, it is not considered complete until these documents are submitted. Copies of the supporting documents must also be included in the copy of the report that is sent to the external monitoring team.

Guidelines for completing the independent audit report, can be found on the following web site: <http://ec.europa.eu/environment/life/toolkit/pmttools/lifeplus/reporting.htm>. For practical reasons, an audit report for individual beneficiaries may be issued separately and by different auditors as long as the auditor for the coordinating beneficiary includes and refers to these individual audits in his conclusions (section 7 of the audit report). You should note that the audit report is not considered complete if the auditor(s) in their conclusions of the audit report (section 7) do not clearly state whether or not the Financial Report is in compliance with the Common Provisions, the national legislation and accounting rules.

Internal auditors of public bodies and corporate entities can be considered as an independent auditor and can complete independent audit report, if the internal auditor is a certified auditor and is independent from and not under the direct control of the person who signs the payment request and the financial statement. In such cases, the costs of the internal auditor may be reported under 'personnel' provided that appropriate time sheets are maintained.

#### Reporting Templates:

There is a template in the form of an Excel-workbook which constitutes the Financial Report of a project and which must be used to register the costs of the project and to report to the Commission on the financial status of a project. The use of this Excel based Financial Report is compulsory. It can be downloaded from the following website:

[http://ec.europa.eu/environment/life/toolkit/pmttools/lifeplus/financial\\_reporting.htm](http://ec.europa.eu/environment/life/toolkit/pmttools/lifeplus/financial_reporting.htm)

In order to have a clear view of the budget consumption at any time during the implementation of the project, it is highly recommended that each beneficiary start entering the individual cost transactions per cost category in the Financial Report in the sheets labelled "Personnel" to "Funding" from the beginning of the project and update these forms continually as financial transactions are incurred. A separate Financial Report template must be completed for each beneficiary.

The CB should receive regular updates of the Financial Report and copies of the supporting documents from the ABs, if any, in order to monitor the development of the financial implementation of the project.

The Financial Report includes the information that the Commission considers necessary for assessing the eligibility of the declared costs. Therefore all information asked for should be provided, without leaving blank cells. A sufficiently detailed description should be provided for each cost item in the financial report, to facilitate the assessment



of the eligibility of the costs. Descriptions such as "travel", "project management", "consultant", "equipment", "tools", etc. (and this list is not exhaustive) are not detailed enough and the related costs may be disregarded. If invoices contain a comprehensive description of the cost item or several cost items, state the important ones, or if the invoice contains several itemized positions, the invoice could be reported in more than one transaction if the amounts are significant. For transactions for which there is no invoice, the internal accounting reference should be included instead of the invoice number.

Please note that the yellow cells in the Excel template generally contain formulas and should not be completed or tampered with; it is only necessary to complete the non-coloured cells. Furthermore, as the Financial Report contains formulae and automatically transfers the subtotal from the individual costs sheets to the cost statement, do not delete any columns in the template. Columns may be added to the financial report if needed.

For future checks and audits, please remember to keep all working documents (*which may include handwritten notes or calculations*) used in the preparation of the Excel-Workbook as well as an electronic version of the workbook.

The annexes to this note provide details related to completing the financial reporting forms.



## Annex I

### Instructions for Completing the "Standard Payment Request and Financial Statement "

1. This form must be completed and submitted by the CB when requesting a mid-term pre-financing or final payment. Please provide all information requested and leave no cell blank.
2. The reference period covered by the Technical Report also defines the eligibility period for the costs. For mid-term pre-financing payments, it should cover the period from the start date of the project to the end date of the mid-term Technical Report(s) and for the final payment it should cover the whole project period, i.e. from the start date to the end date of the project.
3. If the CB's banking details have changed since the last payment, and in order not to delay the payment, a new financial identification form should be completed according to the instructions and annexed to the payment request. The validation of the new bank account will be done in parallel with the assessment of the payment request. The financial identification form including instructions can be obtained from the following web site:

[http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/financial\\_id/financial\\_id\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/financial_id/financial_id_en.cfm)

4. Please note that the field "interest yielded on pre-financing amounts" should only be completed for projects which were selected in one of the calls for proposals up to and including 2010. Please be reminded that this field only applies to interest paid to the CB who does not fall under the notion of a Member State<sup>2</sup> and not to the ABs. The interest yielded on pre-financing payments will be deducted from the final payment amount for private beneficiaries. If no interest has been yielded, please report "0.00" in order to avoid further queries. Please do not leave the cell blank.

For projects before and including 2010 a special procedure applies to projects where the pre-financing exceeds 750,000€ and the CB does not fall under the notion of a Member State<sup>2</sup>. In such cases, the interest amount should be repaid to the Commission once a year (request for declaration of interest in January and request for payment in March). Interest amounts already reported and paid to the Commission should be included in the interest amounts declared on the request for final payment. Such amounts will be balanced against the interest amount still due to the Commission.

For all projects which were selected in one of the calls for proposals up to and including 2011, interest on pre-financing has to be declared as project income in the form "Funding".

5. The form should be signed in original by a legal/statutory representative of the beneficiary.

<sup>2</sup> When the CB is a "Member State", interest is not due to the Commission. The notion of Member States includes "territorial" authorities down to the level of municipalities as well as other public entities created by legislation adopted by entities of territorial authorities, such as public universities, public research institutes, national/ regional/ provincial parks, public foundations.



## Annex II

### Instructions for Completing the "Financial Statement of the Individual Beneficiary", and the "Consolidated Cost Statement for the Project"

Whenever requesting a mid-term pre-financing or final payment, a Financial Statement for each beneficiary in the project must be annexed to the payment request. This comprises in principle all sheets of the workbook except the "Payment Request" (completed by the CB only), the "Consolidated Cost Statement" (completed by the CB only) and "Model Time Sheet" (*which is not an obligatory form; for specific guidance please refer to points 57-62 of this annex*). However, only Biodiversity projects from 2010 and later and Nature projects which have acquired durable equipment need to submit the forms "Certificate for Nature projects"; only Nature projects need to submit "Land Purchase" and "Lease of Land"; and only Environment and Biodiversity projects need to submit the form "Prototype".

#### Completion of the Financial Statement of the Individual Beneficiary

1. Individual financial transactions must be entered in the forms entitled "Personnel" to "Funding". The cells marked yellow will be filled in automatically.
2. "Overhead costs":
  - (i) If you want to report overheads, you should provide one overhead amount covering the full period of the financial report directly in the cell "Overheads". It should be a EURO-amount even though you report the transactions in other cost categories in another currency.
  - (ii) Indirect costs/overheads relate to costs which cannot be directly and exclusively allocated to the project and which are intended to cover general indirect costs needed to employ, manage, accommodate and support directly or indirectly the personnel working on the project. Typical examples of such costs are normal office supplies, stationary, office rent, telephones, IT, electricity, heating, clothes (except for protective gear), etc. They are eligible as a flat rate up to a maximum of 7% of the total amount of eligible direct costs of the project excluding land purchase/lease costs.
  - (iii) The overhead amount may be calculated as a fixed percentage (maximum 7%) of the eligible direct project costs, excluding land purchase and land lease for Nature projects. If the 7% maximum is exceeded there will be a warning, "Maximum is 7%". Please note that the 7% maximum is PER BENEFICIARY.
3. The remainder of the cells should be completed according to the labels; please remember to tick if you are a public body and whether you are the CB or an AB.
4. The EU contribution already received plus the amount being requested will be transferred automatically from the table "EU contribution" in the "Funding" sheet.
5. The cell "contribution of the beneficiary" is calculated automatically from the "total real costs with non-recoverable VAT" minus the "EU-contribution (received and expected)", "other sources of funding" and "direct project income". If this results in a negative amount, a warning "Beneficiary in potential profit situation" will appear next to the contribution of the beneficiary. If the report is part of a



request for a mid-term pre-financing payment, no actions will be taken, but if it is a request for final payment, the EU contribution will be reduced because beneficiaries are not allowed to make profit from the project. In such cases, you should contact the LIFE monitor for advice. Please be reminded that all beneficiaries are obliged to contribute financially to the project.

