



# Financial Guidelines for EDCTP Grants April 2011

## Background

These financial guidelines set out EDCTP policies in regards to the accounting for and reporting on EDCTP funding for the budget and periodic financial reports as well as what constitutes eligible expenditure and the allowable forms of cofunding. Grantees are expected to adhere to these financial guidelines closely and discuss any areas which they are unclear about directly with the Grants Financial Assistant assigned to their project. These Financial Guidelines shall be included as part of the grant agreement as Annex E. It is the responsibility of the project coordinator (PC) to make sure that each project collaborator and their finance departments are passed a copy of these financial guidelines and complies with them.

## Different types of donor cofunding to grantee

### Cash paid through EDCTP

This is the simplest way to cofund through EDCTP and involves EDCTP applying a donor's funds to a project which they agree their funding to be used on. EDCTP finance department will allocate the money to sites in line with any donor preferences or requirements. These funds are audited by EDCTP auditors in the same way as EDCTP's own funds.

### Cash paid directly to the grantee

Sometimes a donor will provide funding directly to one or more of the institutes involved in the project. The PC will need to ensure that the EDCTP has been provided with an authorised signed letter on headed paper from the donor organisation which verifies the amount of money they will be providing to the project. No periodic update is required as EDCTP will accept the letter as prima facie evidence this sum will be provided without further questions. The annual certificate from the member state will also include these values as a second confirming verification.

### In-kind contributions to the grantee

In-kind contributions from a donor to a project must be evidenced by completing the blue budget forms on the EDCTP standard budget sheet and then supporting this with a signed letter from the donor Institution. Where additional in-kind cofunding is provided during the course of the grant, then a signed letter from the donor which clearly states the additional separate types of in-kind contribution and the associated value of each type, is acceptable evidence and the blue form does not have to be re completed in respect of this additional cofunding. These contributions will only be considered if they have arisen wholly, exclusively and specifically in relation to the cofunded project. They shall not be considered eligible if the cost or expenditure arising is a pre-existing cost not being used in connection with the project (i.e. a general contribution to the running costs of the organisation) or their use is at the management discretion of the donor i.e. can be used on purposes other than the cofunded project.

Third party in-kind cofunding should be similarly confirmed by receipt of a signed letter from the donor set out as mentioned above,, where these include free clinical supplies, drugs, vaccines, medicines or equipment are made available then these should to be valued by the donor in the letter so that EDCTP can record their contribution to the grant.

### Funds audited by EDCTP auditors

EDCTP auditors only audit those amounts of funding which are quoted in the grant agreement, these do not include direct or in-kind funds which are the audit responsibility of the donor institution.

### Changes to levels of cofunding for a grant

Where during the course of the grant the amounts of cofunding changes then it is the responsibility of the PC to inform EDCTP about this at the end of the grant and to provide new letters attesting to the amended amounts.



Where cofunding which the grantee had counted on in being able to carry out their trial and had included in the application to EDCTP does not materialize either during the course of budget negotiations or after the contract has been signed, then EDCTP is in no way responsible for covering this funding deficit

### **Financial records**

All financial documents relating to the use of EDCTP funding should be held for a minimum period of 6 years from the date of the invoice or expenditure. EDCTP or its agents reserve the right to audit a project up to 5 years after the official end date.

### **Budget format**

For each grant with a value in excess of €500,000 a standard EDCTP budget form should be completed and forwarded with the final grant proposal for review by the finance department. Following this review, further information substantiating costs may be required or the amounts requested reduced. EDCTP budget forms can be downloaded from the [EDCTP website](#) . In order to ensure a balanced approach to the use of funding EDCTP sets maximum percentages which categories may use up of the budget – these are detailed on the budget form. In particular EDCTP does not encourage non essential or excessive overseas travel, in order to ensure that resources are being allocated to the most essential areas of a grant such as capacity building.

Where grants do not exceed €500,000 then the applicant may submit a budget in their own format.

