

COORDINATOR'S GUIDE TO EU PROJECT MANAGEMENT

FINANCIAL MANAGEMENT

Where does it all start? – At the budget development phase of proposal preparation.

If you prepare a good budget – a well-planned one - you will have an easy job during the implementation of your project.

Personnel costs calculation – the basis for the budget

1. Ask your partners to calculate with different staff categories. For instance, 40% of the time of a PhD student, 20% of a senior researcher, 30% of a research manager, 10% of a financial manager (minimum of two categories should be considered). Take into account their average monthly salaries, multiply with the % of their time estimated to be allocated for the project, and base your one average person month calculation on this.

AN EXAMPLE:

A project with 8 work packages
A university partner in Germany calculates PMs
A key partner in WP3 and WP4
36 months project period

Person 1: One senior researcher will be the main contact person and overlook all activities, 20% of his time is dedicated to the project in a year. She/ He will be mainly working in WP3 and WP4, but his time is also dedicated to WP1 and WP8.; 2,4 PMs/year; Salary: 8000 EUR

Person 2 and 3: Two PhD students will work on the every-day scientific tasks, 80% of their time is allocated to the project in WP3 and WP4; 19,2 PMs/year; Salary: 4500 EUR

Person 4: One manager will be overlooking dissemination, administrative and management issues, involved in WP1 and WP8. All together 3PMs in three years; Salary: 5000 EUR



Calculation:

Person 1:	$3 \times 2,4 \text{ PMs} \times 8000 = 19200$
Person 2 and 3:	$2 \times 3 \times 9,6 \times 4500 = 259200$
Person 4:	$3 \times 5000 = 15000$
Total =	293400 EUR
Average PM rate:	$293400 / 67,8 = 4327 \text{ EUR}$

- How to calculate one person-month? Well, no recipes here. One person-month can mean 135-170 hours in one month. If you calculate with the average monthly productive hours of the previous year, you will be fine. The budget is only an estimate.
- Overestimating your budget by 10-15% is still better than underestimating it. Your person months calculated should be sufficient to allow your organisation to finalise the tasks foreseen.

Other costs

- » One of the basic and most common mistakes is forgetting to budget a task. During implementation you should not end up realising that you do not have enough budget for a travel, an event, a software purchase, etc.
- » To be able to be flexible and make reallocations when needed, make sure to allocate budget in each cost category.
- » We all know that the EC does not like subcontracting; but having such strict rules on translations, printing and other things that the auditors do not like, we advice to plan with minor subcontracting as well.

Budget Planning

Needed to ensure full planning – all costs budgeted.

Budget monitoring

It compares the planned budget with the actual, but also considers adjustments such as costs accepted/rejected after a review, etc.

You should also monitor the status of the person months spent on a work package by work package, or even task by task basis.

Eligibility

Let's continue with a very basic list of eligibility rules. You think that you know these already by heart, right?
OK; think about the exceptions then.



Eligible costs must be:

- » Actual, except...
- » Incurred during the project duration, except...
- » Incurred at/by the beneficiary, except...
- » In accordance with the beneficiary's usual accounting and management principles, except...
- » Recorded in the accounts of the beneficiary, except...
- » Used for the sole purpose of achieving the objectives of the project –
NO EXCEPTION!

All known? Check:



Eligible costs must be:

- » Actual, except...
 - Average personnel costs – check the conditions!
- » Incurred during the project, except...
 - Ticket to kick-off meeting bought before the start of the project (date of completion of the mission counts)
 - Equipment purchased before the project start but the depreciation period and eligibility period overlap
 - After the project closure and within 60 days for reporting and reporting only!
- » Incurred at/by the Beneficiary, except....
 - Incurred at a third party
- » In accordance with the beneficiary's usual accounting and management principles, except...
 - Your 'jolly joker' sentence. Do not change your principles just because you joined an EU project.
- » Recorded in the accounts of the beneficiary, except...
 - Recorded in the accounts of a third party
- » Used for the sole purpose of achieving the objectives of the project – NO EXCEPTION!

What cost categories are applicable?

- ✓ Direct Costs (that can be attributed directly to the project)
 - » Personnel costs (can also include "in-house consultants")
 - » Sub-contracting/Third Party Assistance
 - e.g.: Costs for Financial Certificates
 - » Other Direct Costs
 - Travel costs for personnel working on the project
 - Costs for consumables
 - Other costs
 - Purchase costs/renting costs of durable equipment (depreciation)
- ✓ Indirect costs



All those costs which cannot be identified as attributed directly to the project (the “running” costs: electricity, heating, telephone, internet etc. – also called “overheads”)

Typical mistakes in financial reporting in FP7 (provided by the EC)

Typical mistakes in personnel cost calculation:

- » Costs claimed for people not directly employed nor paid by the beneficiary.
- » Personnel costs claimed based on budgeted, standard, estimated rates.
- » Average hourly rates used which differs significantly from actual ones.
- » Billable hours are used instead of number of workable hours.
- » For the calculation of the number of productive hours on the project, including time spent related to maintaining general expertise, administration and/or sales.
- » Absence of timesheets.
- » Timesheets not approved by a project leader.
- » For the calculation of the hourly personnel rate, by dividing the payroll costs by the number of productive hours on the project (only) instead of by the total number of productive hours.
- » Personnel costs claimed include overtime hours for which staff have not been paid.
- » Personnel costs claimed include the remuneration of an in-house consultant hired through a contract with a consultancy firm (no labour contract, no direct instructions, not 100% on the premises, commercial rate, etc).
- » Overhead costs included in the personnel cost calculation.

Other mistakes:

- » Incorrect conversion in EUR.
- » Costs claimed include elements not incurred and recorded during eligibility period.
- » Costs include excessive costs and uneconomical expenditure (travel).
- » Costs not relevant to the project (hospitality costs, entertainment costs).
- » Costs cannot be substantiated by proper audit trail and full supporting documentation (Invoices, tickets, timesheets).