6. The information relating to the Euro exchange rate should only be completed by the beneficiaries who have their accounts in a currency other than Euro. The exchange rate of the individual years should be entered and be used as a reference in the individual transactions in the forms labelled "Personnel" to "Funding". Beneficiaries must use the exchange rate published by the European Central Bank on the first working day of the year in which the expenditure is paid. The rates of the different calendar years should be inserted in the individual cost sheets from "Personnel" to "Funding". The rates are published on the following website:

<http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>

If costs are incurred in a different currency than the one in which the accounts are kept, it should be the value entered in the accounts that should be reported and converted to Euro. Financial reports should only contain transactions in one currency for each beneficiary.

7. The cell "date of VAT declaration where appropriate", applies only to beneficiaries who cannot recover VAT and want to report VAT as an eligible project costs. It is not an obligatory field, but should serve as a reminder to obtain the appropriate certificate from the competent national tax authority.
8. Apart from the warning mentioned in point 4 above, two other warnings may occur in this form. The warning "2% rule may not be respected for public bodies" on this form is only indicative as it does not consider the permanent/temporary status of staff; furthermore the 2% rule does not apply to individual beneficiaries but is assessed on a consolidated basis for all public bodies of the project. However, if this warning appears, the AB should alert the CB who should check compliance with the rule for the project as a whole. The warning "Budget MUST be in balance" is mostly likely triggered by an error in data entry in the form; if it persists, you should contact the LIFE monitor for advice before submitting the report to the Commission.
9. Although the ABs complete their own Financial Reports, the CB bears the financial responsibility towards the Commission, including for the completeness of the statements of the ABs. The CB should, therefore, check thoroughly the individual statements before submitting them to the Commission.

#### Completion of the forms labelled "Personnel costs" to "Funding "

10. Costs should be classified in the individual cost categories according the guidelines in the CP. If the classifications in the budget in your grant agreement are not correct according to the CP (particularly if durable costs in Environment projects are classified in other categories), contact the LIFE monitor for advice.
11. All information requested in the table layout of the individual cost categories (i.e. each cell) must be provided, or the related costs will be systematically refused. Please provide the information according to the title of each column. The only exception is related to the columns labelled "Action in the project"; please refer to point 15.
12. If the beneficiaries consider it necessary or it will facilitate the completion of the Financial Report they may insert additional columns to satisfy their needs.



13. Additional rows can be added to the individual forms by using the insert rows function in Excel. Please remember to insert these rows after the first and before the last row of the existing sheet in order not to disturb the formulas contained in the table. Please also re-number the sequential number column.
14. It is important to describe the cost transaction in sufficient detail (qualitative and quantitative) in the description cell in order to allow the Commission to assess the relevance to the project and the eligibility of the costs. Cost transactions that are described too generically will be considered ineligible.
15. It is obligatory to annex to the Midterm and Final report an overview of the costs per transaction based on budget form FB. The beneficiaries who cannot identify costs per action in the analytical accounting system when drawing up this form and who want to use the reporting template as a basis for the calculation of the costs per action for the FB table may insert the action reference in the column labelled "Action in the project", but transactions are not considered incomplete if this information is missing. If the action number is indicated, it will be easier to establish the link between the costs and the technical report. The reference to the actions will entail that personnel costs are reported in several transactions lines per employee per calendar year (which is usually not recommended). Please contact your monitoring expert for further details.
16. Financial reports are supposed to include costs for items foreseen in the budget. However, it may be necessary for the successful implementation of the project also to include costs which were not foreseen in the budget. For each transaction you are requested to indicate if the costs are foreseen in the budget ("Y") or not ("N") in the column "Foreseen in the budget". You may be requested to justify the costs marked "N".
17. If VAT is not an eligible cost, the net (invoice) amounts should be reported in both columns mentioning VAT, i.e. "Invoiced amount in national currency without VAT" and "Invoiced amount in national currency with non-recoverable VAT".
18. In case VAT is an eligible cost, the net (invoice) amounts should be reported in the column "Invoiced amount in national currency without VAT" and the gross (invoice) amount including VAT should be reported in column "Invoiced amount in national currency with non-recoverable VAT". The columns "Invoiced amount in Euro without VAT" and "Invoiced amount in Euro with non-recoverable VAT" will calculate automatically on the basis of the exchange rate entered in this column. Please be reminded that the value 1 is default.