Separate (yellow) budget sheets should be completed for the project coordinator and each separate project collaborator. Prior to signing the grant signed copies of each of the yellow budget sheets must be sent to EDCTP along with copies of the letters of cofunding. A summary sheet at the end of the EDCTP standard budget workbook totals all of the figures and indicates how much of the funding is provided by EDCTP versus member states and third party cofunding and also the particular type of cofunding.

Separate instructions on how to complete the budget and annual reporting forms are downloadable from the website. Please note that for the annual financial reports the 'actual costs' (incurred on a cash basis), per year of the final budget form should be entered.

EDCTP shall pay for costs specified in the budget as agreed when the contract is signed. Cost items not identified in the budget may not be substituted or inserted into subsequent annual financial statement if not already specified in the agreed budget, unless this has been raised by the Project coordinator in writing with EDCTP finance department and agreed to beforehand.

### **Criteria for eligible costs**

Only eligible costs may be entered on the budget and in the annual financial statement, these eligible costs must satisfy the following general criteria:

- They must be incurred by the Grantee.
- They must be directly concerned with the grant (see below).
- They must be necessary for performance of the grant covered by the contract.
- They must be reasonable and justified and accord with the principles of sound financial management, in particular in terms of value for money and cost effectiveness.
- They must be generated during the lifetime of the grant only. Any costs incurred before the last signature of the contract or after the expiry date will not be eligible except for costs incurred in drawing up the final reports which may be incurred during the period of up to 45 days after the end of the project or date of termination whichever is the earlier; please note this includes the cost of obtaining an audit certificate for each site receiving over €250,000 over the life of the grant Please note that it is strictly prohibited to buy items and consumables just to use up spare money left over at the end of a grant in order to use for other projects or work after the end of the EDCTP grant. This typically happens mostly, but not exclusively, in relation to lab consumables .Any grantee found to have done this will be required to reimburse EDCTP for the costs of such expenditure.
- They must be actually incurred by the Grantee and recorded in their accounts and tax documents so as to be readily identifiable and verifiable.



## Eligible Direct costs

Direct costs are the costs of a project that can be clearly identified and specifically related to a particular grant.

In particular the following direct costs are eligible:

- Costs of staff assigned to the grant comprising actual salaries plus social security charges and other statutory costs included in the remuneration provided that this does not exceed the rates corresponding to the Grantee Institution's usual policy on basic remuneration for their particular job and grade. Please note that EDCTP can pay salary top ups to locally employed staff at African public institutions only, where that person's total remuneration from their institution inclusive of all other salary supplements being paid by other donors does not exceed Euro 3,000 per month; the budget form requires the amount requested to be clearly shown along with other supplements (if any) already being received by the staff member concerned and their basic gross salary..
- Under no circumstances are EDCTP funds to be used for loans or salary advances to staff.
- Travel and subsistence allowances for the staff taking part in the grant provided that they are in line with the Grantee's normal policy on such costs for staff traveling excluding any business class tickets.
- The purchase costs of equipment (new or second-hand) purchased by the Grantee, provided that the equipment remains on the premises of the Grantee for the duration and after the completion of the grant. Please note this legally remains the property of EDCTP (see below).
- Costs of consumables and supplies, provided that they are identifiable and assigned to the grant.
- Costs entailed by subcontracts awarded by the Grantee for the purposes of carrying out the grant, provided it has been awarded to the bid offering best-value for money following a transparent and equal treatment of potential subcontractors taking care in avoiding any conflict of interest.
- Costs of obtaining an audit certificate within 45 days of the end of the grant for any grant site which exceeds 250,000 Euro, (an audit certificate being required for each separate site which receives over this amount).
- Clinical trial indemnity, unless paid for by the Sponsor, and clinical trials regulatory costs.

## Period of first and last financial report

The first financial report is due on the anniversary of the date of the signing of the grant, which means that the first and all subsequent financial reports except the last one, will cover a period of 12 months each i.e. from the last signing date of the contract "the effective date" up to the following anniversaries. The last period will normally be less than 12 months as it runs from the last anniversary until the end date of the grant. However where a no cost extension has been agreed with EDCTP then the period of the last financial report will be extended by the period of the no cost extension up to a maximum of 18 months – if this period exceeds 18 months then an extra annual financial report will be required and EDCTP will include a new column for this on the annual financial reporting sheets.

