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REGIONE AUTONOMA DELLA SARDEGNA



TEX-MED ALLIANCES

Financial Management and Reporting

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Barcelona 20 February 2020

Lead Beneficiary



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Spanish Textile Industry Confederation
(Spain, Catalunya)

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www.enicbmed.eu/projects/tex-med-alliances

Partnership



CTN
Industrial Association
of Northern Tuscany
(Italy, Tuscany)



SEPEE
Hellenic Fashion
Industry Association
(Greece, Kentriki Makedonia)



CETTEX
Textile Technical Center
(Tunisia, Ben Arous)



MFCPOLE
Monastir El Fejja
Competitiveness Pole
(Tunisia, Tunis)



GACIC
German Arab Chamber
of Industry and Commerce
(Egypt, El Iskandanyah)

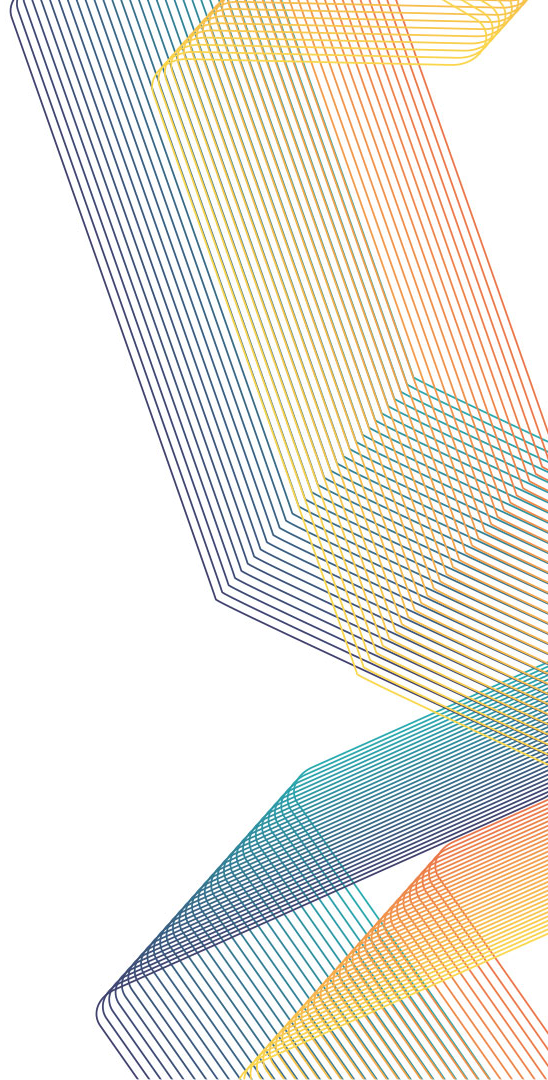


ACI
Amman Chamber
of Industry
(Jordan, Amman)



PFI
Palestinian Federation
of Industries
(Palestine)

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Foreword

This presentation provides an outline of the main issues facing financial managers at the start of project implementation and in view of the 1° financial report.

Project Financial Management procedures and documents will then be comprehensively covered in a dedicated manual that will be issued separately.

Overall Objective

To make possible the implementation of project activities by ensuring their timely financing

How to ensure timely financing?

By successfully implementing project activities **and**
producing correct financial reports
in time

Remember:

Correct Reporting



Timely Financing

Reporting

“The Lead Beneficiary is responsible for reporting on behalf of the **Partnership**.

This means that the Lead Beneficiary is expected to **check the quality of the information provided by Project Partners**, both in terms of content (narrative report, annexed tables, outputs, deliverables, other supporting documents) and in terms of **financial reporting**.

The Lead Beneficiary will draft an integrated report, based on the contributions of all Partners”*

*** Project Implementation Manual issued by ENI Management Authority**

The new Grant Contract Amendment

In December 2019 the Lead Beneficiary signed a Grant Contract Amendment that:

- **Did not require a Financial Guarantee!!!!**
- Changed the Financial Plan of the Project
- Changed the Reporting Calendar



The New Financial Plan

Old financial plan

- 1° pre-financing= **40%** of total ENI Contribution
- 2° pre-financing = **30%** after 12 months
- 3° Payment = **20%** after 24 months
- Final Payment = **10%** after the end of the project

New Financial Plan

- 1° pre-financing= **13,40%** of Total ENI Contribution
- 2° pre-financing = **35%**
- 3° pre-financing = **40%**
- Final Payment = **11,60%**

Reporting Requirements

The advance payment (1° pre-financing) was small compared to what originally planned and consequently we quickly need to receive the 2°, more substantial pre-financing to continue funding implementation of project activities.