Form "Personnel costs":

19. In column D1, "Job title", you should enter the job title the employee has in the organisation in order to enable the Commission Services or its representatives to assess if the competence of the staff is appropriate for a successful implementation of the project compared to the role in the project mentioned in column D2.
20. In column D2 "Role in the project according to budget" you should enter the role the employee occupies in the project and preferably you should use the same description as is used in the budget. If the role is not foreseen in the budget you should insert the role the employee actually occupies. It should be noted that it may be legitimate to add project staff not foreseen in the budget as long as they are considered necessary for the technical implementation of the project.
21. Column D3, "Temporary (additional)", only applies to, and should therefore only be completed by, public beneficiaries. You should indicate if the employee is considered



- to have character as temporary (additional) staff ("Y") or not ("N") according to the Common Provisions. This is important to assess whether the public beneficiaries comply with the 2% rule.
22. Column E is calculated automatically on the basis of the information entered in columns E1 to E3. The calculation of the annual personnel costs may be provided in a separate table inserted in a separate tab (sheet) in the excel work book; if this table contains at least the same level of detail as requested in columns E1 to E3, these columns do not need to be completed. In this case, the annual personnel costs may be entered directly in column E suppressing the formula.
23. In column E1, you should enter the actual annual gross salary as documented in the salary slips (if the salary slips contain cumulative amounts, the data from the December salary slips could be used) or an extract from the pay roll register. The annual report to the tax authorities of the taxable income may not be a good source as it may not include income which is not taxable (although it may serve as a reference document of the approximate level of the annual gross salary).
24. In column E2 and E3, please enter the obligatory social charges and the obligatory pension contribution. These could be either the actual amounts as documented through accumulated figures from the salary slips or extracts from the pay roll register, or if the obligatory social charges and/or pension contributions are calculated as fixed percentages of the annual gross salary, the information in column E2 and E3 could be inserted as functions. If social charges and pension contributions are included in one amount or one percentage rate, this amount should not be split for reporting purposes, but could be reported as one amount in column E2. The information in columns E2 and E3 is useful to quickly assess if the obligatory social charges and pension contributions prevailing in the individual member states have been included in the annual personnel costs.
25. In column I1, the hourly rate calculated in column H is converted into a daily rate in € using the daily working hours indicated in cell "P1" (and the exchange rate in column L). 8 hours are entered as a default statutory hours; if the hours which you have based the budgeted daily rate are different you must replace the default 8 hours with the correct number. If the time unit in column F is days, you should change the default number to 1.
26. In column I2 "Daily rate foreseen in the budget", you should insert the daily rate that was foreseen for that role in the budget. If the role is not foreseen in the budget you should leave the cell blank. The personnel costs will not automatically be reduced if the reported rates are higher than the budgeted rates so you are not advised to replace the actual rates with the budgeted rates as there can be acceptable reasons for this difference. However, if the actual rate is significantly higher than in the budget, you may be asked for justification.
27. For the calculation of the "annual personnel costs", the "annual number of productive time units" and the "time unit rates", please refer to the detailed explanations in annex of the circular note on "timesheets" that is available on the following website:  
<http://ec.europa.eu/environment/life/toolkit/pmttools/index.htm>
28. The detailed information in columns N-Z, should be transferred from the individual time recording records per employee involved in the project which must be kept for subsequent inspection and verification. For further details, please refer to the detailed explanations available on the website indicated above.
29. You should use the time unit that is normally used in the time registration system used in your organisation (usually hours or days).



