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EDCTP Fellowship Grants Financial Reporting

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Neodia Flores-Mensing | EDCTP Grants Finance Officers



■ Financial Reporting - EDCTP Fellowship Grants

Outline

- Understanding the EDCTP2 Grant Agreement
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 - Types of costs
 - General eligibility conditions of costs
 - Main cost categories
- Anatomy of the financial report
 - Periodic financial report
 - Final financial report
- Financial report review to finalisation
- Questions

■ Understanding the EDCTP2 Grant Agreement

Grant Agreement key points

- **Mono-beneficiary Grant Agreement** - EDCTP and fellow's organisation (legal entity) signed the grant agreement (for SFPs, the organisation of the senior fellow only)
- **Duration and starting date of the action(Art. 3)**
- **Grant amount (Art.5.1)**- is the 'maximum grant amount' for the action approved by the EDCTP Association Board and is the total estimated eligible costs of the action

❖ **Final grant amount**

depends on the **actual** eligible expenditures limited to the maximum grant amount stated in Art. 5.1.

- **Pre-financing payment (Art. 21.2)** - The aim is to provide the beneficiaries with a float

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Grant Agreement key points

- **Budget transfers (Art. 4.2)** – Budgets may be transferred between budget categories — without requesting an amendment (unless if Annex 1 is going to be significantly changed or when adding subcontracting costs).
- **Reporting periods (Art. 20.2)** Each project is divided into reporting periods. The length each reporting period is 12 months by default. This can vary depending on the project duration (will usually be agreed beforehand if the action duration (in months) is not divisible by 12).
- **Receipts and no-profit rule (Art. 5.3.3)** – total receipts to be declared to EDCTP in the final report.

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Forms of costs

Forms of costs	Cost categories
Actual costs	Direct personnel costs
	Other direct costs - Travel
	Other direct costs - Equipment
	Other direct costs – Other goods and services
	Direct subcontracting costs
Unit costs	Direct personnel costs (with restrictions)
	Other direct costs (only internally invoiced goods & services)
	Specific costs categories (with restrictions)
Flat-rate costs	Indirect costs

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Types of costs

1. Direct Costs -

specific costs directly linked to the performance of the action and which can therefore be directly booked to it.

- Either costs that have been caused in full by the activities of the action; or
 - costs that have been caused in full by the activities of several actions (projects), the attribution of which to a single action can, and has been, directly measured (i.e. not attributed indirectly via an allocation key, a cost driver or a proxy).
- ❖ The beneficiaries must be able to show (with records and supporting evidence) the link to the action.

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Types of costs

2. Indirect Costs -

- costs which cannot be identified as specific costs directly linked to the performance of the action. In practice, they are costs whose link to the action can NOT be (or has not been) measured directly, but only by means of cost drivers or a proxy (i.e. parameters that apportion the total indirect costs (overheads) among the different activities of the beneficiary).
- Beneficiary's usual accounting practices should be considered in categorizing a cost to be either indirect or direct.
- No need of supporting evidence. A flat-rate of 25% of direct costs (minus Subcontracting costs) is automatically provided.

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Types of costs

3. Ineligible Costs -

- do not meet the general and specific eligibility conditions as set out in Articles 6.1 to 6.4 of the Grant Agreement.
- Examples:
 - Costs incurred before or after the effective date of the grant agreement (the generating event that triggers the costs must take place during the action duration)
 - Currency exchange losses
 - Costs declared by the beneficiary within another grant or work programme receiving an EDCTP Grant
 - Deductible/recoverable VAT (sales tax)
 - Costs incurred during the suspension of the implementation of the project
 - Excessive or reckless expenditure
 - Any costs which are proven to be fraudulent

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General eligibility conditions of actual costs

Actual costs are actually incurred, identifiable and verifiable, and recorded in the accounts. This form of costs is acceptable in all categories of costs, except for indirect costs.

Eligibility conditions of Actual costs:

- actually incurred by the beneficiary, i.e. real (not estimated, budgeted or imputed) and definitively and genuinely borne by the beneficiary and not by any other entity;
- incurred during the action duration (i.e. the generating event that triggers the costs must take place during the period set out in Article 3 of the GA);

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General eligibility conditions of actual costs

- entered as eligible costs in the estimated budget of the action, under the relevant budget category (see Annex 2);
- connected to the action as described in Annex 1 (i.e. necessary to achieve the action's objectives);
- identifiable and verifiable (i.e. come directly from the beneficiary's accounts (be directly reconcilable with them) and supported by documentation);
- in compliance with applicable national laws on taxes, labour and social security; and
- reasonable, justified and must comply with the principles of sound financial management, in particular regarding economy and efficiency (i.e. be in line with good housekeeping practice when spending public money and not be excessive)

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Eligibility of flat-rate costs

Flat-rate costs are calculated by applying a flat rate to certain costs. In EDCTP Grant Agreements, indirect costs are declared as a 25% fixed flat-rate of the eligible direct costs (excluding Subcontracting costs).