The requirements for receiving the 2° pre-financing are different from those of the Tex-Med Clusters Project. They are:

- To implement **enough activities** to consume at least **70% of the latest pre-financing and 100% of all previous pre-financings**,
- To complete the 1° interim report, narrative and financial,
- To complete Expenditures Verification of the interim financial report
- To get the Financial report through the new National Procedures up to the Managing Authority

1. Tentative Reporting Calendar

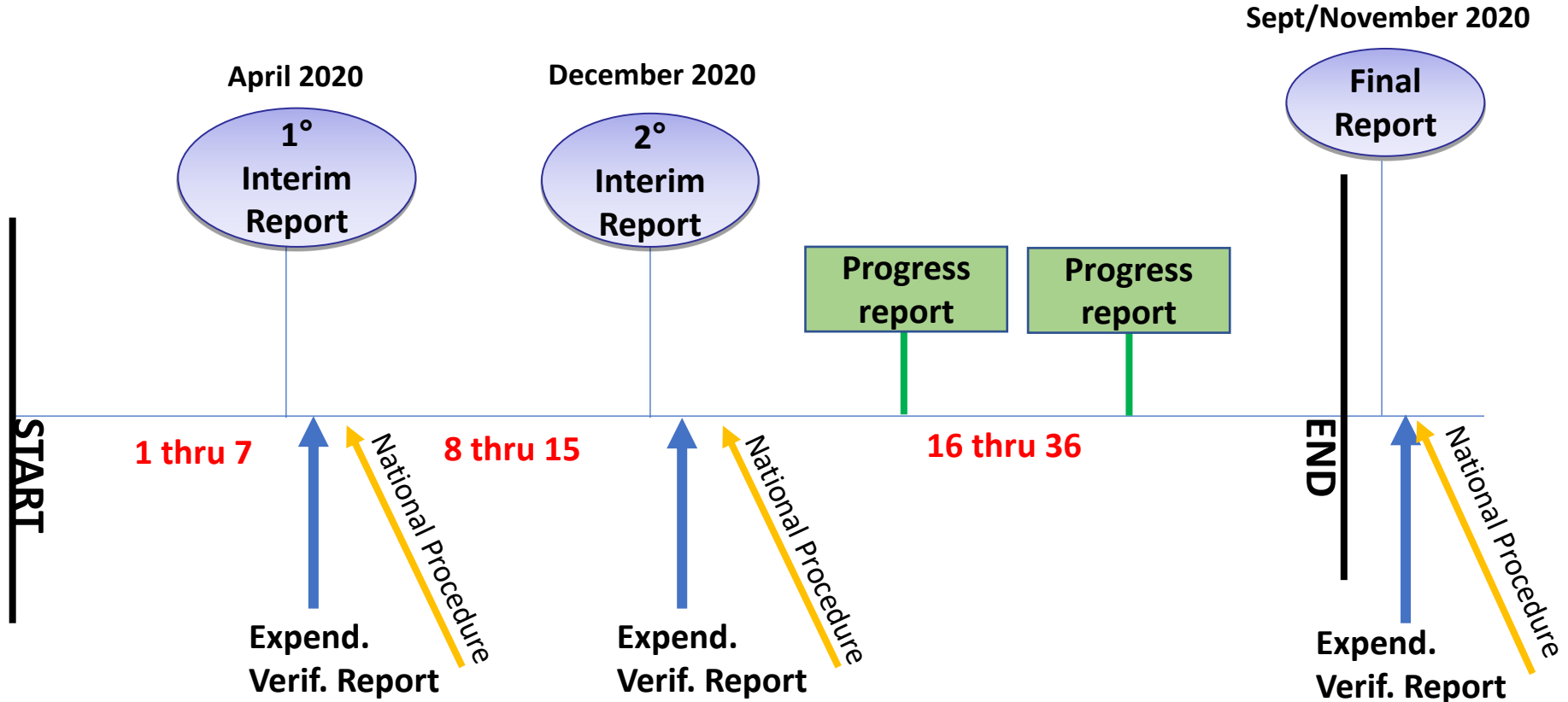
1° interim report	covering 1 thru 7 month	April 2020
2° Interim report	covering 8 thru 15 month	December 2020
Final Report	covering 16 thru 36 month	Sept/Oct/Nov 2022