30. You are advised to keep a detailed calculation of the annual personnel costs per employee per year in the project file. It is recommended that this calculation is incorporated in this table and to that effect columns E1 to E3 are included in the reporting template to report annual gross salary, obligatory social charges and eligible pension contributions. For further explanations on the eligibility of the individual annual cost elements, please refer to the circular note mentioned in point 27 above. The annual personnel costs will automatically be calculated in column E. If you need more columns you may add an appropriate number of additional columns to report each element of the annual personnel costs. If you do not include the calculation of the annual personnel costs in the financial report, but keep the calculation in a separate table/document, you should report the annual personnel costs in column E overwriting the formula in the cell.
31. Usually the personnel costs per employee should be reported in one transaction (one line in the excel table) per year, but if you want to allocate the personnel costs per action (see also point 15 above) you are allowed to report the yearly personnel costs in a number of transactions in function of the actions the individual employees are involved in. In this case costs for each employee should be grouped together in the table.
32. Annual personnel costs must be based on actual figures. The annual gross salary should not be calculated on the basis of a monthly salary times 12. If an employee has not worked a full calendar year the gross salary should not be extrapolated to a yearly figure, but in such cases the annual productive hours should reflect the period in which the employee has actually worked, i.e. for which he or she has received the salary reported. There is an exception to this principle for obligatory social charges, if according to the statutory reference they are calculated as a percentage of the gross salary, then these obligatory charges can be based on a calculation. It is recommended that the personnel costs for an ongoing calendar year are based on the rate of the previous year until the correct annual personnel costs can be established for the current year.
33. Annual productive hours should be the hours actually worked according to the time registration records. In case the actual total productive hours for the employee are not recorded in a reliable time registration system a default value of 1720 hours shall be used.
34. The reporting template is not designed for reporting costs of those service contracts which should be reported under personnel costs; the LIFE monitor can provide advice in such situations. The same applies for staff who are exempted from completing timesheets.

Forms "Travel and subsistence" through "Other costs":

35. In order to assess to what extent the principles of sound financial management have been observed, i.e. value for money and cost effectiveness, in the last column of the individual cost tabled "Travel and subsistence" to "Other costs" you should make reference to which selection procedure was applied when the subcontractor, supplier or service provider was selected. Please choose among the following codes:

Code	Explanation
NA or blank	If the value of the total purchase is below a value where no selection procedure is mandatory.
Framework	If the contract is based on a previously agreed framework contract.
Direct	This category also covers a negotiated procedure where



	no prior publication or selection procedure is required, e.g. if the supplier/service provider is in a monopoly situation, but in such cases the beneficiary will be requested to justify the use of this procedure. A file note should always be drafted and annexed to the project file and it is recommended that public bodies ask their internal auditor to endorse this file note.
Price quote	If several potential suppliers/service providers have been contacted by phone, e-mail or mail for a price quote. A file note should always be drafted and annexed to the project file documenting all offers including trace of all price quotes.
Restricted tender	If the value of the total purchase is above an amount which requires that the terms of reference have to be published in a limited geographical area or send to a predefined group of potential suppliers/service providers.
Open tender	If the value of the total purchase is above an amount which require that the terms of reference have to be published (the EU directive of public procurement) and invite all interested parties to submit an offer.

Public organisations have predefined selection procedures which should be followed but other organisations may have developed their own procedures to be followed when goods or services are procured. Please annex to the project file a note which in general terms explain the organisation's selection procedure.