Eligibility flat-rate costs:

- beneficiaries must be able to show (with records and supporting evidence) that the costs to which the flat-rate is applied are eligible (the actual indirect costs are not relevant).

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Main cost categories

1. Personnel Costs

- related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and assigned to the project (A.1).
- limited to basic remuneration:
 - salaries (including during parental leave)
 - social security contributions
 - taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act)
- for non-profit legal entities: the additional remuneration for personnel that worked on the action

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Main cost categories

Personnel costs - **specifically for SFP Grants** – Trainee Fellow should be seconded

- Refer to Art. 6.A.3 of the GA - costs of personnel seconded by a third party (Trainee Fellow's organisation) against payment
- 'Seconded' means the temporary transfer of personnel from a third party to the beneficiary. The seconded person is still paid and employed by the third party, but works for the beneficiary. He or she is at the disposal of the beneficiary.
- Secondments should be formalized via a secondment agreement. The secondment agreement has to detail the conditions of secondment (tasks, payment (or not) from one entity to the other, duration of the secondment, **location**, etc.).
- The third party and their contributions must be set out in Annex

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Main cost categories

- Timesheets
 - Monthly timesheets (or another evidence establishing eligibility of incurred personnel costs) are required for employees working part-time, approved by supervisor
 - Do not prepare a separate timesheet for each project (one timesheet per person –this would show 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)
 - For full time staff, no need for timesheet but a written declaration of 100% FTE exclusively for the project every reporting period (Annex 3 to the EDCTP Financial Guidelines)

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Main cost categories

2. Other direct costs

- **Travel costs** and related subsistence allowances - includes related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary
 - must be declared as actual costs -fulfil the general conditions for actual costs to be eligible
 - All travel costs must be limited to the needs of the action
 - they must be adequately recorded
 - in line with the beneficiary's usual practices on travel

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Main cost categories

Other direct costs

— Equipment

EDCTP's work programme does not have the option to reimburse the full purchase costs of equipment, only the applicable **depreciation costs**. The costs must be supported by:

- Proper registration in the assets' register
- Evidence of actual use for the action
- Adequate calculation of potential use (total productive time)
- Adequate calculation of the useful economic life of the asset
- Evidence that depreciation is calculated in line with the beneficiary's usual accounting principles and the applicable accounting standards.

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Main cost categories

Other direct costs

- **Other goods and services** covers the costs for goods and services that were purchased for the action (or contributed in-kind against payment).

Examples:

- consumables and supplies
 - dissemination costs
 - translation costs
- ❖ If it is the beneficiary's usual accounting practice to consider some of these costs (or all of them) as indirect costs, they should not be declared as direct costs (seen as indirect costs and covered by the 25 % flat rate).

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Main cost categories

3. Subcontracting

- Usually described in Annex 1 (i.e. proposal) as ACTION TASK
- Follow own organizational award procedure; documents should be kept for audit trail
- Ensure best value for money (the award of the subcontract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment).
- Ensure no conflict of interest
- ❖ New subcontracts — The transfer of budget intended to increase the eligible costs for 'subcontracting' is considered to reflect a significant change of Annex 1 and normally requires an amendment (unless the beneficiary uses the simplified approval procedure without formal amendment)

■ Understanding the EDCTP2 Grant Agreement

Direct costs - Special rules

Special rules (1):

- Costs related to drafting and submitting the periodic report for the last reporting period and the final report (including costs of certificates of financial statements required by the GA) are eligible even if they are incurred after the action duration
- Travel costs for the kick-off meeting even if the first leg of the journey takes place before the action starting date may be eligible, if the meeting is held during the action duration
- Costs related to preparing, submitting and negotiating the proposals cannot be declared as eligible for the action (they are incurred before the action starts).
- Recruitment costs are generally NOT eligible as direct costs, because the beneficiary is required to have the necessary human resources to implement the action.