## Release of funds from EDCTP after each financial report

EDCTP will make a first disbursement on signing the contract equal to the first one and a half years projected budget less the 10% that is with held at the end of the project; this is to ensure that the grant does not run into cashflow difficulties if there is a delay in getting the subsequent annual technical or financial reports approved. Thereafter, the subsequent annual payments will be based on the next year projected budget spend adjusted for the clawback of the extra half years payment included in the first payment. 10% of the value of the grant will be held back by EDCTP until the last annual technical and financial reports have been received.

Where a grantee has underspent on the annual financial report compared to the budget, on a cumulative basis as at the date of the annual financial report by more than 30% , then the amount of the payment due at that time may be reduced; this is to stop excess funds building up at the grantee. Where such action is deemed necessary by EDCTP a revised disbursement plan will be forwarded to the Grantee showing them an amended payment schedule equaling 100% of the grant value by the end date of the grant.



## Tendering

All goods or services with a separate value exceeding €50,000 shall be required to be put out to tender in the case of a contract. For subcontracts the threshold for tendering is any contract value exceeding €193,000 (this amount is based on the EC tendering guidelines) This means that, depending on the size and nature of the subcontract, the procedure may take different forms ranging from the simplest to more complex (e.g. negotiated, restricted; open; competition). In a very simplified procedure, usually three different offers have to be received and evaluated against common established criteria, to ensure that each of them is treated fairly. Tenders must be awarded on transparent grounds to the best bid taking into consideration price and quality and following any national legislation in force. In the case where the cheapest bid is not the accepted bid then the reasons why this has not been accepted need to be clearly recorded in writing and signed by the PC or collaborator and the Head of Finance at the site and made available at the time of any audit.

## Overhead costs

All grantees are required to observe the EDCTP rates on overheads for grants (10% on all costs) and in no circumstances to apply the overhead rates of their own organisation. The overheads are intended to cover administrative and support costs plus bench fees, and all other internal recharges.

Where a grantee requests less overhead to accommodate more direct costs this can be accommodated in the contract budget at their request down to zero % if required.

## Ineligible costs

The following costs shall be considered as ineligible:

- Debt and debt service charges
- Costs incurred by the Grantee before the effective date (signing date) i.e. any backdated costs and/or costs incurred after the end date of the grant **except for those required to draw up the final reports which have an extra period of 45 days from the end date of the grant, this includes the cost of audit**
- Provisions for losses or potential future liabilities
- Other interest owed
- Doubtful debts
- Exchange losses
- Fiscal deductions from funding sent by EDCTP to the Grantee whether by the government of the country of the Grantee or any other body
- Costs declared by the Grantee within another grant or work programme receiving an EDCTP Grant
- Legal or financial compensation arising from accident or loss in respect of any travel paid for in an EDCTP grant
- Excessive or reckless expenditure
- Business or first-class travel expenses
- Loans
- Expenditures not included in the final approved budget
- Salary top-ups for staff at European institutions,
- Any costs which are proven to be fraudulent

## Determination of Final Grant

1. The total amount paid to the Grantee by EDCTP may not, in any circumstances, exceed the maximum amount of the grant as laid out in the budget to the contract.
2. The grant may not in any circumstances produce a profit for the Grantee. Profit shall mean any surplus in actual receipts over the eligible costs when the request for the final payment is made. Where eligible costs over the life of the grant are less than the amount awarded in the contract, then the excess will be deducted from the final payment or if necessary, by requesting the Grantee to repay the amounts overpaid if the total amount already paid by EDCTP exceeds the final amount which is actually due.
3. Non-eligible costs shall always be covered by non- EDCTP resources; any ineligible costs discovered shall result in a corresponding reduction by EDCTP of the grant, and may therefore result in (part) recovery of already transferred amounts