Form "Travel and subsistence":

36. Travel costs may be composed of a lot of low value transactions and it may not be cost effective to use personal resources to enter all these low value transactions in the financial report. If travel costs are already recorded in a registry offering the same level of details as requested in the financial report, it is acceptable to register the subtotals from these reports with an appropriate reference in the financial report. Copies of the registry, e.g. log books for cars, should be kept on file and submitted if requested.
37. If staff is reimbursed travel costs (tickets and hotel) and if the costs include tax, VAT etc., the full reimbursed amount is entered in both "invoiced amount" columns and a value without VAT does not need to be calculated.

Form "External assistance":

38. Remember to provide the period for which the service is provided where appropriate in the description box in column G.

Forms "Infrastructure" and "Equipment":

39. In forms "Infrastructure" and "Equipment" only depreciation for equipment purchased and used during the lifespan of the project should be recorded. Depreciation related to equipment bought prior to the project start is not eligible, but running costs for such equipment will be accepted if duly justified and documented, and reported under "Personnel", "Consumables", etc. The description of the



methodology used for the calculation of the depreciation should be kept in the project file and annexed to the financial report, indicating the various factors used in the calculation, e.g. lifespan in years, percentage of use for the project. The only exception to this rule is that costs for durable goods bought for Nature projects by public authorities and non-governmental/private non-commercial organisations are 100% eligible on the condition that a "certificate for nature projects" is annexed to the Financial Report. This exception also relates to Biodiversity projects from 2010 and later.

40. Depreciation of equipment bought during the project period, but not used exclusively in the project may still be partially accepted as an eligible cost if an acceptable way of separating the costs between the use for the project and for other purposes is established and taken into account in the calculation of depreciation.
41. In case equipment is sold or an amount is received from insurance due to theft or damage, the depreciation is limited to the difference between purchase costs and amount received.
42. The maximum eligible depreciation costs of 25%/50% respectively do not apply per transaction per beneficiary, but per cost sub-category for the project as a whole. Therefore if the total depreciated amount exceeds the maximum of 25%/50%, it is recommended that the actual depreciation per transaction is reported in the financial report. The Commission will then reduce the eligible costs as a function of their assessment of the eligibility of the various items in the financial report.
43. With regard to leasing costs, the full value of the lease should be registered as "invoiced amount". The amounts for the periodical lease should be reported as "depreciation" and zeros should be reported in "invoiced amount" except for the first period where it should be reported in the same transaction as the full value of the lease.

Form "Prototype":

44. Please be reminded that the eligibility criteria for prototype costs are not only that the piece of equipment in question is created specifically for the implementation of the project and has never been commercialised and/or is not available as a serial product. In addition, in order to be accepted as eligible prototype costs, neither the prototype nor any of its components may be used commercially within 5 years of the end of the project.

Forms "Land purchase" and "Lease of land":

45. It is not only the purchase/lease of land per se that is reported under this cost category but also related costs, such as cost of notary, taxes etc. If such costs are invoiced separately, you should report them in separate transactions.

Forms "Consumables" and "Other direct costs":

46. Please bear in mind that all costs of general nature are considered to be included in the overhead charges. This means that no transactions with generic descriptions such as "consumables", "tools", "clothes", "office supplies", "supplies", etc. should appear in these cost categories even if budgeted as such. Unless a direct link to the technical implementation of the project can be established, such costs will not be accepted. It is therefore important to provide a sufficiently detailed description that links the transaction to the technical implementation of the project.



Form "Overhead costs":

47. This form does not exist anymore. Overheads are reported directly in the financial cost statement, please refer to point 2 of this annex.

