

# **Project and Financial Management Handbook**

## **HERMAN: Management of Cultural Heritage in the Central Europe Area**

### **Central Europe project 4CE451P4**

**1<sup>st</sup> DRAFT**

**BUDAPEST, SEPTEMBER, 2012.**

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## **Project Management and Financial Handbook**

### **1 WHY DO WE NEED A HANDBOOK?**

The Municipality of Eger is the Lead Partner of the CENTRAL EUROPE HERMAN project in which 10 partners cooperate. The Lead Partner of a CENTRAL EUROPE project has its overall responsibility for the implementation and financial management of the project. In this role it is of great importance to make sure that all HERMAN partners know what their tasks and responsibilities are.

This Project and Financial Management Handbook is based on the Manuals and Guidelines issued by the relevant CENTRAL EUROPE Program Bodies which are needed for the implementation of a CENTRAL EUROPE project. The Lead Partner's intention is to create a common understanding and also to develop common working culture among the Project Partners for the whole period of the project implementation. To achieve this goal the LP provides a helping hand for all the role players in the project in the form of this Handbook.

The Project and Financial Management Handbook (PFMH) provides an overview of the management structures and the reporting procedures of the project. It also represents all the management and financial aspects of the HERMAN project and should be used as the first source of practical information on the project for all organizations involved in the project. With the help of this Project and Financial Management Handbook an optimal transfer of knowledge is guaranteed. It is recommended to read this handbook carefully and to use it as a reference book throughout the lifetime of the project.

The Project and Financial Management Handbook is to be used by the HERMAN partnership:

- Municipality of Eger, Hungary (Lead Partner)
- National Office of Cultural Heritage, Hungary (Partner 2)
- City of Košice, Slovakia (Partner 3)
- Municipality of Lublin, Poland (Partner 4)
- IRM Institute of Urban Development, Poland (Partner 5)
- Marco Polo System EEIG, Italy – (Partner 6)
- Municipality of Ravenna, Italy (partner 7)
- Province of Ferrara, Italy (Partner 8)
- Public Institute MARIBOR 2012 – European Capital of Culture, Slovenia (Partner 9)
- Province of Treviso, Italy (Partner 10)

The project was approved with a total budget of € 2.021.740,00 of which € 1.639.261,70 is to be funded by the European Regional Development Fund in the frame of the CENTRAL EUROPE Programme 2007-2013.

The project has an eligible period of 30 months between 01/07/2012 and 31/12/2014.

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## **2 CENTRAL EUROPE PROGRAMME INFORMATION**

### **2.1 CENTRAL EUROPE Programme**

CENTRAL EUROPE is a European Union programme that encourages cooperation among the countries of Central Europe to improve innovation, accessibility and the environment and to enhance the competitiveness and the attractiveness of their cities and regions.

CENTRAL EUROPE invests 231 million EUR to provide funding for transnational cooperation projects involving public and private organisations from Austria, the Czech Republic, Germany, Hungary, Italy, Poland, the Slovak Republic and Slovenia. The Programme is financed by the European Regional Development Fund and runs from 2007 to 2013.

### **2.2 Monitoring Committee**

The Monitoring Committee steers the programme and ensures the quality and effectiveness of its implementation and approves projects for funding. It is composed of representatives of the Member States of the programme. The list of Monitoring Committee members is available on the Programme website.

### **2.3 Managing Authority**

The Managing Authority is responsible for management and implementation of the Programme in accordance with the principle of sound financial management and in line with EU regulations ruling the ERDF funds.

### **2.4 Certifying Authority**

The role of the Certifying Authority is to certify statements of expenditure and applications for payment before they are sent to the Commission. It is also responsible for ERDF payments to the project Lead Partner.

### **2.5 Joint Technical Secretariat**

The Joint Technical Secretariat (JTS) based in Vienna (Austria) assists the Managing Authority, the Monitoring Committee and, where appropriate, the First Level Control bodies in managing the programme; it also provides guidance to project applicants and partners. The JTS is responsible for the day-to-day management of the CENTRAL EUROPE programme. Furthermore, it assists the programme's Monitoring Committee in the implementation of its tasks and responsibilities. The Secretariat undertakes the day-to-day implementation of the Programme and is responsible for:

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- Implementing and following up all decisions made by the Monitoring Committee
- Facilitating and initiating the overall development of CENTRAL EUROPE projects in a pro-active way in close co-operation with the National Contact Points
- Creating application and guidance documents for project partners, assisting applicants in the project development process, including guidance on technical and financial matters
- Assisting Lead partners, Project Managers, Financial Managers and Project Coordinators during project implementation
- Implementing the publicity strategy approved by the Monitoring Committee

**2.6 The Network of the National Contact Points**

Member States participating in the CENTRAL EUROPE Programme have established National Contact Points representing the programme in their countries. Coordinated by the Joint Technical Secretariat, these points aim to complement its activities by providing applicants with first information and advice and by contributing to the dissemination of the results achieved. The list of these National Contact Points can be found in Annex 1.

**2.7 First Level Control**

Before submission to the JTS, each progress report has to be verified and confirmed by an independent controller according to the first level control system set up by each Member State (centralized or decentralized). The main aim of the controls is to provide a guarantee for the Managing Authority, the Certifying Authority and, importantly, to the project itself that costs co-financed under the CENTRAL EUROPE programme are accounted for and claimed in accordance with the legal and financial provisions of the subsidy contract (especially the approved application form, the approval decision of the Monitoring Committee, the CENTRAL EUROPE programme rules, national rules and EC regulations).

The first level controllers' task is to verify that the expenditures reported by the Lead Partner /project partner in each progress report fulfil the following conditions:

- The costs are eligible,
- The conditions of the programme, approved Application Form and Subsidy Contract have been observed and followed,
- The invoices and payments are correctly recorded and sufficiently supported,
- The related activities, sub-contracted supplies and services are in progress or have been delivered or carried out,
- The community rules have been respected especially with regard to information and publicity, public procurement, equal opportunities and protection of the environment.

The First Level Control bodies of the partner countries can be found in Annex 2.

**MAN****Project Management and  
Financial Handbook****3 REGULATORY FRAMEWORK****3.1 EU Legislation**

Since the HERMAN project is co-financed by the European Union (the European Regional Development Fund through the CENTRAL EUROPE Programme), a number of EU-regulations and other legally binding documents control the project's general and financial implementation, the processes of reporting and eligibility of expenditures. The regulations and documents listed in Annex 3 mean the basis of the HERMAN Subsidy Contract and Partnership Agreement.

In case of amendment of the legal norms listed, the latest version shall apply. These documents can be downloaded from the CENTRAL EUROPE website and/or the EU Portal.

**3.2 Country specific legislation**

Besides adhering to the aforementioned EU legislation, activities carried out by all Partners have to be in coherence with national laws. National rules vary from one Member State to another. Project Partners must be familiar with the national and State legislations relevant to their activities (Tax and Accounting Laws, Public procurement, etc.).

As a general principle, where national standards are more demanding than European community rules, the first one (**stricter rules**) **shall apply**. If these rules are not satisfied, re-payment may be claimed from the partner by the Programme.

**4 HERMAN - PROJECT OVERVIEW****4.1 Project summary**

Central Europe shows a great diversity in many terms, and has a particularly rich cultural heritage due to its history and the mix of different cultures and nations. This rich heritage is of outstanding importance and it could be the key driver of the development of regional/local economy, so its sustainable use is vital especially for small- and medium sized cities. The re-use and exploitation of renovated and revitalised built heritage should be done in accordance with the 21<sup>st</sup> century specific needs as new economic functions could generate resources for future maintenance of cultural values of these sites. Improving management calls for enhanced governance models while CE cities lack the experience of efficient operation, financial mechanisms, innovative solutions that are widely and successfully utilised by other EU cities. Therefore project partners are searching for sustainable solutions regarding the following issues:

- How to shift the present generally fragmented management structures into new multi-stakeholder and dynamic strategic one by finding/developing state of art management models, ensuring better coordinated, integrated and systematic approach in cultural heritage management.

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- What are the best fitting new functions, services, which help involving private actors, thus additional financial sources to better exploit the underused economic potential of heritage, without creating "protection" vs. "valorisation" type of conflicts, but creating a win-win situation.
- How to ensure sustainability by increasing management skills and knowledge of partners' staff activities.

**4.2 Objectives**

Answering the above questions, HERMAN's general objectives are concentrated on the governance related aspects of cultural heritage management, therefore the partnership of the project wishes to improve the management and valorisation of cultural heritage to better exploit their economic potential. HERMAN's common strategic aims will be reached by a three-pillar approach: Partners work together to

- jointly develop and test management strategies, models, procedures and financial schemes for a better valorisation of cultural assets;
- identify, adapt and create innovative services and functions for underexploited cultural heritage assets to promote their valorisation and protection;
- and to strengthen management capacities of partner organisations

**4.3 Activities**

Project activities are organized in 5 Work Packages (WPs). Besides project management (WP1) and communication (WP2), the 3 technical WPs work towards producing tangible core outputs of transnational relevance. Activities carried out in WP3 aim to build innovative management strategies and models. The purpose of WP4 is to create innovative services and functions for cultural heritage assets. Finally, WP5 helps project partners to strengthen their management capacities.