There is a large gap between the 2° interim report and the final report which will be filled by Progress Reports, approx. every 6 months:

1° Progress Report	June/July 2021
2° Progress Report	January/February 2022

Progress Reports have the same contents and structure of Interim Reports. But they do not need Auditor's report and do not trigger new Financing. They are required by the Managing Authority to monitor correct implementation.

2. Tentative Reporting Calendar



Financial Report Workload

As you have seen, the reporting calendar is quite crowded.

Several Financial Reports must be completed using a totally new online reporting procedure (MIS), with very tight deadlines to ensure timely financing of project activities.

Reporting takes up time of Partners' personnel
and you must plan
a sufficient allocation of days to this task.

Remember:
delays by one Partner cause delays for All.

Financial report: the Starting Point

The starting point is the **project budget** which includes:

- Budget lines
- Cost categories
- Work Packages
- Partner total Budget

➤ Based on the Project Activity Plan, a budget for each Partner is calculated covering the planned reporting period

➤ At the end of the actual reporting period, if all planned activities were actually implemented, each Partner will prepare the related Financial Report

➤ If not all planned activities were implemented, the Financial Report will be decreased **accordingly**

Financial report: the budget shift

At the end of the reporting period if any **actual** cost is different from the budgeted one, a budget shift is needed. There are minor and major budget shifts.

Minor budget shift:

- transfers of **less than 20%** of the budget among Cost Categories and/or among Partners
- transfers among, cancellation or introduction of Budget Lines **within the same Cost Category**
- a formal approval is not required
- need to be processed **through the MIS** and acknowledge by the Managing Authority at the latest **before the next report**

Only 1 minor budget shift/year can be done

1. Steps in the reporting cycle

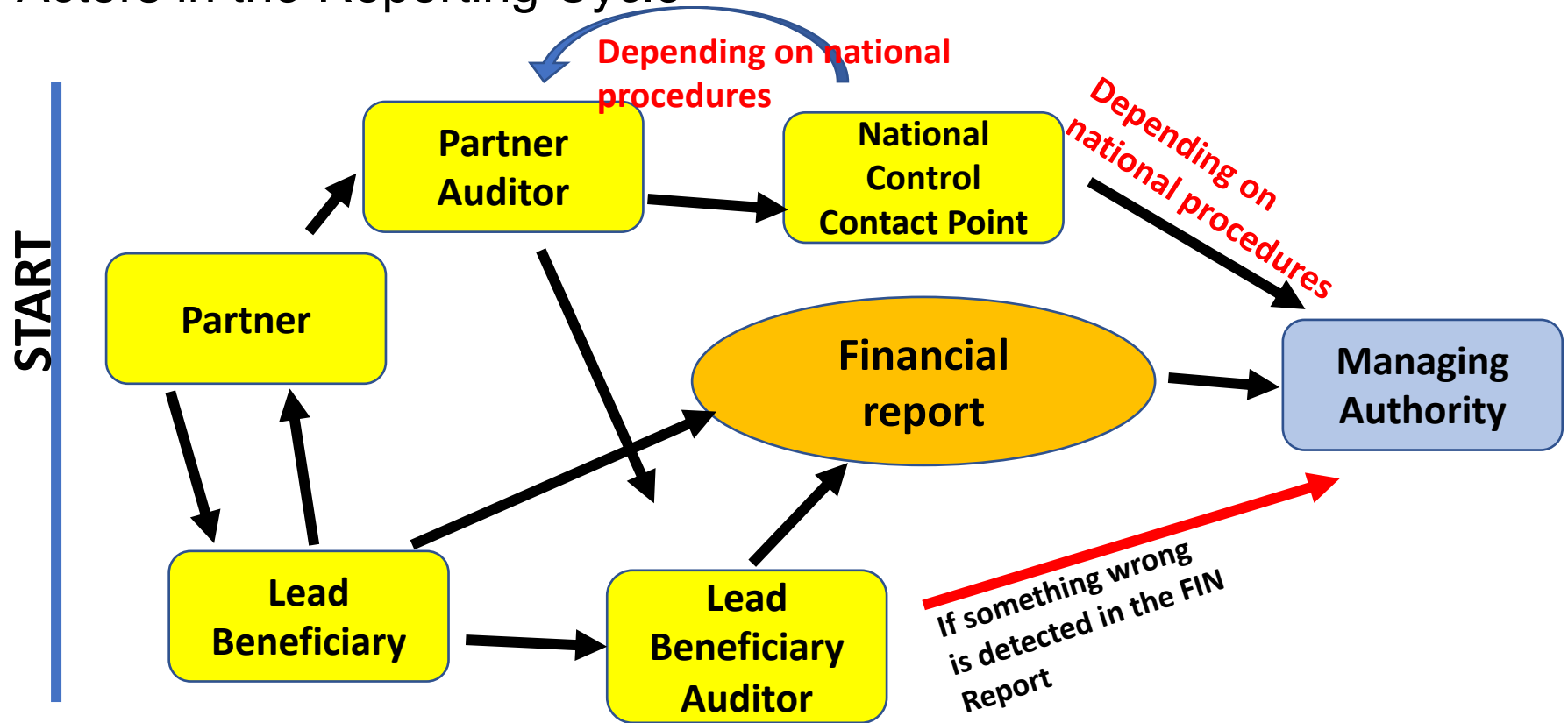
1. The lead Beneficiary estimates that **implementation of activities and related costs are sufficient** to request additional financing
2. Review of level of implementation of Partners' activities and related adjustments (if needed)
3. All Partners send information on **MINOR budget shifts** if needed.
4. *Lead Beneficiary consolidates all budget shifts and insert them in Management Information System (MIS)*
5. All Partners prepare financial report in the MIS and send it to Lead Beneficiary for **review and authorisation**
6. The Lead Beneficiary **checks that costs included correspond to activities performed**
7. Each Partner sends financial report to Partner Auditor for expenditures verification.
8. Partner Auditor prepares EV report and sends it to Lead Beneficiary's auditor for consolidation

