

# Attention points during the IUC Financial control process - South

## Introduction

After the control of the IUC financial reports of AP 2007 a list of attention points for use during the financial control process was made available and discussed with the ICOS. They found it a very useful tool for our Southern partners and asked VLIR-UOS to create a version adapted to the southern partner, meaning with focus on the southern expenses. This list of attention points does not replace the IUC financial guidelines, it is merely a tool helping to increase the quality of our financial reports.

Also included in this document are the links to the download page of the IUC website where the most recent IUC guidelines, per diem and scholarship amounts can be encountered.

Together with the checklist control report, these attention points will allow our partners to submit a financial report of a higher quality to VLIR-UOS.

Since the guidelines have been slightly adapted in 2013, VLIR-UOS has added the differences between the old and the new guidelines [in blue](#) in this text.

The programmes starting in 2013 and some programmes starting a new phase will need to use the adapted financial guidelines. This is the case for : **HU, MMU, MU-T, NM-AIST, UO and (as of phase 2) Adekus, UEM, MU-K**

## Completeness

It is the responsibility of the university of the Flemish coordinator to submit a complete financial report for Year 'X' by 15 October of the Year 'X-1'. At first, this is an electronic submission but at the end of the control process, VLIR-UOS asks the Flemish university to provide all models undersigned by the Flemish IUC coordinator.

However, to be able to do so, the first step is that the southern partner sends, according to the internal deadline included in the last version of the IUC Newsletter (31<sup>st</sup> of August 2009 was in the case of most partners the deadline for this year) the following models to the ICOS :

- Model IB
- Model ID
- Exchange rate calculation

Remark: VLIR-UOS also asks to submit the data of the project budgets compared to the actual project spending (model components of the macro). This information is also needed for completion of the narrative part of the annual report (AAR).

# Correctness

1/ Are all invoices individually listed? (are all justifications present? Is the order date before the invoice date? Are all classification numbers completed?)

2/ Are all expenditures reported in the correct budget line? (investment cost; operational cost;...)

3/ Keep in mind that there is a difference between expenditures done in the context of “coordinating the programme” and expenditures done “within a specific project”. If a cost is attributed to a project instead of to the PSU, it should be clear from the description for the reader of a financial report. Therefore mentioning the activity in the description is sometimes needed.

Quite some expenditures are covered under the PSU budget with the K1/E1 or the K2/E2 and should not be reported elsewhere in the financial report. In **annex 2** a summary has been included of expenditures which can be covered under the PSU budget without using the K1/E1 or K2/E2; and of the expenditures to be covered by the K1/E1 or K2/E2 which cannot be reported elsewhere.

4/ Include enough detail in the description :

Not : “fuel” but if not covered by the mileage allowance : “fuel for transport from <place> to <place> by <name person> for <activity>”;

Not : “scholarship” but “<type of scholarship>” + <description of cost> + <name scholar> + <period>”;

Not : “residential hotel cost + per diem, <name person>” but : “hotel x <number of nights> + per diem <used amount> \* <number of nights> ,<name person.>”

Not : “drinks workshop <name workshop>, but “drinks workshop <name workshop>+ <date> +<number of participants>”

Not : “travelling cost : x EUR”, but : “ travel Promoter X from <date> till <date>; <means of transportation> from <place of departure> to <place of arrival> for <purpose>”. (purpose serves to distinguish between coordination purposes or project specific purpose)

5/ Use of correct per diem amounts when travelling abroad. See updates on the VLIR-UOS website (reference to the website is made in attached annex1)

6/ Receiving correct scholarship amounts. See updates on the VLIR-UOS website (reference to the website is made in attached annex1)

7/ Pay special attention to the dates. Are all reported invoices dated within the deadlines of the AP year? If not, is the order date within the deadline of the AP year? Is reported payment date always within the deadlines of the AP year? In borderline cases add explication to the description.

8/ Was the tendering process respected? Are invoices and quotations from purchases with a sole supplier above 5.500 EUR<sup>1</sup> easily accessible?

If an external audit takes place those documents should be ready or easily accessible for controlling by the external auditor.