**4.4 Project core outputs**

In WP3:

- **Joint Report (act. 3.3.1.):** Joint Report on Cultural Heritage Management summarizes the partners' State of Play Reports (compiled based on a joint methodology) in which they identify and include case studies of their own good practices. The Joint report also summarizes the findings of the European Benchmark Study on Management of Cultural Heritage elaborated by the LP (together with PP2, PP5 and PP6), which summarizes good practices from outside the partnership.
- **Cultural Heritage Management Models (act. 3.4.3.):** Local authority partners (LP, PP3, PP4, PP7, PP8, PP9, PP10) will prepare a State of the Play report on the current situation of involved partners' management of cultural heritage, including good practices. These partners are assisted by knowledge providers (PP2, PP5, PP6). A European Benchmark Study identifies and presents management models

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and good practices from outside the partnership, but within the EU. A Joint report on cultural heritage management synthesizes these documents. These documents are discussed during the Workshop on cultural heritage management. Following this, Cultural Heritage Management Models are drafted by partners. Experience acquired during pilot actions is used to fine-tune and finalize CHMMs. Active involvement of Management Stakeholder Platforms set up by local authorities assures the elaboration of multi-stakeholder management models. CHMMs contain the management strategy and management model of a local authority for managing its CH, involving the local/regional stakeholders and harmonizing interests. In addition to that financial and organizational schemes, management supporting tools are elaborated. At the end of project each partner has endorsed CHMM.

- **Pilot action 1 (act. 3.5.1.):** pilot action on Monuments Diagnosis System by National Office of Cultural Heritage aims at the testing of a service offered to owners and operators of cultural heritage buildings by performing a diagnosis identifying repairs and small scale investments that improve the estate and prevent their decay. Through an early warning system for decay (regular monitoring and tracking) combined with an appropriate response (maintenance or repair at the right time and place), damage is prevented and large-scale restoration can be delayed or even totally avoided. The pilot action has 3 aims: 1) To stop decay through immediate action by offering a regular condition assessment of buildings and the historic interiors; 2) To affect a gradual change of mentality through information and sensitization; 3) To test the economic and financial viability of this service. Results: Owners and operators of buildings will receive a condition report on a building and its contents, with recommendations for repair, conservation, and maintenance. Besides these, an organisational and financial model will be designed for the further operation of the service.
- **Pilot action 2 (act. 3.5.2.):** ICT system development will be based on the already functioning online system for the books and services management, which will be adapted to the needs of the libraries and to the needs of innovative management of the heritages of the books of the territory. Major activities and results: An innovative software for new ICT based system of the management of the books and of the libraries system will be tested in a set of libraries during the pilot actions. By this system it will be possible to improve the management system of the libraries and increase the number of users of the new offered services. The results of the testing period will be assessed and the assessment will be disseminated among the partnership and via dissemination materials to a wider audience.
- **Pilot action 3 (act. 3.5.3.):** Pilot action on training on collaborative management methods for stakeholders aims at the development and testing of collaborative management methods which can be used by different stakeholder platforms. These management methods should improve the knowledge and skills of different stakeholders and strengthen the cooperation in the given area. Major activities: elaboration of collaborative management methods for stakeholders and their testing in the Management Stakeholder Platform and Portfolio Stakeholder Platform of Lublin. Results: a detailed description of the developed and tested collaborative management methods.



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- **Assessment of results (act. 3.5.5.):** The assessment of results of pilot actions on management models will describe in detail the logic and aims of the pilot actions, the activities pursued and the results obtained. The assessment will have a strong focus on lessons learnt during the pilot actions and their adaptability to other partners.
- **Handbook of Innovative Management Strategies and Models on Cultural Heritage (act. 3.6.2):** this is produced via the same process as CHMMs, as it synthesizes all experience regarding the elaboration of CHMMs. Handbook will be compiled based on a previously elaborated and jointly agreed methodology. Handbook is subject to peer review of external expert panel. Results: Handbook of Innovative Management Strategies and Models synthesizes CHMMs, which contain the management strategies and models of local authority PPS. In addition to that, models of financial and organizational schemes, management supporting tools are presented. It also fully synthesizes all outputs produced at partnership level, as joint report on SoPs, good practices identified by partners and the European Benchmark Study, and contains the assessment reports of pilot actions.

In WP4:

- **Pilot action 1. (act. 4.3.3.):** The development of ICT tools and platforms poses a serious challenge for providing accurate and reliable information by cultural heritage owners and operators for the large public. Therefore PP7 and PP2 will jointly explore and test the possibilities of offering multi-platform experiences to visitors, by merging historical city walks or historical/archaeological site visits, geo-caching and precise information. Smart phones' apps via GPS or handhelds can show where the spots of cultural/historical importance are located, and once they are reached, information on these can be displayed. PP7 and PP2 will test these services in their location.
- **Pilot action 2. (act. 4.3.4.):** Cities often have to close buildings which lost their original function and cannot be used for residential, administrative or commercial purposes anymore, while they lack the funds for restoration. As a result, these buildings become idle for long years, while some functions (e.g. home for certain civil initiatives, artistic groups) still could be attributed to them. This way these buildings could be used, preventing their further or accelerated damaging. Major activities: LP will select an underexploited building within the city which could be used by civil initiatives and will provide mobile enabling conditions (infrastructure) for their operation. The usage of these buildings will be tested.
- **Pilot action 3. (act. 4.3.5.):** The aim of the pilot action is to test at the Castello Estense in Ferrara, which is the symbol of the city and also the most visited site, an innovative service reception and orientation for tourists, with particular attention to families and classrooms. The service aims to be innovative, collaborative and productive giving to visitors the proper learning environment. New approaches to new learning technologies have to consider and reflect the perception of them, in particular of new generations of users. Technologies need to be customized for a conversation and not for a lecture and fast and innovative because speed is normal and innovation is part of life.

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- **Assessment of results (act. 4.3.7.):** The assessment of results of pilot actions on development of innovative functions and services will describe in detail the logic and aims of the pilot actions, the activities pursued and the results obtained. The assessment will have a strong focus on lessons learnt during the pilot actions and their adaptability to other partners.
- **Elaboration of Action Plans (act. 4.4.2.):** Firstly partners compile Portfolio Analyses of CH Assets (PACHA). Good practices of innovative and sustainable uses are also identified and their transferability is analysed. Following the Seminar on Cultural Heritage Assets' Development and Good Practice Visits, partners start preparing, testing, carrying out and evaluating pilot actions in the field of services and functions for unexploited cultural heritage assets. Partners compile an Action Plan for developing new, innovative functions and services for heritage assets which can be funded from ERDF and national funds.
- **Toolbox for Heritage Asset Development (act. 4.5.2.):** In order to deliver this output, local authority partners (LP, PP3, PP4, PP7, PP8, PP9, PP10) will prepare Portfolio Analyses on Cultural Heritage Assets (PACHAs) with good practices identified and case studies describing them in details. A European Benchmark Study is compiled including European good practices on CH development. CH Assets' Development Seminar is organized to analyze findings and it is followed by good practice visits. Partners compile Action Plans for Developing Local/Regional CH Assets to develop new, innovative functions and services. Pilot actions in the field of services and functions are carried out and their results are tested and assessed. Assessments of pilot actions are used to fine-tune these services and functions. Active involvement of Portfolio Stakeholder Platforms set up by local authorities ensures that a complex approach on the effects of pilots is applied. Heritage Asset Development contains input from previous activities, especially PACHAs, case studies of partners and those described in the European Benchmark Study and results and experiences acquired during the implementation of action plans. The Toolbox will be a practical guide containing good practices, experiences of pilot actions, methods, "tips and tricks" for the development of new services and function of CH Assets. It is also subject to peer review of external expert panel.
- **Policy and Programming Recommendations (act. 4.5.3.):** Policy, Programming and National Legislative Recommendations will emanate from activities carried out to reach core outputs as CHMM, Handbook of Innovative Management Strategies and Models on CH and Toolbox for Heritage Asset Development based on partners' inputs. Recommendations will be compiled by knowledge provider partners within the project. Results: Identification and improvement of solutions and tools dealing with enabling conditions (using renewable energy sources, improve accessibility, architectural options taking into account limitations on usable restoration techniques, planning) Management methods, tools and solutions that could be developed to introduce options for a more flexible implementation of (EU) regulations in order to resolve the conflict between (heritage) protection and exploitation of CH assets. Effective governance models taking into account innovative PPP solutions, legal issues are vital and can be tailor made to the specific character to the CH.

In WP5:

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- **Compilation of a Handbook for Cultural Management Courses (act. 5.2.5.):** Partners set up Cultural Heritage Coordination Units and (based on a joint methodology) assess their CH Coordinators' capacities and training needs. Programme of Cultural Management Courses is designed. Partners in charge develop curricula and organize Cultural Management Courses. Curricula developed and trained will be compiled in a Handbook for Cultural Management Courses.
- **Cultural Management Course 1 (5.3.1.):** Course held on General issues of Management (assuming that appointed CHCs have a cultural background rather than a management degree) organized by PP5. Language of course: English. Duration: 40 hours. PP7 elaborates the methodology for assessment of capacities and training needs: based on this, all partners assess their CHCs capacities and training needs of their own staff. PP7 summarizes the assessments, defines training needs and designs the programme (the main criteria and desired results of the curricula development) of Cultural Management Courses (CMCs) for CHCs. PP5 is responsible for curricula development and organisation of the CMC1 in which all CHCUs and one expert of PP2, PP5 and PP6 take part.
- **Cultural Management Course 2 (5.3.2.):** Course held on Special issues of Cultural Heritage Management (with a specialisation on Financial issues of Cultural Heritage Management) by PP6. Language of course: English. Duration: 40 hours.
- **Cultural Management Course 3 (5.3.3.):** Course held on Special issues of Cultural Heritage Management (with a specialisation on Marketing of Cultural Heritage Management) by PP7. Language of course: English. Duration: 40 hours.
- 
- 
- **Cultural Management Course 4 (5.3.4.):** Course held on Collaborative Management Methods for Stakeholders: development of skills, methods and techniques for facilitating and coordinating the cooperation of stakeholders by PP10. Language of course: English. Duration: 40 hours.