4. Interest earned on the funds received from EDCTP, by the Project Coordinator only, must always be declared on the annual financial reports and used exclusively on the project; where this exceeds 1% cumulatively of the gross value of the grant then this may be deducted from the subsequent payments which EDCTP makes to the grantee. The purpose of this is to discourage slow disbursement by the Project coordinators and not to produce a profit on the grant which is strictly prohibited.
5. At the end of the grant and accompanying the final financial report sent to EDCTP, a foreign exchange translation form will be sent to each site on a grant which has actually spent over €300,000 by the end of the grant, and is located in a non Euro zone country. The aim of this form will be to reconcile the amounts held in the local currency bank account back to the Euro amounts quoted as expenditure on the annual financial reports. Where foreign exchange gains exceed 1% of the actual value of EDCTP cash funding spent by that site, this gain will be deducted from the final disbursement by EDCTP. Any foreign exchange losses are not reclaimable from EDCTP and the value of the final payment cannot exceed the grant value quoted in the contract.

### **Authorised expenditure and cheque signatories**

The grantee should ensure that all expenditures are authorised and approved in line with the normal institutions regulations. In particular cheque signatories to EDCTP funds should only be those people normally authorised to sign cheques under the coordinator or collaborator institutions' internal regulations.

### **Viring of funds**

Grantees may transfer budgeted amounts between expenditure lines with the prior written permission of EDCTP finance department (subject to the constraints regarding the final financial report as stated below). Formal requests from grantees to alter budgets must be on Institutional letterhead and signed by the PC and can only be made once per year immediately after the annual financial report or no cost extension budget is approved.

### **Prevention of double dipping and clear identification of EDCTP funded invoices**

All invoices which are charged to an EDCTP grant must clearly bear a cost centre or other means of identification which is used at the grantee institution to determine which donor a particular cost is to be charged to. This is to allow the EDCTP auditor to easily trace expenditures back to the source documentation and to prevent the risk of double dipping whereby the same invoice can be charged to different donors.

### **Carrying forward of unused balances**

Under-spent funds may be carried forward from one year to another over the course of the grant but not after the end date of the grant unless a no cost extension has been agreed.

### **Adjustment of grant payment profile where a grant significantly underspends compared to budget**

Where a grant significantly underspends compared to the budget at the time of an annual financial report, (usually as a result of delayed progress) EDCTP reserves the right to amend the payment profile over the remaining life of the grant. This is to avoid building up unnecessarily large cash balances at grantees which increases risk for EDCTP. The grantee will be notified in writing by the EDCTP finance department about the new payment profile.

### **Overspending compared to budget at a Coordinating or collaborating site**

Where any site on a grant overspends compared to the budget at the end of the grant, DCTP will not refund any more than the maximum amount as per the agreed budget for the site. **Excess spending at the end of the grant at one site cannot be aggregated with under spending at another collaborator or coordinator site.** The excess will be treated as supplementary in-kind cofunding to the project in the final year of the project.



## Foreign exchange fluctuations

**Where possible, grantees are strongly advised to open a Euro bank account – this is mandatory where the Project coordinator is involved and has to make onward disbursements to other collaborators in Euro, if this is not possible then EDCTP will make the payments directly to the collaborators on the PC behalf.** This is to guard against a foreign exchange risk of a devaluation of the local currency against the Euro.

It is the responsibility of the Grantee to insure against any exchange rate movements between the Euro and the currency of the recipient bank account.

## Investment of Grant Funds

All unspent or uncommitted grant funds must be deposited in an interest-bearing bank account with the primary objective of preservation of principal so that they remain available for the funding of the project. Any interest or other income generated by the grant funds, including currency conversion gains, must be applied to the research purposes of the project.

Investing EDCTP funding in any non callable deposit accounts or in any type of options, futures, swap, stocks or fund or other investment vehicle is strictly prohibited.

## Exchange controls & Disbursement of funds from EDCTP

EDCTP will pay grants in Euro (which can be converted into local currency if necessary by the receiving bank) to the Project Coordinator (PC) who is then responsible for making all further disbursements to the collaborators, also in Euro and without any deductions from the original budget. Onward disbursements to the project collaborators must be made within 3 months of the receipt of funds by the PC from EDCTP – if this has not been done then the PC must write to EDCTP explaining why this has not occurred. It is not the intention to build up large cash balances at the PC institute and expects quick and efficient onward distribution of funds to the collaborators.