---

<sup>1</sup> Local procurement amounts need to be respected. As a minimal rule VLIR-UOS requests at least 3 quotes as of 5.500 EUR.

If no external audit will take place VLIR-UOS asks that electronic copies of those invoices and quotations are sent to the Flemish University.

9/ Import duties cannot be reported.

10/ Advances should never be reported. Check settlement of advances in time before submitting the financial report on local expenditures (model 1D). There is a deadline for payments and invoice or justification dates which should also be respected when using advances.

11/ Only real expenditures are taken into account: therefore advances, money transfers, guarantees cannot be reported.

If an invoice was too high and a credit note was made, this credit note needs to be reported with a (-) in the financial report.

12/ For those IUC programmes where no external audit will take place some copies of invoices and quotations will be asked by VLIR-UOS. They are to be sent to the Flemish university prior to the control visit of VLIR-UOS to this Flemish University.

13/ For those IUC programmes where an external audit will take place VLIR-UOS will ask the local university's PSU unit to prepare following documents:

- a trial balance from April 1 to March 31
- balance of each ledger (bank expenditures, transfers,...) including the balance of the funds.
- a statement of income and expenditures
- an updated model 1D
- K2/E2 and mileage reconciliation; fund balance.
- during the auditors field work a person who is responsible or can justify transactions should be present.

For those IUC programmes where no audit takes place VLIR-UOS asks you to inform us in the narrative annual report about:

- K2/E2 and mileage reconciliation: fund balance

14/ If the weighted average exchange rate conversion is not used for expenditures in foreign currency a proper exchange rate justification should be added to the financial report. This exchange rate justification was a bottle neck for sending the corrected financial reports on time to DGD, so please double check if this is submitted to the Flemish university together with all other necessary models (see completeness). Reference to a website is not enough, a print out of the used rates is necessary.

Normally if money is sent from Belgium in EUR to a local account in EUR no costs should be deducted from the local EUR account since the Flemish university is making the transfer with all costs at its expense. If this is not so, the used rate EUR: EUR will not be 1:1.

Ask your local bank why charges were deducted? Ask the Belgian University if they made the transfer with all costs at their expense.

15/ Every expenditure can only be reported once.

# Frequently made mistakes

1/ Wrong use of scholarship amounts.

2/ Order date or invoice date or payment date outside the permitted order-, invoice - and payment date.

3/ Import duties reported. This is never covered by VLIR-UOS.

4/ Expenditures reported under projects which should be covered from the PSU budget, K1/E1 or K2/E2.

5/ International per diem paid according to the number of days of stay abroad instead of according to the number of nights of stay abroad. The maximum duration of a visit to Belgium that is chargeable to the programme budget amounts to 21 days.

6/ Exchange rate calculation or justification is not submitted.

7/ Transfer fees are reported instead of taking them into account with the calculation of the exchange rate.

8/ Payment of the hotel bill: only the room is covered. Drinks, food, ... should be covered with the per diem.

9/ Late or incomplete submission of the necessary models.

10/ Guidelines concerning the use of service contracts are not always respected.

11/ Topping up in IUC is not allowed within the regular budgets. If there is a type of topping up to be foreseen for local PL or other, then it should always be covered by the K2/E2.

12/ Budget shifts lower than 15 % from one project to another are allowed without the approval of VLIR-UOS but should be mentioned in the annual activity report (AAR). Bigger shifts between project budgets and also when a major shift (larger than 15%) between the budget lines (Model 1B) is expected, will require approval of VLIR-UOS. Coordination costs can never be shifted.

13/ If there is an overexpenditure in APX, look into invoice dates after the final authorised order date to shift some expenditures to the next APX+1 budget. If the invoice date is after the final authorised order date this expenditure can also be reported in the following APX+1 year.

14/ all costs to the deployment of employees (service contract, employment contracts with local employees and expatriated experts, etc) must be budgeted and recognised under budgetline C personnel cost. In the former guidelines personnel costs only contained the salary of the programme manager and expat.

Visiting lecturers of other universities of the South (not north) may benefit a fee (service contract as per the salary rates of the IUC partner university).