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Direct costs - Special rules

Special rules (2):

- Costs for students, PhDs and other researchers under scholarship, internship or similar agreements (not employees) — Costs of students that work for the beneficiary can be accepted, if the agreement is work-oriented (PhD agreements will be considered work-oriented.) Fellowships/scholarships/stipends — Can be charged to the action (as **personnel costs**), if they fulfil the conditions set out Article 6.1 and 6.2.A.2, and in particular:
 - the remuneration complies with the application national law on taxes, labour and social security
 - the assignment of tasks respects the laws in force in the country of the beneficiary
 - the students have the necessary qualifications to carry out the tasks allocated to them under the action.
- Cost for exemptions from academic fees — The fees (or part of them) are eligible as **personnel cost**, if the student's contract includes the amount of waived fees as part of his/her remuneration. The other conditions set out in Article 6 have to be fulfilled as well (e.g. the full remuneration, included the value of the waived fees, must be recorded in the university's accounts).

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Direct costs - Special rules

Special rules (3):

- Costs of services or equipment supplied to a beneficiary may be invoiced and paid after the action is completed, if the services or equipment were used by the beneficiary during the action duration (the debt (and invoice) exists, and the final cost is known)
- Costs of services or equipment supplied to a beneficiary may be invoiced and paid after the action is completed, if the services or equipment were used by the beneficiary during the action duration (the debt (and invoice) exists, and the final cost is known)

■ Financial Reporting

Anatomy of the Financial Report:

- Explanation of the use of resources (UoR) – where the details of the costs incurred are provided by the grantee
 - Financial statement (Annex 4) – contains the high-level summary of the incurred costs for the period including the indirect costs. This document has to be signed and submitted
 - Certificate of truth, accuracy and completeness of the EDCTP project financial report (Annex 6 of the Financial Guidelines) – needs to be signed and submitted
- ❖ You will be asked to download the Financial Report template in EDCTPGrants Financial Reporting page. The excel template includes the UoR and Annex 4. All you need to complete is the 'Grant Reference' and 'UoR' tabs

Financial Reporting

EDCTPGrants 'Financial Reporting' page

Periodic Report - V1

54.5% complete

✓ Guidance

✗ Periodic report of the action

✗ Technical reporting

Financial reporting

Validation summary

Grants - Progress Reports - Edit

Financial reporting

PreviousNextCancelSave And PrintSave And Close

Individual financial statements (Explanations on use of resources (UoR) and Annex 4 to the GA) must be filled in by each beneficiary and by linked third parties that receives funding. The Financial Statements should be accompanied by the Certificate of truth, accuracy, and completeness (CTAC) and must be sent to EDCTP as part of the periodic reports. If a beneficiary does not include related financial statement in a periodic report, the costs will be considered 'zero' for this reporting period but the beneficiary can declare its costs in the next financial report (for the next reporting period).

For multi-beneficiary grants, the consolidated financial report should be completed by the coordinating site by inserting all the costs per beneficiary to consolidate the total expenditure. A template is also available for this.

For further questions, please contact your Grants Finance Officer (or your Coordinator if you are a partner in an EDCTP-funded project consortium).

Templates:

For mono-beneficiary grant:
[Download Financial Report template – Mono-beneficiary grant](#)

For multi-beneficiary grant:
[Download Financial Report template \(individual beneficiary\) – Multi-beneficiary grants](#)

For coordinators of a multi-beneficiary grant:
[Download Consolidated financial report template – Multi-beneficiary grants](#)

Template for Certificate of truth, accuracy & completeness (CTAC):
[Download Template for Certificate of truth, accuracy & completeness \(CTAC\)](#)

Financial Reporting

EDCTPGrants 'Financial Reporting' page

Submission of the financial report:

Template for Certificate of truth, accuracy & completeness (CTAC):

[Download Template for Certificate of truth, accuracy & completeness \(CTAC\)](#)

Instructions in completing the financial statements are available for download here:

[Guide in completing the Financial Report template – Mono-beneficiary grant](#)

[Guide in completing the Financial Report template – Multi-beneficiary grant](#)

[Annex 7 Guideline for Financial Statements \(Annex4\)](#)

Upload Completed Financial reports ⓘ

Once completed, a zipped file containing the (Consolidated) Financial Report workbook (xls), signed Annex 4(s) (pdf) and signed CTAC(s) (pdf) must be uploaded here for submission. The zip file should not exceed 40MB.