#### **4.5 HERMAN project partnership**

The HERMAN partnership includes 10 partners from 5 countries. All partners come from the CENTRAL EUROPE area.



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- Municipality of Eger, Hungary (Lead Partner)
- National Office of Cultural Heritage, Hungary (Partner 2)
- City of Košice, Slovakia (Partner 3)
- Municipality of Lublin, Poland (**Partner 4**)
- IRM Institute of Urban Development, Poland (**Partner 5**)
- Marco Polo System EEIG, Italy – (Partner 6)
- Municipality of Ravenna, Italy (partner 7)
- Province of Ferrara, Italy (Partner 8)
- Public Institute MARIBOR 2012 – European Capital of Culture, Slovenia (Partner 9)
- Province of Treviso, Italy (Partner 10)

#### **4.6 Partnership Agreement**

As to ensure efficient and coordinated implementation of the project between partners of the HERMAN project, a Partnership Agreement (PA) is signed between all Partners. The PA is a legally-binding document that clearly defines project responsibilities, liabilities, management procedures regarding each partner and within the project as a whole by laying down the principles of the partnership between organizations involved in the project.

#### **4.7 Roles and tasks amongst partners**

The HERMAN Project Partners differ in their roles and in their status. This means a great variety of approaches, ways of thinking. As HERMAN wants to exploit this richness, roles and tasks amongst partners are shared in a way that can ensure a more effective work.

The detailed Work Plan of the HERMAN project reflects how the work is shared among the partners (Annex 4.).

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The overall project management responsibility lies with the Project Management Team (PMT) of the Lead Partner. In addition, each partner has to set up a Partner Project Management Team to carry out partner level management tasks. Decision-making at strategic level is done by the Steering Committee in the project. The PMT serves as the Secretariat for the Steering Committee.

**5.1 Project Management Team (PMT)**

The LP is responsible for **overall coordination**, supervision and management of the project and has thus set up a Project Management Team (PMT) composed of a:

- **Project Manager (PM)**
- **Financial manager (FM)**
- **Communication Manager (CM)**

The PMT is responsible for both the overall and the daily management of the project, ensuring smooth implementation of the project in line with the approved Application Form and the provisions of the CENTRAL EUROPE Programme.

The PMT is in charge of:

- coordination of implementation, monitoring and budgetary control over financial and administrative procedures of the Project
- the submission of the interim and final progress reports to the Joint Technical Secretariat (JTS)
- internal and external communication

PMT is the focal point for partners' project managers and is coordinated by the Project Manager.

***Project Manager (PM)***

A Project Manager (PM) has been appointed by the Lead Partner. The PM is responsible for the overall coordination and direction of the HERMAN project, therefore the PM is the key contact with the CENTRAL EUROPE JTS. Regular tasks of the PM include:

- Coordinating the overall project activities and supporting the implementation of those activities;
- Day to day administration;
- Regular contacts with the JTS, including submission of progress reports;
- Daily contacts with Partners and members of the Steering Committee;
- Preparing SC meetings and decisions;
- Coordinating the organisation of transnational events;
- Monitoring the project and the proper implementation according to the approved AF and the HERMAN Work Plan in terms of activities, products and outputs, time schedule and financial progress;
- Appointing other professional staff as may be necessary for the efficient management of the project;



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- Drawing up progress reports and managing the progress reporting process;
- Monitoring the proper implementation of the information and publicity measures as set out in the approved Communication and Publicity Plan;
- Coordinating the Project Partners;
- Keeping under control the rights and duties of all partners involved, as described in the approved Application Form and Partnership Agreement;
- Key contact for all project partners and assisting partners with their problems /questions;
- Providing appropriate documentation of the project in a separate project room;
- Participating on programme events organized by the Central Europe Programme representing the project.

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#### ***Financial Manager (FM)***

An internal Financial Manager (FM) has been appointed by the Lead Partner who is responsible for assisting the Project Manager with the overall financial management and overall financial control of the project. Regular tasks of the FM include:

- Develop & implement general financial procedures (reporting and book-keeping procedures, checklists for compliance with eligibility rules, manuals, guidelines, time registration sheets, etc) of the internal control system following Programme requirements;
- Support partners in interpreting their national requirements for certification & procurement (first partners shall contact their first level control bodies upon project approval);
- Regular contact and advice to partner's financial managers;
- Join SC meetings and present financial progress of project implementation, report regularly to SC;
- Coordinate distribution & transfer of funds to project partners upon receipts of funds from the Certifying Authority;
- Prepare and co-ordinate bi-annual claims: collect and check partner claims and forecasts and put together the financial report;
- Harmonize project activity progress with financial claims

Financial Manager: **TO BE FILLED IN**

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#### ***Communication Manager (CM)***

The Communication Manager is in charge of the overall communication tasks and dissemination of project outputs. He/she is responsible for coordinating all communication tasks described in the Application Form (WP2) and in the HERMAN Work Plan.



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Communication Manager: **TO BE FILLED IN**

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Further details related to the CMs' tasks are available in the Communication Plan of the HERMAN project.

### 5.2 Partner level project management

Each project Partner has to set up a partner level Project Management Team (PPMT) composed of a:

- **Partner Project Manager (PPM)**
- **Partner Financial manager (PFM)**
- **Partner Communication Manager (PCM)**

#### ***Partner Project Manager (PPM)***

The Partner Project Manager of each project partner is responsible for providing an efficient link between their local/regional activities and the project as a whole. Each partner has appointed one PPM.

#### **The tasks of the PPMs include:**

- Daily management of the implementation of the project activities on partner level;
- Monitoring progress of the project's implementation on partner level in line with the approved AF and the HERMAN Work Plan in terms of activities, time and spending schedules and coordinating the delivery of project products at partner level (products, outputs and results);
- Fulfilling reporting obligations (internal and progress reporting on activities and spendings) according to national, Programme and project-level requirements;
- Having partner level reports validated by First Level Control (FLC) following the end of each 6-month reporting period;
- Active participation at transnational workshops;
- In case of any deviation from the originally set up activity or budget frames, immediately inform the LP and take steps to overcome the irregularities;
- Providing appropriate partner level project documentation in a secured (separated) place

Name and contact details of HERMAN PPMs can be found in Annex 5.

#### ***Partner Financial Manager (PFM)***

The Partner Financial Manager (PFM) of the project partners is responsible for the eligibility of their regional activities and the partner's financial issues. Each partner has appointed one PFM.

**MAN****Project Management and****Financial Handbook****The tasks of the PFM's include:**

- Keeping under control the project's spending on partner level and keeping it in line with the partner's budget as it is in the Application Form (AF) and the detailed HERMAN budget;
- Setting up and operating an accurate financial administration system (opening project account, keeping separate project accounting, paper-based and electronic financial documentation, etc.)
- Fulfilling the requirements of the HERMAN internal financial monitoring system: internal reporting to the PMT (listing actual spending of the given months and forecasting for the upcoming months) according to the simplified internal reporting template provided by the LP (see in Annex 6);
- Preparing half-yearly Partner level reports in due time based on the requirements set up by the First Level Controller (it is highly recommended to carefully read the FLC instructions regarding reporting and to get in direct contact with the competent person of the FLC to gain an excellent understanding of the administrative and eligibility criteria to be met);
- Having the report certified by the First Level Control body in due time;
- Early reporting to the LP of any changes or deviations in the real spending structure compared to that of the AF's timeline and the detailed HERMAN budget in order to avoid over-, or substantial underspendings which might result in acute financial deviations or irregularities.

Name and contact details of HERMAN PFM's can be found in Annex 5.

***Partner Communication Manager (PCM)***

Each partner appoints a Partner Communication Manager (PCM) responsible for carrying out partner level communication and dissemination tasks at Partner's level. Further details related to the PCM's tasks are to be found in the HERMAN Project Communication and Publicity Plan. Names and contact details of HERMAN PCM's can be found in Annex 5.

**5.3 The Steering Group (SG)**

In the HERMAN project the Steering Group is the strategic decision making body, which is to ensure that the objectives of the project are fulfilled, core indicators are achieved and the project is implemented in line with the approved application documents and the programme requirements.

**Composition**

The SC is composed of the Project Management Team and partners' Project Management Teams.

**Responsibilities** of the SG include:

- The SG is responsible for sound implementation and monitoring of the HERMAN project.
- The SG is responsible for taking the necessary corrective interventions if needed. The SG takes decisions on the required changes in project activities or in the budget. Based on the recommendations of the Project Management Team and the Partners'

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Project Management Teams the SG approves its own detailed procedures in its Rules of Procedures.

- Based on the recommendations of the Project Management Team and the Partners' Project Management Teams the SC is responsible for approving the Detailed Work Plan, the Project and Financial Management Handbook.
- The SG practices a regular overview and discussion of the project status (on its regular meetings), including proposals for any necessary modifications in the Work Plan and the related budget.
- The SG is responsible for a truly joint implementation of HERMAN in accordance with the approved project Application Form, the signed Subsidy Contract and the Implementation Plan, and the jointly established Project and Financial Management Handbook and the Communication Plan.
- In its work, the SG is supported by the LP's Project Management Team, which prepares and organizes the meetings, takes the minutes, handles follow-up work for the meetings and ensures the information exchange between the SG and the Partners.

The Rules of Procedures for Steering Group is approved at its first official meeting.

**6 PROJECT REPORTING****6.1 General Principles**

According to the Subsidy Contract signed between the MA/JTS and the Lead Partner, one of the Lead Partner's key obligations is regular reporting to the JTS on the progress of the HERMAN project. Reporting is based on the submission of a joint Progress Report on a 6 monthly basis, which is fed by the Partners' individual reports on the project's activities carried out and on spending.