2. Steps in the reporting cycle

6. Partner Auditor sends Financial Report + Expenditure Verification Report + all related annexes to **Control Contact Point** of the country **(please check each country own procedures!!)**
7. Lead Beneficiary Auditor sends all Partners' Financial Reports + EV reports + consolidated FIN REP + consolidated EVR to Managing Authority
8. The Managing Authority checks all financial reports and all EV reports for compliance
 - 8.1 the MA has 45 days to check reports and may ask for clarifications, original documentation, corrections in the EV Report
 - 8.2 Lead Beneficiary and Partners must answer within 15 days.

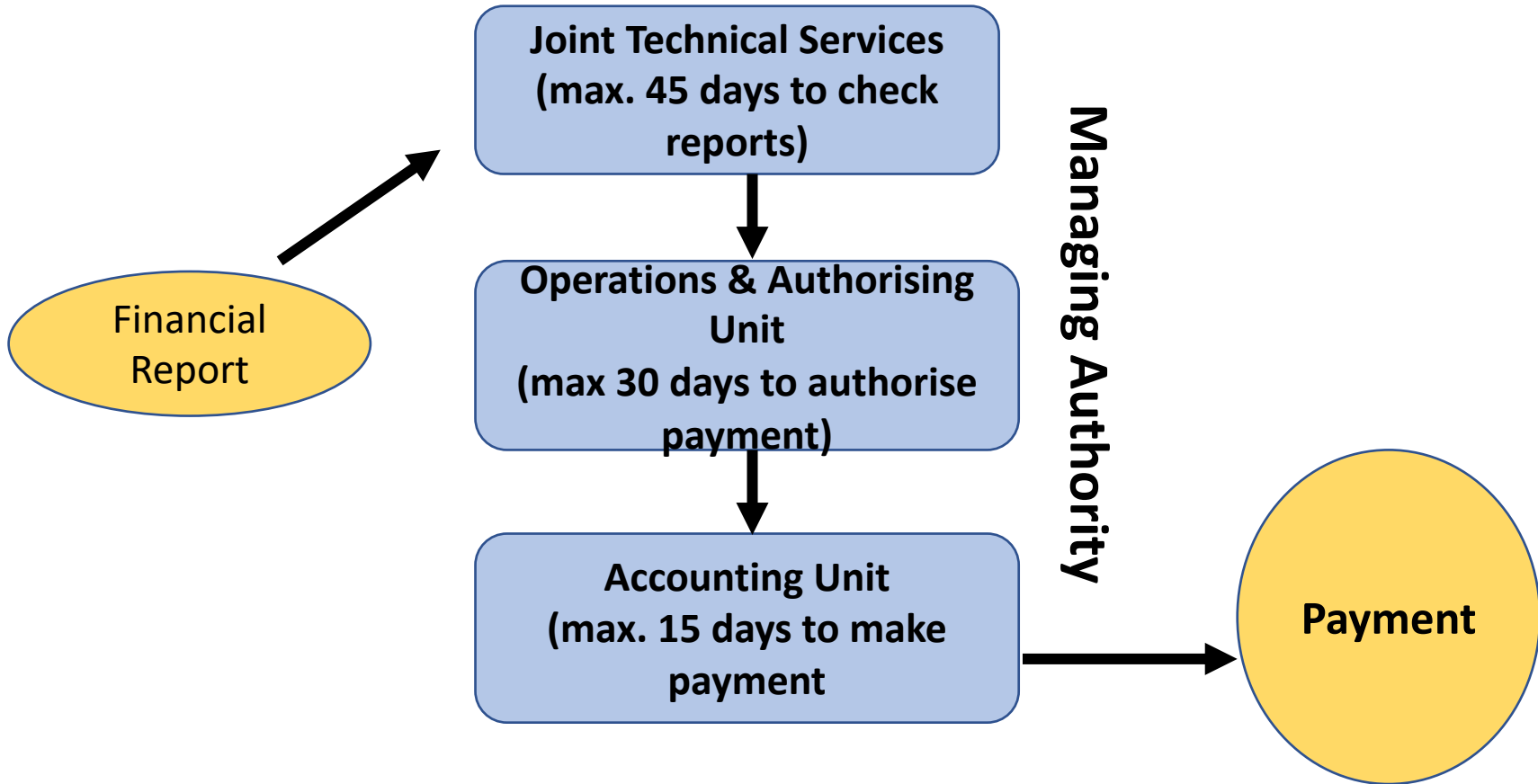
**Remember: every request for clarification may result in approx
a 2 month delay**

Actors in the Reporting Cycle



We must operate smoothly and correctly or else the cycle will take a very long time

More Actors in the Reporting and Financing Cycle



So, how long will it take
– from beginning to end –
to complete the reporting cycle and receive payment?

Min. 40 days to complete fin report + 50 days payment ??

Max 75 days to complete fin report + 75 days payment ??

Remember: allocate enough time to this work

More Actors: the Auditor

According to the Managing Authority the performance of most auditors in the previous ENI projects (including the Tex-Med Clusters) was quite disappointing. The Managing Authority often found mistakes and inconsistencies in their reporting.

As a result, the procedure for auditor recruitment was changed with the involvement of National Authorities (**Control Contact Point**) so to ensure better quality performance, as well as better EV reporting documentation.

In addition the Managing Authority will run **specialised, compulsory, training sessions for auditors** in each country and it reserves the right (included in the contract) **to terminate the contract** of any auditor not considered adequate to the task.

More Actors: Control Contact Point

The Control Contact Point is the National Authority who:

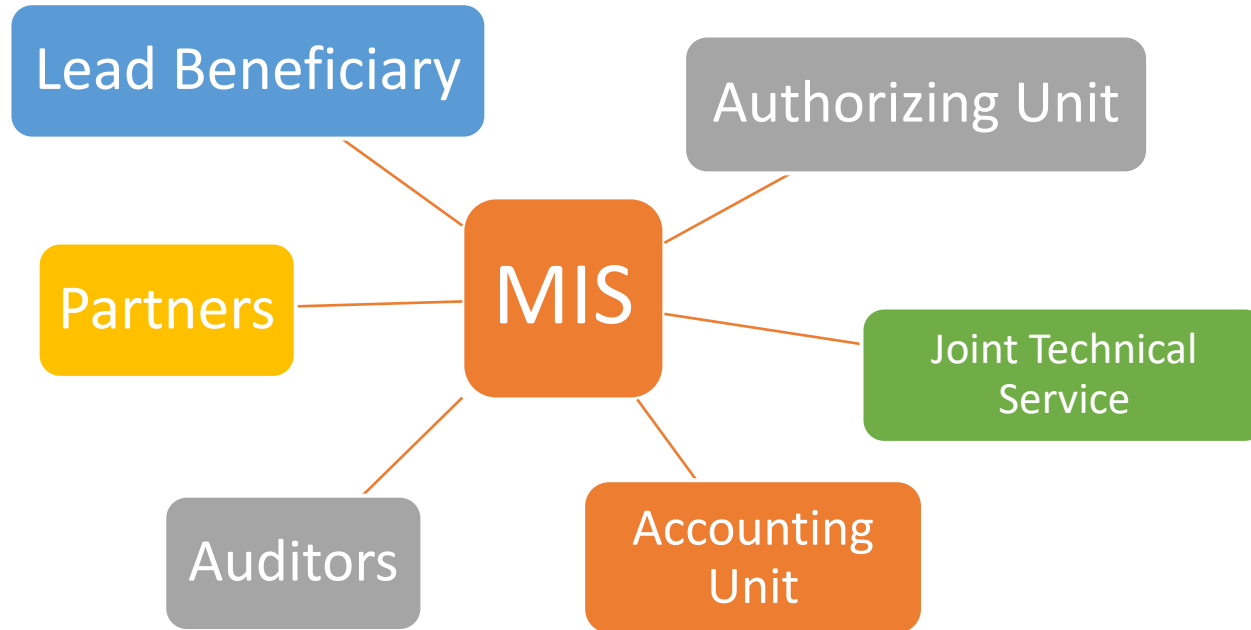
- defines specific national procedures for the recruitment of auditors
- checks financial reports and EV reports (depending on national procedures)
- Provides clarifications to Managing Authority on national accounting standards

All this is new

The Tex-Med Alliances Project is the first project to test this system.

Keep in touch with your Control Contact Point and give us feedback on any problem you may meet.

Last but not least: the MIS (Management Information System)



Budget shifts and financial reports will be done only in the new Management Information Systems with the participation of all actors.

Financial Reporting in MIS (Management Information System)

Add Expense

Code	Partner	Cost category	Budgetline total
WP1.TR.BEN.73662	BEN	TR	3.500,00 €

Identification of expenditure (reference to project accounting)

Document description:

Date:

Number:

Type of document:

Document's holder:

Currency:

Document's amount(in currency):

Unit(A):

Unit Cost(B):

VAT:

Total(C=AxB):

Date of travel:

N. of nights:

Country:

Content of the financial report: eligible costs

Eligible costs are those project costs that can be charged to project accounts and will be reimbursed at a 90% rate.

In order to be eligible, costs must be:

1. included in the project budget,
2. Incurred during the reporting period considered.
- 3. Related to activities actually performed**
4. Are recorded in the accounting system of PPs and backed up by supporting documentation
- 5. Identifiable and verifiable**
6. Comply with the requirements of applicable tax and social legislation;
7. Are reasonable compared to costs of similar supplies and services

1. Eligible costs: Human Resources

Human Resources (HR) are:

- permanent employees of the PPs (only the time spent by working in project activities is eligible)
- Employees especially recruited for the implementation of the project (100% of their cost is eligible)

In both cases they must be **directly employed** by the Partner according to the relevant **national labour legislation**.

Cost of Personnel working for other organisations, **also organisations 100% owned by the Partner, is not eligible**.

Experts are not employees and are not classified as human resources

2. Eligible costs: Human Resources

Cost of human resources:

- corresponds to **actual gross salaries** including social security charges, taxes and other components according to national legislation. The gross salary sheet indicates the total number of hours/year and the cost/hour
- Does not include bonuses or other variable components
- **Is reported using detailed timesheets for each employee, indicating** time actually spent working in project activities

The project budget indicates a **daily** unit rate of cost of personnel for Senior Staff and a **daily** unit rate for Junior Staff.