IMPORTANT: The coordinator should submit the report only when the individual reports from all beneficiaries declaring costs are received, reviewed, and included in the Consolidated financial report template.

Upload Completed Financial report



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Financial Reporting

Financial Report - UoR

Report on Explanations on the use of resources

This report must be completed separately by each beneficiary

Project ref. number: TMA2019SF-XXXX

Acronym: SFPlus

Reporting period: 1

Beneficiary name: SF Organisation

Period covered: 01 XXX 202X -31 XXX 202X

I. Direct personnel costs

Direct personnel costs declared as actual costs

Description (include job title)	Associated Work Package	Person Months	Costs (€)
Total direct personnel costs declared as actual costs			-

Direct personnel costs - Use of in kind contribution from third party

Description (include 3rd party name)	Type	Associated Work Package	Foreseen in Annex 1 (Yes or No)	Explanation (if not foreseen in Annex 1)	Costs (€)
	Pls. select:		Pls. select:		
	Pls. select:		Pls. select:		
Total direct personnel costs - Use of in kind contribution against payment					-
Total direct personnel costs					-

II. Direct costs of subcontracting (Each subcontract must be shown separately in the table below)

Description	Associated Work Package	Foreseen in Annex 1 (Yes or No)	Explanation (if not foreseen in Annex 1)	Costs (€)
		Pls. select:		
		Pls. select:		
		Pls. select:		

■ Financial report review

Steps:

1. Report is submitted through EDCTPGrants portal
2. GFO is notified and receives the submitted report
3. GFO (in liaison with PO) contacts beneficiary through email for queries, additional information, adjustment recommendation
4. GFO forward the report for final review and approval
5. PO instructs the beneficiary to upload the final version of the report in EDCTPGrants
6. Approval of the report is communicated to the beneficiary
7. GFO initiates release of interim/final payment

■ Financial Reporting

Final Financial Report –additional requirements:

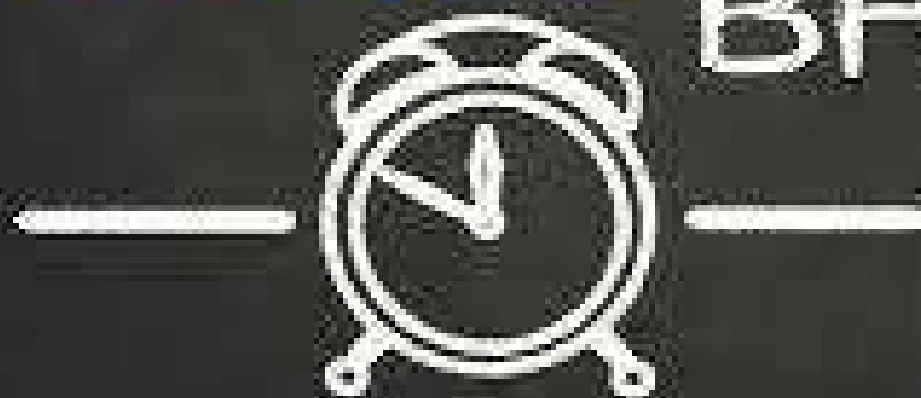
- Final financial statement (Annex 4) – GFO will usually add this as an additional tab to the report workbook – to be printed and duly signed by the beneficiary
- Have to declare receipts for the action (according to Art. 5.3.3) – the information is integrated into the Balance of Payment Request Form
- If the actual eligible direct costs are greater than or equal to EUR 325,000.-, a 'certificate on the financial statements' (link to the [CFS template](#) on EDCTP website)

■ Financial Reporting

Requirement before payment can be made:

- Interim Payment Request Form (if interim payment is due) - Amount will be determined after the financial report review. The GFO will provide the instructions once the report is (almost) ready for approval.
- Balance of Payment Request Form (final report) - Amount will be determined after the financial report review.

TIME FOR A
BREAK



■ Financial report review

Common issues & questions:

1. miscalculation of number of person months

Calculation of person months:

- = % effort x no of appointed months
- Example:
 - 50% effort for 8-month appointment = $.50 \times 8 = 4$
 - 30% for 10-month appointment = $0.3 \times 10 = 3$
 - 20% for 12-month appointment = $.2 \times 12 = 2.4$
- ❖ Record-keeping & burden of proof: The burden of proof for eligibility is on the beneficiaries. They must keep sufficient (persuasive) supporting documents (see Article 18 of your GA) to show that the person-months they declare are eligible

■ Financial report review

Common issues & questions:

2. not complying with Art. 20.6

Local currency conversion to EUR

Financial statements must be drafted in euro. Art. 20.6 of the GA provides instructions on how to convert the costs recorded in the beneficiary's accounts into euro.