However, EDCTP can be flexible in how the grant disbursements are made where exchange controls or government deductions would lead to difficulties in making disbursements to the collaborators on a project. In this case the Project coordinator will have the option of requesting that EDCTP pays directly to the collaborators. The responsibilities for reporting will always stay with the Project coordinator irrespective of which party to the grant is making the payments.

## Separate or sub bank account

Grant recipients are required, to open a separate or sub bank accounts for EDCTP grant funds so that auditors can easily trace the movement of funds through the accounts and back to the accounting statements, this also helps the grantee to reconcile the EDCTP funds at each month end and produce the annual financial report. The name of the account should include the name of EDCTP and the grant in abbreviated form. The details of the account are to be clearly stated in the contract. A bank reconciliation should be made monthly between the expenditure reports and the movement on the EDCTP bank account and reviewed/signed off by the Head of Finance and/or the PC.

## Financial report

- For each grant there is one Project coordinator (PC) who is responsible for filing the annual and final financial report which includes sheets for all collaborators on the project.
- The annual financial statements are incorporated into the budget sheets in the EDCTP standard report format except for grants below €500,000 where the report can follow the layout of the budget submitted.
- The annual financial statement submitted should be completed on cash accounting basis and not an accruals basis.
- All figures quoted on the financial statement should be in Euros. Where funds are held in a Euro account and used to pay local expenses in a different currency any conversion of actual costs into Euro shall be made at the monthly accounting rate established by the European Commission and published on its website [ECB: Euro foreign exchange reference rates](#) for the month the expenditures are incurred in. Where the funds received are converted immediately into a different currency and then held on deposit in that currency, the rate at which the funds were converted from Euro into that currency will be the



exchange rate which can be used for the purposes of financial reporting up until the time when a new tranche of funds are received and converted at a new rate which then becomes the prevailing exchange rate using a weighted average calculation between the remaining amounts from previous disbursements and the new tranche. At the end of the grant a foreign currency reconciliation form will be forwarded by the EDCTP finance department to the PC of a grant which needs to be completed for each site on the grant which has spent in excess of €300,000 of EDCTP cash funding, and which holds the funding in a non Euro currency. This form must be supported by a copy of the last bank statement of the account which shows the closing cash balance of EDCTP funds in the local currency. The bank statement must be initialled by the Chief Financial Officer of the site in question. The final grant disbursements cannot be made until these sheets have been received for all sites on a grant which receive over €300,000 of cash funding each. The purpose of this form is to identify where sites have made a windfall foreign exchange gain from an EDCTP grant which is ineligible and will be adjusted for in the final payment. Gains of up to 1% of the value of the actual expenditure per site will not be adjusted for. Exchange gains and losses cannot be aggregated across sites.

- The annual and final financial reports must be signed by the PC and/or collaborator and the Head of Finance for each of the respective institutions which are party to the grant. This should be e-mailed to the EDCTP finance department as a scanned PDF.
- Annual and final financial reports will only be reviewed where each of the sites to the grant has submitted a financial return. Partial returns i.e. where some sites involved in the grant, have failed to complete a financial report, will not be reviewed by EDCTP finance department.
- A commentary sheet explaining significant variances between the actual costs for the period and the budget should accompany the annual financial report. Original audit reports at the end of the grant must be couriered for the attention of the Director of Finance and Administration at EDCTP, Laan van Nieuw Oost Indië 334, 2593 CE Den Haag, The Netherlands. Audits must be completed within 45 days of the end of the grant.
- Costs must be actually incurred (real costs). That is they must be real and not estimated, budgeted or imputed. They must be recorded in the accounts or tax documents and be identifiable and controllable. This rule ensures that fictitious costs are avoided such as internal invoices, subjective estimations or opportunity costs.

## **VAT**

All expenditure should include irrecoverable VAT (sales tax) only; where the institution can recover VAT on expenditure this should not be included in the annual financial report, otherwise the Institute will be reimbursed for costs twice which is not allowable.