Form "Funding":

48. The information requested in this form is essential for assessing the profit situation of each participant in the project and respect of the 2% rule for public beneficiaries.
49. The top part ("Source (Commission or Coordinating Beneficiary)") of the table "EU contribution (received and expected)" should be completed by the CB and also ABs. The CB should enter all the amounts received from the Commission (already received and expected to receive following the on-going payment request). The ABs should enter the amount of the EU contribution transferred from the CB (already received and expected to receive following the on-going payment request). The bottom part ("Recipient (other beneficiary)") of the table should only be used by the CB, to indicate portions of the EU financing which have been transferred to ABs; amounts should be negative.
50. The table "Other sources of funding" should be completed by the CB and the ABs and relates to contributions received or expected to receive from co-financers, if any. All amounts received from co-financers (already received and expected to receive if it is a final payment request) should be entered in the top part. If portions of these co-financing amounts are transferred to other beneficiaries, the bottom part of the table should be completed with negative amounts.
51. The table "Direct income" should be completed by the CB and ABs and relates to all direct income the project has generated, i.e. sales of timber, participation fees from conferences etc. Interest yielded on pre-financing is generally considered as "direct income" to the project for projects granted in the years up to 2010 to public bodies, and for all projects granted in the year 2011.

Completion of the Consolidated Costs Statement for the Project

52. For projects involving one or several ABs, the CB must complete the form "Consolidated Cost Statement for the project" and annex it to the request for payment. This form has to be computed by adding up the amounts of the forms "Financial Statement of the Individual Beneficiary" of each beneficiary, so that it will constitute the total costs and income of the project. The contribution from the CB is calculated automatically by deducting the "EU-contribution (received and expected)", the "Contribution from the associated beneficiaries", "Other sources of funding" and "Direct project income" from the "total real costs with non-recoverable VAT".
53. The "Consolidated Cost Statement for the project" should always be in balance between costs and income. If the warning "Budget MUST be in balance" appears, you should contact the LIFE monitor for advice before submitting the report to the Commission.
54. With regard to the 2% rule, the CB must examine whether the public bodies overall respect the 2% rule or not, by summarizing the financial statement from all the public bodies of the project. For details on the 2% rule, please consult the CP. The warning "2% rule may not be respected for public bodies" will appear if the box "public body" is ticked in one or more individual beneficiary cost statements and if the contribution of the public beneficiaries + 2% is below the total reported costs for permanent

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personnel. If this warning appears, you should contact the LIFE monitor for advice before submitting the report to the Commission.

#### Model timesheet

55. Please be reminded that the time each employee spends working on the project shall be recorded and specified per day on a timely basis using timesheets or an equivalent time registration system established and certified regularly by the beneficiaries. General guidance on time registration is provided in the circular note on timesheets referred to on page 1.
56. However, the model timesheet included in the excel work book and which is available on the LIFE web site, is not a mandatory form, but only a model that beneficiaries can use as inspiration to develop their own master timesheet if they do not have any timesheets or if their existing time sheets/time registration system does not comply with the requirements of the Common Provisions and the aforementioned circular note.
57. If the existing time sheets/time registration system does comply with the requirements of the Common Provisions and the aforementioned circular note it is not necessary to transpose these registrations to the model timesheet and it does not make the time registration records more correct.
58. It should be stressed it is a model which has to be adapted to the specific needs of each beneficiary to become their master timesheet. For example the number of project and project actions in the model timesheets are only examples and can be deleted, changed and/or increased according to the situation of each beneficiary or if the situation of the beneficiary changes during the course of the project, e.g. finalize old projects or start new projects.
59. If beneficiaries are involved in more than one LIFE project the beneficiary should develop a master timesheet per employee, where he or she registers the time worked on all projects and activities, i.e. one timesheet per employee and not a timesheet per employee per project. This will prevent the same time being allocated to two or more projects/activities, so any double counting is avoided.
60. Ideally only one time sheet is printed, signed and validated; if the employee is involved in more than one project, one timesheet may be validated by more than one supervisor and projects may have to keep copies of the timesheets in their project file. However, if supervisors are in different locations, several versions of the timesheets may be printed for validation purposes.