Regular reporting by partners on their respective activities and spending are the basis of the internal monitoring and assessment of the HERMAN Project to ensure that activities are progressing according to plan and identify areas where corrective action can/should be taken. Progress Reports monitor also the country/partner level activities within the Project and allow project partners and the JTS to monitor expenditure and to ensure that regular payments are made. The additional purpose of these documents is to foresee and overcome potential difficulties and delays in the implementation process.

This chapter explains the general reporting process also applicable to financial reporting; however, specific rules and procedures governing financial procedures are detailed in chapter 9. Financial Procedures of the present Handbook. Though activity and financial reporting require different data and details, both are prepared at the same time for the same reporting period and submitted to the Programme.

**6.2 HERMAN internal monitoring system**

In order to ensure the smooth management of the HERMAN project in line with the Subsidy Contract and the approved Application Form, an **internal monitoring system** has been developed and will be operated by the PMT during the whole project duration. The aim of such a monitoring system (beside of the progress reports) is the provision of

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continuous, up-to-date information on Project Partners' progress with their partner level activities and their related financial status concerning actual spending in the past three months and in the next three months.

By receiving this information the following project aims can be fulfilled:

- up-to-date overview on the whole project in terms of progress of activities and related spendings, helping the PMT to manage any deviations or problems, over- or underspendings right in time;
- based on this information easy and fast management of Progress Reporting tasks by the end of each 6 month period;
- with the use of the above, having the opportunity to prepare overall project modifications in terms of activities, timing or budget if needed.

In order to manage and process the incoming PPs' inputs uniformly, all PPs need to send their completed internal reports **by the 10th of each fourth month between the reporting period start and end date (see below the concrete reporting deadlines)**. The template to be used for this internal reporting can be found in Annex 6.

Taking into consideration that the collection, checking and processing of these financial data is a very time consuming and thorough procedure that needs absolute correctness, all PPs will have to fill in the internal report in time and providing all necessary amount of detail.

**6.3 Start-up report**

In order to allow the programme bodies to have evidence of the actual start of HERMAN, and to have updated information regarding some relevant contact details, the submission of a Start-up report is required by the JTS. The Start-up report has to provide information mostly on management tasks, especially the following:

- Details on the LP's bank account, in case this information could not be provided directly in the Subsidy contract;
- Details on the project manager, the project financial manager and on the project communication manager;
- Composition and tasks of the Steering Committee, identifying the representatives of each partner;
- Location of LP's supporting documents relating to expenditure and audits, including all documents required for an adequate audit trail.
- Information concerning each Project Partner (PPM, documentation storage and FLC). In case of decentralized First Level Control systems, the approbation documents of the FLC chosen by the Partner.
- Method of calculation of the EURO exchange rate for each Project Partner.

An individualized template will be provided to the LP by the JTS. The Start-up report has to be submitted within three months after the Subsidy Contract has entered into force ie. not later than **11 December 2012**. This report has to be accompanied by the signed Partnership Agreement as well. Each project partner needs to provide the PMT with all required information in order to elaborate the Start-up report in due time.

**MAN****Project Management and****Financial Handbook****6.4 Partner level reporting**

In order to validate the expenditures of Project Partners in each 6-month reporting period, a partner level report has to be submitted by each Project Partner to their First Level Control (FLC) body. The partner level report contains adequate information concerning the activities and financial progress of Partners' project parts in the given reporting period.

**The role of First Level Control**

The main aim of the controls is to provide a guarantee for the Managing Authority, the Certifying Authority and, importantly, to the project itself that costs co-financed under the CENTRAL EUROPE Programme are accounted for and claimed in accordance with the legal and financial provisions of the Subsidy Contract (especially the approved Application Form, the approval decision of the Monitoring Committee, the CENTRAL EUROPE Programme rules, national rules and EC regulations). It ensures that problems are spotted and dealt with before they get too important.

**FLC's tasks**

FLCs verify that the expenditure reported by a project partner in their partner level report fulfils the following conditions:

- the costs are eligible;
- the conditions of the CENTRAL EUROPE Programme, approved Application Form and Subsidy Contract have been observed and followed;
- the invoices and payments are correctly recorded and sufficiently supported;
- the related activities, sub-contracted supplies and services are in progress or have been delivered or carried out;
- community rules have been respected especially with regard to information and publicity and public procurement.

Please note that changes in these systems may occur so please check regularly the website of the CENTRAL EUROPE Programme regarding your country specific information.

**Project Partner Confirmations of Control**

As mentioned above, the rules and conditions of submission of a partner level report vary from country to country. Some of the Member States define a concrete deadline for submission, in other countries such a date is not stated officially and (theoretically) is up to the Project Partner when they wish to submit the report. However, the later the partner level report is submitted, the later the Confirmation of Control is released. Thus all Project Partners without a compulsory deadline for submission need to prepare and submit their partner level reports to the FLC within 10 days.

The preparation of a partner level report requires special and joint efforts by the PPMs and PFM. However, the regular and right operation of the internal monitoring system can be a great help for the fulfilment of this task considering that the necessary documents, data and information should be available.

According to previous experiences, the collection of all expected and necessary supporting documents (as required by the FLC) requires even more effort and is a much



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more time consuming task than filling in the report itself. Therefore it is suggested to read the Guidelines or Manuals provided by the FLC carefully and well ahead in time, in order to be prepared for the acquisition /preparation of all kinds of documentation and to fulfil all requirements.

Partners need to request a well-structured and targeted consultation with their FLC before submission of their (first) partner level report for control. In the course of such a consultation, the special requirements, incidental new tasks and other expectations of the FLC can be identified. In case any problems, deviations or modification needs might occur, these can be pro-actively discussed with the FLC, so that the evaluation and validation process shall be smooth and fast.

As a result of the verification process by the FLC, a Project Partner Confirmation of Control will be released for the given project partner for the given reporting period in which the FLC confirms the amount of the reported and justified costs. The Project Partner Confirmation of Control must be sent to the LP immediately (first scanned by email for a check and then – after the feedback of the LP - the original by post) as to contribute to the compilation of the ensuing joint Progress Report.

A Project Partner Confirmation of Control template (to be completed by the FLC following each reporting period) is to be found in Annex 8.

### 6.5 Progress report

As included in the Subsidy Contract, the Lead Partner has to submit regular Progress Reports to the JTS in which it reports on the implementation of the project in accordance with the approved Application Form. The Progress Report must contain the detailed presentation of the activities carried out, the outputs and results delivered and related spending by each partner and for the project as a whole. Besides, it contains all expenditures validated by the Partners' FLCs in the given reporting period.

The language of the Progress Report is English. The joint Progress Report has to be completed using pre-filled formats provided by the JTS after the end of each reporting period.

### 6.6 Progress reporting procedure

1. In the frame of the internal monitoring system, HERMAN Partners have to submit an **internal progress report** (on project related activities, events, expenditures, etc.) to the PMT twice a year. The aim of such a monitoring system (beside of the progress reports) is the provision of continuous, up-to-date information on Project Partners' progress with their partner level activities and their related financial status concerning actual spending in the past three months and in the next three months. The internal progress reports have to be sent to the PMT between the start and the end date of the appropriate reporting period:
  - **by 10 October and**
  - **by 10 April each year.**



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2. HERMAN Partners have to submit a **partner level progress report** (progress and finance) **to the FLC** twice a year, by the end of each (six month long) reporting period. With the same deadline they have to inform the LP about the activities of the last 6 months. At the same time partners have to send to the LP their inputs (**internal partner level progress report**) to the project level progress report (summary of the activities)
  - **by 10 January and**
  - **by 10 July each year.**
3. The Lead Partner has to report to the JTS within 2 months after the end of each 6 month-period by submitting a joint Progress Report. The joint Progress Report is compiled based on information and data received from the PPs via:
  - **the completed internal partner level progress reports**
  - **the Partner Confirmations of Control released by each PPs' FLCs**

Due to the shortness of available time, Project Partners have 1,5 months to:

- have their PP level report validated by their respective FLC, and
- send the Project Partner Confirmation of Control to the PMT immediately after it was released by the FLC.

### 6.7 Reporting and payment overview

As laid down in the Subsidy Contract of HERMAN, the LP must submit the Progress Reports to the JTS according to the following timeframe:

Reporting Period	Progress / final report to be submitted to the JTS at the latest by
Period I 07.2012 – 12.2012	01.03.2013
Period II 01.2013 – 06.2013	01.09.2013
Period III 07.2013 – 12.2013	01.03.2014
Period IV 01.2014 – 06.2014	01.09.2014
Period V 07.2014 – 12.2014	01.04.2015
Final report	01.04.2015

**The full process and deadlines of the complete reporting process** of the HERMAN project can be summarized in the following flow table.