## **Annex 1: Sources of information**

For the complete guidelines reference is made to the website of VLIR-UOS and the guidelines for project execution:

<http://www.vliruos.be/iucguidelines>

The website will be kept up to date with the latest index changes. Therefore regular visits and checking is highly recommended.

## Annex 2: Content and extra remarks on the PSU budget

In the guidelines 2013 budgetlines have been reduced : residential (G), international traveling costs (F) and shipment costs (H) are not reportable under the separate budgetlines (G) and (F) and (H) but need to be reported under budgetline operating costs (B). Budgetline investment cost (B) has been altered in budgetline investment cost (A) and budgetline operating costs (C) has been altered in budgetline (B). K1 is replaced by E1 and K2 by E2. This simplification of budgetlines has as countereffect that the importance of complete descriptions in the financial report increases.

### PSU budget with budget lines B, C, D, G, F, E1/K1 en E2/K2:

Scholarship costs cannot be reported under the PSU budget, all other expenditures related to the other budget lines can be reported. However, the K2/E2 budget (lump sum) restricts the reporting of expenditures in the other budget lines

#### **PSU budget contains under A/ B (Investment Costs):**

Purchase (only purchase) of programme vehicles. (notice: purchase is exceptional and use of the purchased cars is for the entire IUC- programme).

All minor investments for the programme coordination are to be funded by the local administration budget (E2/K2).

#### **PSU budget contains under B/ C (Operating Costs):**

Costs linked to the missions of the people (N/S) involved in the coordination of the programme (programme coordinator, programme manager, ICOS, Rector of the local university, ...) (C, F, G- B)

Costs linked to the missions of the people (N/S) involved in the coordination of the programme (programme coordinator, programme manager, ICOS, Rector of the local university, ...)

Costs linked to the missions of the people (N/S) involved in the coordination of the programme (programme coordinator, programme manager, ICOS, Rector of the local university, ...)

*Costs linked to a joined steering committee meeting will also be accepted*

#### **PSU budget contains under C/ D (Personnel Costs):**

Salary of the local programme manager

**PSU budget contains under B/ F (International travel Costs):**

Costs linked to the missions of the people (N/S) involved in the coordination of the programme (programme coordinator, programme manager, ICOS, Rector of the local university, ...) (C, F, G - B)

**PSU budget contains under B/G (Board and Lodging Costs):**

Costs linked to the missions of the people (N/S) involved in the coordination of the programme (programme coordinator, programme manager, ICOS, Rector of the local university, ...) (C, F, G - B)

**K2/E2 of the PSU budget (lump sum):**

The K2/E2 is intended to be a lump sum to be used in accordance with the policy **priorities of** the IUC programme and of the local university. In principle, it can be subdivided in:

Institutional overhead (meant to cover personnel, accounts, central reporting) and local coordination and administration costs

Costs which cannot be attributed to the individual projects.

*Example of costs to be attributed to the PSU:*

**B.A. Investment costs**

- PCs, printers, fax machines, photocopier machine, phone sets, ..
- installation of internet connection, LAN, ...
- installation of the VLIR-UOS IUC office : furniture, etc.
- mobile phones

*replacement of investment costs purchased in year 0 and correctly budgeted in the annual IUC budget are authorized*

**C.B. Operational costs**

- photocopy costs of the VLIR-UOS IUC office and all other support services (financial office, university store, ...)
- communication costs of the VLIR-UOS IUC office (fax, e-mail)
- labels
- PR materials, letter paper, paper, stationery
- representation costs
- electricity, renting of rooms, meeting costs (drinks, snacks etc.)
- local travel of the members of the VLIR-UOS IUC office and support offices : mileage allowance, per diem of the driver, ...

- pick-up at the airport of guests coming in the context of the IUC partnership
- local per diem for members of the VLIR-UOS IUC office, etc.

#### **D.C. Personnel costs**

Salary of the assistant, secretary, accountant and possible drivers.

*Salary of drivers can also be paid with the mileage fund. The cost of the salary will need to be provided for in the setting of an adequate mileage allowance.*

Budget line E, F, G, F and H (D) are not applicable

To conclude, a lot of investment costs, operational cost and personnel cost which cannot be attributed to specific projects are to be paid with the K2/ E2 budget and cannot be reported separately. To make this clear the description in the finance report should contain enough details..