These are average rates

3. Cost of human resources: Supporting Documentation

- a. Work contract (for permanent or temporary staff)
- b. Appointment letter to the permanent staff (dated from the start of project activities)
- c. timesheet duly signed by both employer and employee);
- d. document showing payment of obligatory social charges, insurance and taxes.
- e. Pay slips;
- f. Proof of payment (bank order, etc

For permanent staff documents d.e.f. will show the total amount (e.g. **monthly** salary or **quarterly** social security charges, etc) and only the **portion** of costs allocated to the project will be registered in the Financial Report

1. Travel and subsistence costs

Travel and subsistence costs are those incurred while travelling on missions for the the project by **Employees, Speakers, Board members, Associate partners**

Travel and subsistence costs incurred by External experts fall under **Subcontracted Services**.
Travel and subsistence costs incurred by persons who are neither of the above fall under **sub-grants**.

Travel costs:

the most economic form of transport must be used (i.e. **economy class**). Do not include local transport which fall under subsistence costs. -

Subsistence costs,:

include hotel accomodation, meals, local transportation at the place of the mission, etc. **Taxi or car rental only when public transportation is not available**

2. Travel and subsistence costs

- Subsistence costs can either be reported as “**reimbursed costs**” or reimbursed on the basis of a daily flat rate allowance **if this the usual policy of the Partner**
- The **usual policy for subsistence costs** has to be documented, either through **internal regulation** or through accounting records for similar trips paid **prior to the project implementation.**

In both cases the maximum amount is the perdiem rate of each country published by the European Commission

Subsistence costs are paid for each night spent on mission

3. Travel and subsistence costs: Supporting documentation

- Authorisation to travel issued before the mission
- Receipts of expenses and proof of payment:
 - ✓ Flight ticket: ticket, **boarding cards**, travel agent invoice or website invoice, proof of payment by credit card or bank transfer
 - ✓ Subsistence costs: Hotel, restaurants, refreshment, buses receipts, proof of payment when done by credit cards or bank transfers.
If flat rate (per diem) payment is applied proof of payment to the employee is needed.
 - ✓ Mission-related docs: **copy of signed list of attendance**, meeting agenda.

Subcontracted Services

Eligibility conditions:

- a) external experts, expenditures verification (auditor), information and dissemination activities, translation, materials etc. and financial services costs, must be in line with market prices;
- b) **All of them are purchased following specific procurement procedures according to the following thresholds:**

Range of amounts	Type of procedure	Main features
Up to 2.500€	Direct award or order	Payment against invoice without prior acceptance of a tender
More than 2.500€ to 20.000€	Award on the basis of single tender	Invitation to tenderers with clear pre-set requirements. At least two offers must be evaluated
More than 20.000€ to 300.000€	Competitive negotiated procedure	Invitation to tenderers with clear pre-set requirements. At least three offers must be evaluated
More than 300.000€	International restricted tender	Two-steps procedure with international publication of tender

Procurement Procedures

Procurement of services between 2500 and 20.000 euro involves:

- Simplified tender dossier sent to at least 3 candidates with relevant skills and experience
- Evaluation of at least 2 offers
- Evaluation committee
- Award and contracting

Procurement of services between 20.000 and 300.000 euro involves

- Full tender dossier sent to at least 4 candidates with relevant skills and experience
- Evaluation of at least 3 offers
- Evaluation committee
- Award and contracting

Sub-grants

Sub-grants are used to finance activities of third parties (companies, institutions) such as initiatives, alliances, participation to trade fairs, etc

Sub-grants are managed by 3 Partners:

- Confindustria Toscana Nord for Circular Economy sub-grants
- MFCPole for Innovation sub-grants
- Amman Chamber of Commerce for Internationalisation sub-grants

Subgrants will be covered in details at the Strategic Workshop

Administrative costs

They cover the portion of Partners' overhead that can be allocated to the Project

- a) They will be eligible for flat rate funding, **for a maximum of 7% of direct costs.**
 - b) **No documents** have to be produced to justify these costs during the reporting but
 - c) **the MA may request supporting evidence to verify the actual calculation method used during the project implementation period.**
-
- a) Within the first interim report, the **external auditor will check the calculation method of the amounts** indicated in the “administrative cost calculation file” which you submitted at the time of the proposal **to confirm its validity.**

Next Steps

- Keep records of project costs
- Employees start filling timesheets
- Complete gross salary sheets (those who haven't done it yet)
- **Complete auditor recruitment**
- Check procurement plan and launch procurements planned for 1° reporting period (1-7 months)

For any further information please contact

Oriana Mazzali

Thank you