<b>Step 1</b>	<b>Project Partners</b> Partners' internal reports to the PMT	10 October 2012 10 April 2013 10 October 2013 10 April 2014 10 October 2014
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<b>Step 2</b>	<p><b>Project Partners and Lead Partner:</b></p> <p>At the end of each 6-month-period Partners send their Partner level reports to the appropriate FLC body for control no later than 10 days after the end of the reporting period</p>	<p>Send to FLC by:</p> <p>10 January 2013 (incl. preparation costs) 10 July 2013 10 January 2014 10 July 2014 10 January 2015</p>
<b>Step 3</b>	<p><b>Project Partners:</b></p> <p><b>Send</b> internal partner level progress reports (on activities) to PMT as soon as possible but no later than 10 days after the end of the reporting period</p>	<p>Send to PMT by:</p> <p>10 January 2013 (incl. preparation costs) 10 July 2013 10 January 2014 10 July 2014 10 January 2015</p>
<b>Step 4</b>	<p><b>Project Partners and Lead Partner:</b></p> <p>Partners send the original of their Project Partner Confirmation of Control stated by their FLC to the LP as soon as possible, but no later than:</p>	<p>Send to LP By:</p> <p>15 February 2013 (incl. preparation costs) 15 August 2013 15 February 2014 15 August 2014 15 February 2015</p>
<b>Step 5</b>	<p><b>Lead Partner:</b></p> <p>The LP submits the joint HERMAN Progress Report to the JTS (electronic and paper versions)</p>	<p>Send to JTS by:</p> <p>1 March 2013 1 September 2013 1 March 2014 1 September 2014 1 April 2015 (including Final report)</p>
<b>Step 6</b>	<p><b>JTS:</b></p> <p>JTS checks HERMAN Progress Report and asks for further clarifications if needed</p>	<p>Deadline for partners depends on the date when the LP receives the clarification from the JTS</p>
<b>Step 7</b>	<p><b>JTS:</b></p> <p>JTS approves payment of the CENTRAL EUROPE funding to the LP and authorizes the CA to pay the funds to the LP</p>	
<b>Step 8</b>	<p><b>Lead Partner:</b></p> <p>LP receives the funds from JTS and immediately (within 20 days) delivers payments to Project Partners</p>	

### 6.8 Dealing with missed deadlines during the progress reporting period

The deadline for submission of joint progress reports is always 2 months after the end of each reporting period. This deadline must be understood as the latest possible date, meaning that if HERMAN is ready to submit the joint Progress Report before the date set, it can actually do so. However, in case a Project Partner does not send its Partner level report's Confirmation of Control in time to the LP, the Lead Partner cannot guarantee that its expenditure can be incorporated to the appropriate payment claim and thus will have to be left out from the joint Progress Report. This means that reimbursement for its costs will be postponed to the next reporting period.



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#### **6.9 Final report**

The HERMAN project ends on 31.12.2014. After finalization of the operation, and in addition to the Progress Report for the last implementation period, the HERMAN Project has to submit a Final Report to the JTS no later than 01.04.2015. (together with the 5<sup>th</sup> joint Progress report). This Final Report will provide an overview of HERMAN activities and achievements. It will also highlight how transnational cooperation has contributed to obtain the expected results and will include a detailed description of the measures foreseen in order to ensure their durability.

#### **6.10 Document storage**

The LP must ensure that all partners store documents related to the project in a safe and orderly manner for a minimum period of 3 years after the payment of the final balance by the European Commission to the CENTRAL EUROPE Programme for financial control and audit purposes. This balance will only be transferred in an as yet unspecified period of time after 2017 when the programme implementation is finalized. Other possibly longer statutory retention periods, as might be stated by national law, remain unaffected. Partners archive the documents either as originals or as certified copies on commonly used data media, in compliance with national regulations. Follow-up of the amounts of expenditure in the context of the project must exist in computerized form as well. All partners will keep all information and supporting documents related to HERMAN project at least until 31 December 2022. See Documentation Storage Guideline in Annex 9.

## **7 The HERMAN budget**

### **7.1 Overall HERMAN budget**

The project's total budget has been agreed upon by the JTS as set out and fixed in the HERMAN Application Form approved by the Monitoring Committee upon fulfillment of all Conditions set as prerequisite for the Subsidy Contract. The ERDF rate of co-financing in the HERMAN project is 81,08% of the total eligible costs. The remaining costs must be covered by match funding by all HERMAN Partners as stated in the Co-financing Statement of each Partner (partially state co-financed, partially own contribution).

The HERMAN Application Form provides three different overviews of the budget:

- By work packages and budget lines;
- By partners and work packages
- By reporting periods and work packages

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The budget by Work Packages and budgets lines:

### Section 5: Project budget

Table 4: Budget break down #1

	WP 0	WP 1	WP 2	WP 3	WP 4	WP 5	WP 6	Total eligible	%
Staff costs	0,00 €	154 080,00 €	78 730,00 €	225 310,00 €	196 820,00 €	163 440,00 €		818 380,00 €	40,48%
Administration cost		2 000,00 €						2 000,00 €	0,10%
External expertise	18 000,00 €	151 650,00 €	28 008,00 €	141 660,00 €	208 913,00 €	16 200,00 €	0,00 €	564 431,00 €	27,92%
Travel/accommodation	1 650,00 €	48 560,00 €	75 160,00 €	54 650,00 €	88 625,00 €	98 750,00 €		367 395,00 €	18,17%
Meetings and events	350,00 €	4 000,00 €	33 000,00 €	18 640,00 €	20 640,00 €	36 000,00 €		112 630,00 €	5,57%
Promotion costs	X	0,00 €	119 099,00 €	7 380,00 €	10 125,00 €	2 700,00 €		139 304,00 €	6,89%
Equipment	X	17 600,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	17 600,00 €	0,87%
Investments	X	X	X	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00%
Other	X	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €	0,00%
Total	20 000,00 €	377 890,00 €	333 997,00 €	447 640,00 €	525 123,00 €	317 090,00 €	0,00 €	2 021 740,00 €	
WP Reference Total	20 000,00 €	377 890,00 €	333 997,00 €	447 640,00 €	525 123,00 €	317 090,00 €	0,00 €	2 021 740,00 €	
%	0,99%	18,69%	16,52%	22,14%	25,97%	15,68%	0,00%		

This table provides a sub-division of the budget by Work-packages per budget-lines.

The budget by partners and Work Packages:

Table 6: Budget break down #3

	WP 0	WP 1	WP 2	WP 3	WP 4	WP 5	WP 6	Total eligible	Partner Ref	%
Municipality of Eger	18 350,00 €	157 120,00 €	26 659,00 €	38 475,00 €	106 835,00 €	31 230,00 €		378 669,00 €	378 669,00 €	18,73%
National Office of Cultural	0,00 €	12 980,00 €	10 705,00 €	45 470,00 €	86 850,00 €	15 030,00 €		171 035,00 €	171 035,00 €	8,46%
City of Košice	300,00 €	13 820,00 €	118 948,00 €	27 395,00 €	22 275,00 €	19 560,00 €		202 298,00 €	202 298,00 €	10,01%
Municipality of Lublin	400,00 €	13 060,00 €	18 600,00 €	109 440,00 €	32 180,00 €	20 920,00 €		194 600,00 €	194 600,00 €	9,63%
IRM Institute of Urban Dev	300,00 €	12 860,00 €	18 360,00 €	26 855,00 €	27 735,00 €	32 360,00 €		118 470,00 €	118 470,00 €	5,86%
Marco Polo System EEIG	300,00 €	36 100,00 €	23 130,00 €	38 675,00 €	29 275,00 €	39 650,00 €		167 130,00 €	167 130,00 €	8,27%
Municipality of Ravenna	350,00 €	35 750,00 €	23 400,00 €	34 675,00 €	71 675,00 €	68 450,00 €		234 300,00 €	234 300,00 €	11,59%
Province of Ferrara	0,00 €	41 840,00 €	36 590,00 €	26 550,00 €	64 093,00 €	15 420,00 €		184 493,00 €	184 493,00 €	9,13%
Public Institute MARIBOR 2	0,00 €	16 210,00 €	22 345,00 €	37 515,00 €	40 915,00 €	47 510,00 €		164 495,00 €	164 495,00 €	8,14%
Province of Treviso	0,00 €	38 150,00 €	35 260,00 €	62 590,00 €	43 290,00 €	26 960,00 €		206 250,00 €	206 250,00 €	10,20%
Total	20 000,00 €	377 890,00 €	333 997,00 €	447 640,00 €	525 123,00 €	317 090,00 €	0,00 €	2 021 740,00 €		
WP Reference Total	20 000,00 €	377 890,00 €	333 997,00 €	447 640,00 €	525 123,00 €	317 090,00 €	0,00 €	2 021 740,00 €		
%	0,99%	18,69%	16,52%	22,14%	25,97%	15,68%	0,00%			

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The amounts allocated to each partner are clearly linked to the activities, roles and responsibilities: they show which partners have stronger role in the implementation of the project or the development of the project content.

#### The budget by Reporting Periods and Work Packages:

**Table 5: Budget break down #2**

	WP 0	WP 1	WP 2	WP 3	WP 4	WP 5	WP 6	Total eligible	%
Preparation phase	20 000,00 €	X	X	X	X	X	X	20 000,00 €	0,99%
Month 01-06	X	88 814,00 €	118 884,63 €	60 521,00 €	61 776,00 €	26 618,00 €		356 613,63 €	17,64%
Month 07-12	X	66 916,50 €	13 645,80 €	134 091,00 €	118 467,00 €	86 960,00 €		420 080,30 €	20,78%
Month 13-18	X	72 426,50 €	83 978,63 €	89 252,00 €	77 446,00 €	71 928,00 €		395 031,13 €	19,54%
Month 19-24	X	66 716,50 €	15 079,30 €	109 370,00 €	223 250,00 €	111 028,00 €		525 443,80 €	25,99%
Month 25-30	X	83 016,50 €	102 408,64 €	54 406,00 €	44 184,00 €	20 556,00 €		304 571,14 €	15,06%
Month 31-36	X							0,00 €	0,00%
Month 37-42	X							0,00 €	0,00%
Month 43-48	X							0,00 €	0,00%
Total	20 000,00 €	377 890,00 €	333 997,00 €	447 640,00 €	525 123,00 €	317 090,00 €	0,00 €	2 021 740,00 €	
WP Reference Total	20 000,00 €	377 890,00 €	333 997,00 €	447 640,00 €	525 123,00 €	317 090,00 €	0,00 €	2 021 740,00 €	
%	0,99%	18,69%	16,52%	22,14%	25,97%	15,68%	0,00%		

This table provides an overview of the spending forecast broken down by work packages. These allocations have a clear link to activities and their planned timing.