## **Financial audit certificates at the end of a grant**

For grants over the value of €250,000, an audit certificate for each institution that is involved as Project coordinator or collaborator is required at the end of the grant only to support the final financial return (covering the whole period of the grant) and to receive the final payment. Grantees should expect interim audit visits from EDCTP auditors and/or the European Commission or their agents.

In the event of unsatisfactory results of financial audit EDCTP retains the right to suspend any further payments under the grant, until the matter has been resolved or the grant is terminated in which case action may be taken to recover funds already paid.

## **Charging of staff hours**

The EDCTP budget form includes a column for indicating what percentage of an individual staff member time is being spent on the project. As such, a reliable means of recording staff time per project should be kept available for inspection by auditors, which substantiate the amount of time each person is working on the project.

It is essential that no person included in the budget form is being charged out at more than 100% of their



available time across all projects they are working on, personnel costs should only be charged from when the staff member is in post which is not necessarily the same date as the start of the project.

### **Other financial resources**

EDCTP welcomes and encourages cofunding from other organisations on research projects which it funds and the PC must inform EDCTP when such cofunding has been secured.

It is very important that EDCTP expenditure items are correctly and separately identifiable (ringfenced) from the costs incurred and funded out of the other donor funding. This is to ensure that there is no risk that any of the budgeted expenditure items from the EDCTP application are being reported and paid for twice by the EDCTP and other donor(s). Where such multiple funding exists on a project it should be discussed with the EDCTP Director of Finance and Administration on how best to manage the situation across the project so as to minimize this risk. Typically this can be by allocating EDCTP funding to separate sites involved in the project and then funding the other site(s) from other donor funds.

### **Use of assets and capital equipment**

At the end of the project the equipment bought with EDCTP funding will stay at the Institute it was bought for however EDCTP reserves the right to reallocate it for use on another EDCTP funded project which is being undertaken at the same site. Grantees are expected to maintain and take good care of all EDCTP capital items in the same way that they do for items bought from their own core funding. In addition, all assets with an individual value of over €5,000 (plus all laptops and pc's) should be clearly labeled with the provided EDCTP stickers, the equipment should be insured and listed separately in a register at the institute which can be audited.

It is expressly prohibited for any vehicles or motorcycles bought using EDCTP funding to be used for any private use, the vehicles and motorcycles must only be used for the specific purposes of the project and parked on secure institute car parks when not in use at the weekend or in the evening time.

EDCTP finance department has stickers which will be sent to the PC after signing the contract, to be disbursed amongst the sites carrying out the study and which should be attached to the equipment so that it is clearly identifiable.

Please note that after 6 years for vehicles, 4 years for motorcycles and 2 years for computers, the equipment is deemed to have exhausted its useful economic life and therefore will automatically become the property of the grantee and not transferable to a new project if it is this age before the new project begins. Please note that EDCTP only buys cars for large clinical trial grants and prefers that for shorter term grants transport is hired or provided by using a pool vehicle.

### **No-cost extensions**

No-cost extensions are only granted under exceptional circumstances and at the sole discretion of the EDCTP management. Where a PC wishes to apply for extra time to complete the study then with the approval of the EDCTP ED this can be granted on the conditions that no additional funding will be made available by EDCTP and that the request for the no-cost extension is made at least nine months prior to the scheduled end date for the project. After EDCTP has approved a NCE the PC will be notified in writing and informed that the NCE is subject to agreement of the revised budget detailing how funds will be used over the period of that extension. This budget must be accepted by EDCTP finance department before the NCE can be granted.

EDCTP will not permit no-cost extensions in circumstances where the project has or expects to have unused funds left over as at the original end date and is requesting a NCE simply to use up the remaining funds. Additionally there will be strict conditions in any agreed NCE governing the final levels of salary costs over the NCE, which should not exceed the amount in the original budget. Virement of funds from sites in sub-Saharan Africa to Europe is not permitted.

It may be necessary depending upon the length of the NCE granted to add an extra annual financial report and/or to change the dates of the outstanding payments– EDCTP finance department will inform the PC about this.