- Beneficiaries with accounting established in a currency other than the euro must convert the costs recorded in their accounts into euro, at the average of the daily exchange rates published in the C series of the Official Journal of the European Union (https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html), calculated over the corresponding reporting period;
- If no daily euro exchange rate is published in the Official Journal of the European Union for the currency in question, they must be converted at the average of the monthly accounting rates published on the Commission's website (https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-inforeuro_en), calculated over the corresponding reporting period; and
- Beneficiaries with accounting established in euro must convert costs incurred in another currency into euro according to its usual accounting practices.

EC Website example

2.1 With the average rate published in the C series of EC website: GBP



EC Website example

2.2 If no daily euro exchange rate is published in the Official Journal of the EU, the currency must be converted at the average of the monthly accounting rates published on the Commission's website

Monthly rates

Direct access by currency (ISO code) or by country (geonomenclature)

2021 1

KES

KES

KES (Kenya)
Kenyan shilling

Decimal symbol

Download in table format

Download in CSV format

EUR/KES

Start date	End date	Currency	Rate	Equivalence
01/06/2022	30/06/2022	EUR/KES	123.8694	1 EUR is equal to 123.8694 KES
01/05/2022	31/05/2022	EUR/KES	123.8074	1 EUR is equal to 123.8074 KES
01/04/2022	30/04/2022	EUR/KES	126.3309	1 EUR is equal to 126.3309 KES
01/03/2022	31/03/2022	EUR/KES	129.03735	1 EUR is equal to 129.03735 KES
01/02/2022	28/02/2022	EUR/KES	128.25825	1 EUR is equal to 128.25825 KES
01/01/2022	31/01/2022	EUR/KES	128.1188	1 EUR is equal to 128.1188 KES
01/12/2021	31/12/2021	EUR/KES	126.1515	1 EUR is equal to 126.1515 KES
01/11/2021	30/11/2021	EUR/KES	129.10355	1 EUR is equal to 129.10355 KES
01/10/2021	31/10/2021	EUR/KES	129.2518	1 EUR is equal to 129.2518 KES
01/09/2021	30/09/2021	EUR/KES	128.8344	1 EUR is equal to 128.8344 KES

■ Financial report review

Common issues & questions:

3. not clear about interim and final payments

Payment schedule example:

Pre-financing - meant to be a float to start the project	75,000.00
Interim payments – released after approval of a periodic report and is calculated to replenish what was has been used from the float. The maximum amount for interim payment is the difference between the 90% of the grant amount and amounts already disbursed.	60,000.00
Final payment - 10% is released only after the final report is approved	15,000.00
Max. grant amount	150,000.00

■ Financial report review

Common issues & questions:

4. not clear about **Receipts** during the final reporting

Receipts and no-profit rule (Art. 5.3.3)

- If there is a receipt, it will be deducted from the final grant amount. The following are however **not** considered receipts:
 - Income generated by exploiting the action's results;
 - Financial contributions by third parties, if they may be used to cover costs other than the eligible costs; and
 - Financial contributions by third parties with no obligation to repay any amount unused at the end of the period set out in Article 3.

■ Financial report review

Common issues & questions:

4. Others (not exhaustive)

- Timesheets are either not prepared or are not sufficiently detailed, declaration statement not prepared for full-time employees.
- Charging the full cost of an asset in the year of purchase, no documented policy on accounting for the depreciation costs of capital equipment.
- Reporting bank charges as direct costs not related to distribution of funds to other beneficiaries.
- Including recoverable VAT, which is an ineligible cost, as a direct project expenditure.
- Indirect costs included in the UoR

■ Financial report review

Tips

- Avoid what was described as 'common issues'
- Be clear when providing description for each cost line (e.g. costs which are easily (mis)construed as indirect should be described properly as specific to project)
- Check the totals before submission of the completed report template
- Aggregate similar costs in one line (of the same nature, category, WP)
- Signed Annex 4 & CTAC may be submitted later to avoid delay of the report submission through EDCTPGrants
- Check the guidance documents and ask GFO for clarification if needed



Thank you very much for your attention.

Questions?

Pls contact:

flores@edctp.org

coloma@edctp.org

siddiqui@edctp.org

dixon@edctp.org