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**7.2 Payment forecast:**

Reporting period	Total cost	Expected payment request *	Progress/final report to be submitted to the JTS at the latest by dd/mm/yyyy
Preparation Costs	20.000,00	16.216,35	01.03.2013
01.07.2012 - 31.12.2012	356.613,63	289.148,49	01.03.2013
01.01.2013 - 30.06.2013	420.080,30	340.608,36	01.09.2013
01.07.2013 - 31.12.2013	395.031,13	320.298,06	01.03.2014
01.01.2014 - 30.06.2014	525.443,80	426.038,90	01.09.2014
01.07.2014 - 31.12.2014	304.571,14	246.951,54	01.04.2015
<b>Total:</b>	<b>2.021.740,00</b>	<b>1.639.261,70</b>	

\*) based on grant rate of 81,08%

The table is part of the Subsidy Contract signed between the Lead Partner and the Managing Authority. The spending forecast is an important element of any Central projects that it cannot be modified. The expectation of the program bodies is that project implementation and related expenditure must be in accordance with the expected payment requests included in the subsidy contract, i.e. the above table. Regarding consequences of possible underspendings, please consult point 10.1. of the present Handbook.

**7.3 Detailed HERMAN Budget**

Since the approved Application Form contains only the above budgetary framework, it has been further detailed by the LP in order to help all HERMAN partners with the implementation of their tasks. The detailed project budget is the Annex 7.

**8 ELIGIBILITY CRITERIA BY BUDGET LINES**

Costs in CENTRAL EUROPE projects are reimbursed according to the following budget lines:

- Staff costs
- Administration cost
- External expertise
- Travel and accommodation



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- Meetings and events
- Promotion costs
- Equipment
- Investments
- Other

These budget lines are common to all work packages. (For further details please consult the Control and Audit Guidelines of the Programme.)

### 8.1 Staff Costs

In this budget line all expected personnel costs (including salary, personal/individual income tax, affixes paid by employees and/or employers; related social charges transferred to national social & tax authorities, etc. according to national legislation) for staff directly employed by the project partners are to be included. These costs must be calculated on the basis of the actual salary rates stated in the regular employment contracts and paid to staff members in the given month.

Even if in most cases partner institutions will involve into the project staff members who are already included in their pay-roll, they may decide to recruit ad-hoc staff as well who will work exclusively in the implementation of the project. In the first case the expected involvement is subject to calculation (as a rate, e.g. 50% of the employee's working time, based on the actual number of hours worked on the project), in the second case costs can be charged in full to the project. Should this be in line with national requirements, if performed by an internal independent auditor, first level control costs of the partners' expenditure shall also be included in this budget line.

Although the list of expected supporting documents can be different according to the various national regulations and are to be announced by the relevant National Controllers of each project partner, there are some basic documents that must serve as supporting documents for the reimbursement of staff costs without exceptions:

- Work contracts of the staff members employed by the project partner institution
- Assignment stating the exact position / tasks to be fulfilled by the staff member within the project, including estimated extent of involvement
- Presentation of the calculation method of the hourly rates of employees working on the project
- Time sheets including the total number of working days / working hours in the given month and the actual time (number of working hours) spent on the project by the staff member (signed both by employee and employer)
- Proofs of payments including bank statements / cash payment proofs in reference to the paying out of salaries and related taxes, social charges

Please note that the applied calculation method of hourly rates can be different in each country and thus has to be clarified with the respective FLC.

### 8.2 Administration cost

In this budget line all administration/office costs can be reimbursed that are indispensable for the successful implementation of the project. Overheads include the following: rental fees, electricity, heating, water and service charges. Administrative

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costs as telephone, mailing, fax, internet, photocopying are also eligible under this budget line.

**Administration costs can be calculated and documented by two methods:**

- a) Directly allocated administration costs – justified by received invoices or other accountancy documents.
- b) Proportionally allocated administration costs – calculated from the total overhead costs of the given institution based on the possible calculation methods provided by the First Level Controllers. These costs must be clearly justified by total invoices attached with the percentage of HERMAN related costs, and the detailed presentation of the applied calculation methods how they were calculated.

In case of proportionally allocated administration costs the applicable calculation methods can be the following:

- a) Number of staff working for the project divided by number of total staff of the given institution
- b) Number of working hours worked on the project divided by number of total working hours worked in the institution
- c) Ratio of the surface used by the project (m<sup>2</sup>) divided by total surface of the institution.

**8.3 External expertise**

External expertise includes costs paid on the basis of contracts or written agreements and against invoices or requests of reimbursement to external service providers who are sub-contracted to carry out certain tasks of the project (e.g. studies, researches and surveys, translation, coordination, experts for project and financial management and assistance, technical and financial experts, accountancy or audit or first level control costs of the project if sub-contracted and in line with relevant national requirements).

Public procurement rules always must be observed in selecting a company or individual to provide external expertise. There are no fixed rates or ceilings established by the Program for budgeting external expertise. In this respect, normal, reasonable market rates resulting from public procurement procedures and national and EU procurement regulations apply.

Please note again that the travel costs of any external expert participating in project activities and to be financed by the project have to be budgeted under this budget line. The same applies to travel & accommodation costs of institutions acting as associated institutions.

The possible supporting documents for external expertise costs are the following:

- Documentation of the public procurement procedure or the procurement procedure applied according to:
  - the national legislation (Public Procurement Law in force)
  - the thresholds to be considered
  - the special requirements by FLC
  - the value of the procurement.
- Contract / agreement / order form made with the service provider
- Invoice
- Delivery statement / Proof of acceptance



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- Concrete output of the service provided (study prepared, brochure elaborated, etc.) in electronic and/or in paper form
- Proof of payments

#### 8.4 Travel and accommodation

This cost category refers to the travel and accommodation costs and subsistence allowances of employees of project partner institutions related to their participation in meetings, seminars and conferences taking place in the program area within the framework of the HERMAN project. As a general expectation of the program, the most economical way of transport should be used in each case.

The travel costs of any external expert participating in project activities and to be financed by the project have to be budgeted under "External expertise". The same applies to travel and accommodation costs of institutions acting as associated institutions / observers.

The possible supporting documents for travel & accommodation costs are the following:

- Invoice of flight / train tickets / bus tickets
- Boarding cards / tickets validated
- Invoice issued by accommodation provider
- Commission letter including per diems applied by the employer
- Travel diaries (agenda, minutes of meetings etc.)
- Proof of payments of invoices, per diems
- Documents describing the content of the event: invitation, registration form, confirmation of registration, agenda, list of attendances, minutes of the event, photo documentation, etc.

#### 8.5 Meetings and Events

Costs related to the organisation of meetings (renting of premises and equipment, catering, interpretation, printing, etc.) paid on the basis of contracts with and invoices from external providers. Public procurement rules must be observed in selecting the company or individual, which will carry out the assignment.

It may also include the cost of external speakers and external participants in project meetings and events if the cost will be definitively paid and borne by partners.

Example of supporting documents:

- Contract / Agreement / order form made with the service provider
- Invoices (rental of a room, rental of media material etc.)
- Delivery statement / proof of acceptance
- Proof of payment (bank transfer)
- Minutes of meetings
- Signed list of participants

#### 8.6 Promotion Costs

Costs resulting from press releases, inserts in newspapers, leaflets, TV shows, brochures, newsletters and other publication costs not linked to specific events or seminars. These costs shall be paid on the basis of the contracts with and invoices from the service

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providers. Public procurement rules must be observed in selecting the company or individual, which will carry out the assignment. Furthermore, all costs in this category must comply with the requirements deriving from EU regulations on publicity and information in order to be considered as eligible.

Examples of supporting documents:

- Contract / Agreement / order form made with the service provider (eg. for printing brochures)
- Invoices
- Delivery statement / proof of acceptance
- Concrete outputs: eg. press releases in newspapers; leaflet; brochure
- Proof of payment (bank transfer)

### 8.7 Equipment

This budget line refers to the purchase of IT equipment – including software – necessary for successfully running the project. These purchases have to respect public procurement rules. The most economic type of equipment should be chosen and the equipment features/functions should be in line with the actual context of use. Where strictly necessary, office equipment is considered as eligible expenditure and should also be charged to this budget line.

In the Application Form and accordingly in the Subsidy Contract, the description of the equipment, the responsible partner, the quantity and the related costs are indicated. Therefore, during implementation, purchase of any equipment not explicitly mentioned in the above documents must be agreed on with the LP before purchase, clearly justified and explained in the relevant progress reports. The purchased equipment must be used exclusively for the project's implementation.

Being depreciable assets, their full cost can only be charged to the project's budget (i.e. full purchase price + depreciation) if the total economic life and depreciation period is shorter than or equal to the project duration. Otherwise, only the portion of the equipment's depreciation corresponding to the rate of actual use for the purpose of the project may be taken into account.

For this reason, partners are advised to purchase any necessary equipment at as early a stage as possible and, in any case, well before project closure.

The possible supporting documents for equipment costs are the following:

- Documentation of the public procurement procedure or the procurement procedure applied according to
  - the national legislation (Public Procurement Law in force)
  - the thresholds to be considered
  - the special requirements by the FLC
  - the value of the procurement.
- Contract / agreement / order form made with the equipment provider
- Invoice
- Proof of delivery
- Proof of payments



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#### 8.8 Investments

In budgetary terms, only costs which include costs related to financing infrastructure and construction works as well as the purchase of physical objects not falling into the scope of the equipment budget line and which may be either linked or independent from the infrastructure and construction works themselves are relevant for the investments budget line.