#### **Additional remarks concerning the PSU budget**

Notice: A lot of costs concerning fuel, spare parts, carwash, car insurance, possibly the salaries of the drivers are covered with the “mileage allowance” attributed as an expenditure under B./ C. Operating Costs of the different users (read : Projects). The same applies for use of the programme copy machine with the copy allowance. The management manual should describe which costs are covered with the mileage or copy funds.

E1/ K1 (Flemish coordination costs) and E2/ K2 (Local coordination costs) – budgets evolve during the IUC cycle. The following are the normal rates, applicable to most IUC partners:

| Year                    | K1         | K2         |
|-------------------------|------------|------------|
| IUC Cycle : year 1      | 15.100 EUR | 25.200 EUR |
| IUC Cycle :year 2 t/m 7 | 22.500 EUR | 37.500 EUR |
| IUC Cycle : year 8      | 19.000 EUR | 32.000 EUR |
| IUC Cycle : year 9      | 17.000 EUR | 28.000 EUR |
| IUC Cycle : year 10     | 15.000 EUR | 25.000 EUR |

## Annex 3: Service contracts

IUC financial guidelines, p. 14:

### C.12.1. Service contracts

If external experts (i.e. experts that are not linked to a Flemish university or partner institution) have to be called upon to implement certain sub-aspects of the activity programme, the associated costs may be charged to the programme budget. This **must be mentioned in the relevant Annual Programme**. The allocation must take place by means of a service contract. If the total cost price of implementing the assignment is more than EUR 5.500, this allocation needs to be justified on the basis of three quotations.

By way of illustration, a diagrammatic representation is given below of how costs related to local time input have to be entered in the budget:

| Nature of the duties   | Budget         | Budget line  | Manner of deployment of personnel                |
|--|----------------|--|--|
| <b>Management</b>  |                |  |  |
| Programme co-ordination duties   |                | K2/E2: Covered by the lump sum local coordination costs  | To be determined by the local partner university |
| Project leadership duties  |                | K2/E2: Covered by the lump sum local coordination costs  | To be determined by the local partner university |
| Programme Management   | PSU            | D/ C: Personnel (Programme manager)                      | Local employment contract                        |
| <b>Research support</b>  |                |  |  |
| Long term support services (field assistant, farmers etc.)                           | Project budget | C. Operating costs<br>C. personnel cost                  | Local employment contract                        |
| Technical or non-technical ad-hoc support services (lab analysis, secretarial, etc.) | Project budget | C. Operating costs<br>C. personnel cost                  | <b>Service contract</b>                          |
| <b>Management support</b>  |                |  |  |
| Administrative and accounting services   |                | K2/ E2: Covered by the lump sum local coordination costs | To be determined by the local partner university |

|  |     |   |                  |
|--|-----|---|------------------|
| Technical ad-hoc support services (web-site, PR materials, workshop organisation,..) | PSU | C. Operating costs<br>C. Personnel cost | Service contract |
|--|-----|---|------------------|

Extra remark concerning a frequently asked question concerning the fees/ service contracts of external speakers (not member of university staff):

Summarised this is the point of view of VLIR-UOS:

*“Fees are certainly not encouraged. This goes for local experts and international experts. Normally, when the people involved are IUC staff members and team members, fees cannot be paid. In the case of IUC members, the K2/E2 can foresee in fixed topping-up rules for PL so that no extras are needed in case of workshops. We also suggest that other staff members (local university personnel, but not IUC member) could be stimulated through this. If not possible, any derogation to this needs to be discussed on the basis of local university regulation and a management guideline proposal included in the set of IUC management guidelines.*

*In the case of external speakers to the university it will not always be possible to not reward them with a fee. However, we suggest a reasonable fee, maybe we can target the international per diem rate for the country as an indicative maximum, but in fact the proposed amount should be part of the set of standard allowances included in the IUC Management guidelines.*

*These visiting lecturers of other universities of the South (not north) may benefit a fee (service contract as per the salary rates of the IUC partner university) to be reported under C. personnel cost.*