Costs for infrastructure and works may refer either to an investment that will be set up ex-novo or to adaptation of an already existing infrastructure. Whatever the case, these costs are only eligible if referring to pilot actions having a demonstrative effect.

Where works are foreseen, information on expenditure related to manpower and provision of construction materials is to be provided compulsorily and each item must be presented separately. Please note that for those cases in which the feasibility studies and the environmental impact assessment needed prior to realization of the Pilot Actions are expected to be delivered during project implementation, the costs of these should be allocated to the "External expertise" budget line.

The possible supporting documents for investments costs are the following:

- Documentation of the public procurement procedure or the procurement procedure applied according to:
  - the national legislation (Public Procurement Law in force)
  - the thresholds to be considered
  - the special requirements by FLC
  - the value of the procurement.
- Contract / agreement / order form made with the service provider
- Invoice
- Delivery statement / Proof of acceptance
- Concrete output of the service provided (eg. the ICT system developed) in electronic and/or in paper form
- Proof of payments

#### 8.9 Other

Any cost not falling in the scope of all previous budget lines should be included under the "Other costs" budget line. Where this case applies, partners are requested to fill in the relevant annex of the Application Form by explaining the nature of the cost and by indicating both the partners will bear it and its amount.

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### 9 FINANCIAL PROCEDURES

#### 9.1 Eligibility & Ineligibility Rules

The following considerations have to be taken into account as regards eligibility requirements:

##### a) Expenditure already supported by other EU or other national/regional subsidies

If a budget item is already **co-financed by another EU-funding source, or** fully supported **by another national or regional subsidy**, it is not eligible in the context of the HERMAN project, as it would mean double-financing. In the case of partial subsidy by national or regional sources, the cost can be considered as eligible only if the national or regional subsidy does not exceed the national co-financing share for that expenditure (15 or 25% depending on the Member States in which the partner is located). In such a case the national or regional funding institution should also be notified to ensure compatibility.

##### b) VAT

**VAT does not constitute eligible expenditure** unless it is genuinely and definitively borne by the partner. VAT which is recoverable by whatever means cannot be considered as eligible even if it is not actually recovered by the partner. In other words, **VAT can only be accounted if it is borne by the given partner and they cannot and do not recover it.**

##### c) Financial charges

**Charges for transnational financial transactions are eligible costs.** If the implementation of the project requires a separate account to be opened, the bank charges for opening and administering the account are eligible as well. **Interest on debt, fines,** financial penalties, expenditure on legal disputes and foreign exchange losses are **not eligible** in HERMAN.

##### d) In-kind contributions

In-kind contributions shall be eligible expenditure if they fulfill the following conditions:

- They are eligible according to national eligibility rules;
- They consist of the provision of land or real state, equipment or raw materials, research or professional work or unpaid voluntary work and their value can be independently assessed and audited. In the framework of the CENTRAL EUROPE Programme, the provision of services between partners (e.g., estimation of costs for making available own premises for holding meetings and events) is not eligible;
- They are below 5% of the total partner's budget and do not exceed 5.000€;
- The amount of ERDF co-financing does not exceed the total eligible expenditure excluding the value of such contributions.



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#### e) Revenues

Should HERMAN generate any **revenues** during its implementation (for example through services offered or conference participation fees), these must be deducted from eligible costs in full or on a pro-rata basis depending on whether it was generated entirely or only partly by the project. The final amount of ERDF funding will be calculated on the basis of the total cost after deduction of any revenue.

### 9.2 Eligibility Period and criteria

Time-wise, expenditures in the framework of HERMAN are eligible as follows:

- a) **Expenditures related to the project implementation** are eligible from the start date until the end date of the project duration. These dates are specified in the Subsidy contract: 01.07.2012 and 31.12.2014. (In case of costs related to fulfillment of conditions set by the Programme, eg. participation at meetings of project partners, they are considered as eligible from the date of the original positive decision of the Monitoring Committee, i.e. 25 May 2012.)
- b) **Expenditures related to project closure** (e.g. preparation of final reports and, where applicable, related audit costs) are eligible until the deadline for submission of the final report that is set in the Subsidy Contract, i.e. 01.04.2015.

### 9.3 Country-specific Eligibility Requirements

National eligibility rules vary from country to country and between states. All project partners must be familiar with the national and state rules relevant to their part of and role within the project. Where national standards are more demanding than Community rules, then the stronger standards must be applied. If these rules are not satisfied, funding may be reclaimed.

### 9.4 Budget Flexibility

Due to the fact that although the budget of HERMAN has been planned very carefully and thoroughly, during the implementation of activities life may overrule plans, the CENTRAL EUROPE Programme allows for some flexibility, i.e. for some amendments in the overall budget of the project. Yet the total amount of the budget cannot be exceeded.

To fulfill this requirement, any increase in any of the budget lines, work packages or a partner's budget has to lead to a reduction in some other budget line(s), work package(s) or partner's budget. As a result, any budget modification has to be carefully prepared by involving all partners, in order to avoid any conflict of interest among partners. Partners thus need to inform in due time the LP's Financial Manager on their reallocation or modification needs. Then the LP will decide – based on an overview of the overall situation of the project budget and consultation with the other concerned partners – whether the request can be fully or partly accepted.



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Within the flexibility of the budget allowed for, there are certain thresholds set by the Programme to be taken into account:

- 10% flexibility / EUR 20 000 rule
- 20% budget reallocation
- Budget reallocation over 20% and / or EUR 250.000

#### 10% flexibility / EUR 20 000 rule

Without prior notification to the JTS, the LP is entitled to exceed the original amount in a budget line, work package and/or the budget of partners as stated in the approved Application Form. The deviation is limited to a maximum of EUR 20.000,-, or if more, up to 10% of the original amount of the concerned budget line, the budget of the concerned work package or the budget of the concerned partner.

##### **Example:**

Given the case of a project that wants to do three budget increases within the € 20 000, or if more, up to 10% flexibility:

	Original budget	Modified budget	Increased amount	Subsidy Contract rule application	Allowed without approval
Staff costs	€180.000,-	€198.000,-	€18.000,-	10% increase; <€20.000,-	yes
WP4	€465.000,-	€480.000,-	€15.000,-	3% increase; <€20.000,-	yes
Project Partner 5	€10.000,-	€30.000,-	€20.000,-	200% increase; = €20.000,-	yes

#### 20% budget reallocation

**Only once during the lifetime of a project**, the Lead Partner is entitled to reallocate amounts between budget lines, between work packages and/or between Project Partners resulting in an increase of **up to 20%** of the budget of the original budget line, work package budget and/or Project Partner budget as stated in the approved application. If below 250.000€, such reallocation requires an application to the Managing Authority via the JTS. It will enter into force only after approval of the Managing Authority.

##### **Example:**

Given the case of a project that wants to do three budget changes within the 20% reallocation flexibility:

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	Original budget	New budget	Increase by	Subsidy Contract rule application	Approval by
<b>Staff costs</b>	€200.000,-	€240.000,-	€ 40.000,-	=20% and below €250.000,-	Managing Authority
<b>WP5</b>	€1.300.000,-	€1.550.000,-	€250.000,-	< 20% (19,2%) and equal to €250.000,-	Managing Authority
<b>Project Partner 5</b>	€1.250.000,-	€1.500.000,-	€250.000,-	=20% and equal to €250.000,-	Managing Authority

### Budget reallocation over 20% and/or EUR 250.000

Reallocations exceeding the established thresholds for reallocation (i.e., 20% and/or 250.000€) are subject to approval by the Monitoring Committee. This approval will be granted on a case-per-case basis.

#### Example:

	Original budget	New budget	Increase by	Subsidy Contract rule application	Approval by
<b>WP4</b>	€ 120.000,-	€ 145.200,-	€25.200,-	>20% (21%) and below €250.000,-	Monitoring Committee
<b>WP5</b>	€1.300.000,-	€1.560.000,-	€260.000,-	=20% and higher than €250.000,-	Monitoring Committee

## 9.5 Budget Monitoring

The Lead Partner will set up and operate a budget monitoring system, the main aim of which is to keep the project's spendings under control and within the frame of the originally approved budget allocations. With the help of such a system the PMT can maintain an effective financial management over the project, minimizing the changes and unavoidable deviations and finally, avoiding a loss of funding on project or partner level.



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The Lead Partner will report to the partners about the financial progress of the Project and inform them if there is a risk of over/ under spending on Partner / budget line / Work Package level or as a result, on project level, submitting proposals to efficiently handle the given situation.

In order to be able to closely monitor the spendings on project and partner level and to ensure that the spending structure corresponds as much as possible to the original allocations, the LP needs a regular feedback from the partners on their respective financial status, as well as early warning in case of deviation or irregularities.

In any unexpected situation (e.g.: changes in the activities, changes in the partnership, etc.) the PMT works out proposals of solutions based on consultations with the JTS. Furthermore, following each progress report (i.e. half-yearly) the PMT checks the overall budget and if necessary elaborates proposals for corrections. Before any budget modification the PMT has to inform the partners and prepare the decision to the Political Board who will finally decide on the extent and way of modification.

### 9.6 Financial reporting

Regarding reporting procedures to be applied in HERMAN, here only details specifically related to financial procedures are described. For more details on progress reporting in general, see chapter 6 of the present Handbook.

#### Internal Reporting

As it is described in §6 of the Subsidy Contract the Lead Partner is responsible for ensuring the implementation of the entire project. In order to get a regular overview about project implementation LP will require a very short report from all Project partners on their activities and on the related expenditures in order to be able to follow the proceedings of the project. This is the internal monitoring system (see chapter 6.2.)

**Partners are asked to complete this short report once between every partner progress report.** The due elaboration of such reports will also help the completion of the half yearly Progress reports. The templates for this internal Financial Report will be tailor made for each PP for each reporting period.