*If international experts are contacted and working with per diems is a no go, a call should be launched for this at regional or international level (in this case also through VLIR-UOS). Also here, we try to avoid this as much as possible and work with the normal VLIR-UOS hotel and per diem rates. Please note as well that all Flemish academics (and other) are not receiving any fees for the extra work they are doing.*

***Also, we would like to stress that in IUC programmes fees are not paid unless in really exceptional cases where approval was given.”***

# Annex 4: exchange rate calculation

## VLIR-UOS EXCHANGE RATE CALCULATION METHODOLOGY

### Exchange rate calculation

In general, each method that is correctly documented, based on money transfers and reflecting a correct exchange rate and methodology will be accepted. Some examples of methods are explained underneath.

#### *Method 1: weighted average exchange rate calculation*

Year 1: per money transfer

**Gross** what was debited from the Belgian account in EUR (a)

**Net** what was credited to the local account in local currency (b)

So, bank charges relating to the transfers have already been processed in the exchange rate calculation

Weighted average exchange rate:  $(\Sigma a) / (\Sigma b)$

Reconciliation

Year 2 and beyond:

Same as year of operation 1

But also value balance in local currency on the local account at previous year's weighted average exchange rate

Reconciliation

Balance AP year x = balance 31.03.year x+1 – expenditures done for AP year x+1 (advances) + expenditures reported in AP year x till 15.08.year x+1 (ultimate payment date for expenditures from AP year x).

The same method can be used if two rates have to be calculated: EUR/USD rate and USD/local currency rate.

#### *Example method 1:*

Year 1:

Transfer 1: 10,000 EUR (10,056 EUR from Belgian account), 12,800 USD net on local account

Transfer 2: 15,000 EUR (15,064 EUR from Belgian account), 18,050 USD net on local account

After year 1 the local account contains 5,075.00 USD

Year 2:

Transfer 3: 12,000 EUR (12,030 EUR from Belgian account), 14,333 USD net on local account

Exchange rate calculation:

| <b>Year 1</b>            | <b>EUR</b> | <b>USD</b> |
|--------------------------|------------|------------|
| Transfer 1               | 10,056.00  | 12,800.00  |
| Transfer 2               | 15,064.00  | 18,050.00  |
| Total                    | 25,120.00  | 30,850.00  |
| Year 1 exchange rate     | 0.8143     |            |
| <b>Year 2</b>            | <b>EUR</b> | <b>USD</b> |
| Balance on local account | 4,132.57   | 5,075.00   |
| Transfer 3               | 12,030.00  | 14,333.00  |
| Total                    | 16,162.57  | 19,408.00  |
| Year 2 exchange rate     | 0.8328     |            |

Example of expenditure y1: 10.000 USD expenditure should be reported as : 10.000 USD \* 0.8143 USD/EUR = 8.143 EUR

Example of expenditure y2: 10.000 USD expenditure should be reported as : 10.000 USD \* 0.8328 USD/EUR = 8.328 EUR

*Method 2 : one rate per money transfer*

One can also use the rate of the current money transfer till the transfer is used and the rate of the following money transfer once the current transfer is used.

*Example method 2:*

| <b>Year 1</b> |               |   |             |
|---------------|---------------|---|-------------|
| Transfer 1    | 10,056.00 EUR | 12,800.00 USD   | 0.7856 rate |
| Expenditure 1 | 10,000.00 USD | 7,856.00 EUR  | 0.7856 rate |
| Expenditure 2 | 50.00 USD     | 39.28 EUR   | 0.7856 rate |
| Transfer 2    | 15,064.00 EUR | 18,050.00 USD   | 0.8346 rate |
| Expenditure 3 | 3,000.00 USD  | 2,160.40 EUR (2,750.00 USD remaining balance from transfer 1) | 0.7856 rate |
|               |               | 208.65 EUR (250.00 USD from transfer 2)                       | 0.8346 rate |

*Method 3 : daily rates*

One can also use daily rates based on daily exchange rates mentioned on a currency exchange internet website (e.g. [www.oanda.com](http://www.oanda.com)). This method is however not encouraged, since a lot of inaccuracies can occur using this methodology and it is time consuming.