#### Progress Reporting

Expenditures paid out by all partners during each reporting period have to be included in the Progress Report of that given reporting period. Only expenditure which has been certified as eligible by the relevant FLC can be included in the report. As a general rule, expenditure reported will correspond to payments actually made during the given reporting period. However, expenditure paid during previous period(s) can be included in exceptional cases:

- if it refers to full expenditure of the previous period(s), if the certification from the FLC was received after the previous progress report(s) was concluded (including clarification process with the JTS);



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- if it refers to specific items of expenditure from previous period(s) for which the certification as eligible was pending due to the First Level Controller.

In each Progress Report all certified expenditure will be presented divided:

- a) per work packages,
- b) per budget lines,
- c) per partners.

Besides, specific sections provide detailed information on specific budget lines, such as external expertise and equipment.

The Progress Report also includes a payment request in which the Lead Partner guarantees that the expenditure reported has been incurred by members of the HERMAN partnership for the purpose of implementing the operation and that it corresponds to the activities laid down in the approved Application Form.

Even if primarily a Lead Partner responsibility, the JTS will also verify that the expenditure has been certified by the relevant FLC bodies according to the system adopted in each Member State. For this purpose, original copies of all partners' Confirmations of Control of expenditures must be delivered together with each Progress Report.

### **9.7 Reimbursement of Project Partners**

Timeframes of the reporting & reimbursement procedure are the following:

- Reporting periods: the full lifetime of the HERMAN Project (30 months) is divided into 6 months periods. After the end of each period a Progress Report must be submitted to the JTS by the LP within two months.
- The JTS checks the Progress Report (about 6 weeks)
- Clarification procedure: answering questions put by the JTS, providing further information as requested (about 1,5-3 months)
- Payment procedure:
  - from JTS to Lead Partner (about 2 weeks)
  - Lead Partner to all partners (max. 20 working days)



The chart above shows that there is a pre-financing schedule of about 11-12 months required from partners, depending on the actual time of payments made and the length of the completion of the progress reporting process.



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#### 9.8 Exchange rates

For the conversion of expenditure of Project Partners located outside the EURO-zone, the Lead Partner and the Project Partners have agreed to use the 6-months average rate of the average monthly exchange rate set by the Commission. This exchange rate can be found on the following website: <http://ec.europa.eu/budget/inforeuro/>

#### 9.9 Documentation requirements

All partners will store all information and supporting documents related to the project three years after the closure of the Programme (at a yet unknown date), in any case at least until 31 December 2022. Other possibly longer statutory retention periods, as might be stated by national law, remain unaffected.

### 10 IRREGULARITIES

#### 10.1 Decommitment of project funds

Without undermining the complexity of the management of cooperation projects, the programming bodies share the idea that minimum standards of financial performance should be ensured by the operations at the latest when they are halfway through their implementation and that such performance should gradually improve from this moment until the finalisation date. In any case, the experience from different cooperation programmes shows that final financial performance by projects quite often does not exceed 90% of the approved budget.

In order to provide further stimulation of budget absorption, the subsidy contract foresees that payments not requested in time and in full may be lost. As presented in the Application Manual, in order to avoid losing funds it is important that:

- Approved projects are ready to start implementation quickly after approval;
- Financial managers monitor these aspects effectively during implementation and;
- All partners ensure regular, timely and full reporting.

The payment forecast included in the final version of the approved Application Form and laid down in the subsidy contract will serve as a basis, among other parameters, to measure the financial performance of the HERMAN projects.

According to the Structural Funds Regulation, programmes may have funds decommitted by the European Commission in case the allocations set in the financial tables of the Operational Programme are not translated into effective requests for payment within the set timeframe.

Should this loss of funds actually take place, the Programme may decide to cover it from different sources:

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- a) Funds not yet allocated;
- b) Unspent funds from closed projects;
- c) Funds from projects showing substantial underspending.

For the last option, it is important to note that the Monitoring Committee may decide as well to apply this reduction even if the Programme itself has not been decommitted. Such liberated funds will be then used for financing further projects, thus allowing the possibility of cooperation to a larger number of regional and local actors.

**Underspending thresholds**

Except for those cases presented as exceptions, the maximum ERDF underspending acceptable after three reporting periods is of 15%. For this reason, during the first three reporting periods no amendment of the budget breakdown of the approved application form will be granted.

All projects presenting an underspending rate higher than the proposed threshold may have their ERDF reduced for the exceeding percentage. The exceeding percentage will be applied only to the foreseen ERDF of the reference period. This procedure will be applied *una tantum* in the operation's lifetime unless decommitment on Programme level actually requires additional corrective measures.

All possible budget reductions will be approved on a case per case basis by the Monitoring Committee and will take into consideration specific cases presented later in this document.

**Exceptions for implementation**

In well justified cases this proposal shall not be applied if it is clearly demonstrated that the project faces internal or external problems that have a direct impact on its implementation or in the delivery of the required documents needed for demonstrating the real level of expenditure actually incurred. Some examples of such problems are:

- Changes of Project Partners that imply a temporary stop of the project;
- Delays in validation if it can be ascertained that the Project Partners have submitted their documents to the national authorities in due time;
- Projects undergoing second level controls and for which the implementation of activities has been temporarily suspended;
- Projects in which irregularities have been detected and for which the implementation of activities has been temporarily suspended;

Should a project present an underspending beyond the allowed thresholds but be affected by a possible exemption condition the JTS will examine the case and will submit a request to the Monitoring Committee for final decision.

**Review of financial information**

Once the Monitoring Committee has decided to apply a reduction of the ERDF granted to a project, this will be requested to submit a revised Application Form in which only the financial-related information will be reviewed. It will be up to the Project Partners, according to the contents of the Partnership Agreement, to agree among them how to

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distribute the loss of funds and how to apply it to the different work packages and budget lines. Based on the fact that the reduction is only targeted to unspent budget of previous periods, the JTS will verify that the implementation of thematic-related actions and the achievement of project results are not affected by this review.

#### 10.2 Recovery of unduly paid out funds

According to Article 2 of the Structural Funds General Regulation (see the link below), an irregularity means any infringement of a provision of Community law resulting from an act or omission by an economic operator which has, or would have, the effect of prejudicing the general budget of the European Union by charging an unjustified item of expenditure to the general budget.

Overall, the management of irregularities is laid down in Articles 27 to 36 of the Council Regulation (EC) No 1083/2006 on the basis of which it is transferred to the Subsidy contract signed between the Managing Authority of the Programme and the Lead Partners of approved projects. The template of the Partnership Agreement also stipulates the obligations for the entire partnership in this respect.

#### Detection of unduly paid out expenditure, including irregularities

Both during project implementation as well as after project closure it cannot be excluded that as a result of an on-the-spot check (both for first level and second level control purposes) or due to the availability of information not previously existing, controllers or auditors consider that some of the expenditure previously certified, included in closed Progress Reports and subsequently paid out by the Certifying Authority might be declared finally as non-eligible according to national or Community rules or according to the CENTRAL EUROPE Programme requirements.

This correction can also be made under the initiative of the Lead Partner or its FLC controller, regarding the expenditure incurred by other partners if enough evidence is gathered that the expenditure was not incurred for the purpose of implementing the operation or it does not correspond to the activities agreed among the partners.

Finally, this correction can be also the result of the on-going checks of the Managing Authority described in the CENTRAL EUROPE Control and Audit Guidelines. Likewise, audits of the European Commission or the Court of Auditors may trigger this process.

In cases of **expenditure unduly paid out to beneficiaries**, these funds must be recovered by the Programme bodies according to one of the following **two options**:

- a) For running projects, the amounts must be deducted from the next payment claim due;
- b) For closed projects, a recovery procedure towards the Lead Partner must be launched.

#### Recovery of funds from running projects

As stated above, where irregularities are detected in running operations, all unduly paid out funds must be deducted from the next payment claim due or, where applicable, from payment claims which are still under examination by the Programme bodies.

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Depending on how the irregularities have been detected, different requirements must be met:

- a) In cases where the irregularity has been detected by the first level controller of the Lead partner or a partner (e.g., during on-the-spot checks), such controller must provide the necessary information to the JTS.  
Being a judgment on its own previous work, irregularity proceedings initiated by a first level controller do not require the agreement of the concerned partner(s);
- b) In cases where the irregularity has been detected by second level auditors and after approval by the relevant national authority, the JTS will provide the necessary forms to the Lead partner who shall compile them on behalf of the concerned partner(s). The agreement by the relevant national authority rules out any disagreement on the audit results by the concerned partner(s);
- c) In cases where the irregularity has been detected by the Lead Partner or its controller on the certified expenditure of other partners, the JTS must be notified.

Irrespective the initiation method, the JTS will be in charge of ensuring that information flows adequately between all involved parties.

### **Recovery of funds from closed projects**

For cases in which the project has already received the last ERDF installment, the Certifying Authority in close cooperation with the MA shall demand from the Lead Partner repayment of subsidy in whole or in part.

In case the irregularity refers to a Project partner, it will be up to the concerned partner to repay the Lead Partner any amounts unduly paid in accordance with the agreement existing between them. The rate of the late interest applied to the amount to be recovered will be calculated in accordance with Article 102(2) of the General Regulation.

**Handbook****11 ANNEXES (separated files with appropriate titles)**

- Annex 1. List of National Contact Points
- Annex 2. List of First Level Control Bodies
- Annex 3. List of Regulations and Documents
- Annex 4. HERMAN Work Plan
- Annex 5. HERMAN Contact details
- Annex 6. Internal reporting template to the LP
- Annex 7. HERMAN budget
- Annex 8. Project Partner Confirmation of Control template
- Annex 9. Documentation Storage Guideline