

NordFoU

FINANCIAL GUIDE

FOREWORD

The aim for the NordFoU Financial Guide is to help NordFoU project participants and leaders setting up the projects, and describe the obligations and responsibilities of the various stakeholders.

The Financial Guide will define the financial framework and present the economic setup, which are to be used in projects.

In order to support the NordFoU projects a financial organisation has been set up. The financial officer can help and support the projects with economic issues.

A budget template has been made in relation to The Financial Guide. This budget template should be filled out together with the contract, when the Task Force has approved the project.

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ECONOMIC ROLES

The Steering Committee

The Steering Committee is overall responsible of NordFoU, and thus holds the final responsibility of the financial handling of the NordFoU projects.

The Steering Committee has delegated the management and responsibilities regarding the project portfolio to the task force.

The Steering Committee is also responsible for approving all financial transactions within NordFoU including project reimbursements from Scientific Partners. This responsibility is delegated to the chairman of the Task Force.

The Task Force

The Task force has the responsibility on behalf of NordFoU to approve or reject project proposals. The Task Force approves the project contract and project budget, including both financial budget, cost budget and plans for funding and payments.

The Task Force is also responsible for perform periodical project controlling, and hereby ensure that the project leaders and scientific partners follows the budget, and that the projects are on track financially. The project controlling is based on progress and financial status reports from the project leaders, and financial reporting of the project accounts in the NordFoU delivered by the financial officer.

Chairman of the Task Force

The chairman of the Task Force has been delegated the responsibility to act as 2nd approver on behalf of NordFoU for all daily project related transactions. It is the responsibility of the second approver to control that the reimbursement requests are:

- Overall in line with expectations
- Are related to the correct project
- Documentation and project leader approval is in order

The 2nd approver is not responsible pro the project budget and progress, only for approving the payout of reimbursement on based on submitted documentation on behalf of the NordFoU steering committee and Task Force.

The project leader

- The project leader is overall responsible for the project budget.
- The project leader is responsible for delivering timely reimbursement requests from all scientific partners, plus approving that reimbursement requests are in line with project contract and NordFoU guidelines and is backed by sufficient supporting documentation.
- The project leader is responsible for the approval of third party invoices.
- The project leader has to be from an organization, which is a financial partner.

Scientific partners

The scientific partner has per definition only scientific obligation to the project. The scientific partner will be reimbursed by the project for their scientific deliverables.

The scientific partners refer to the project leader, or are responsible for keeping the project leader informed of the costs, ensuring approval from the project leader before entering into obligations on behalf of the project and for sending the reimbursement requests including sufficient documentation to the project leader for approval.

A scientific partner is always a NordFoU member organisation.

The scientific partners has to keep track of their costs related to the project, and has be able to verify them if requested. The responsibility for this is delegated to the project leader on behalf of the scientific partners.

A scientific partner can also have the role of a financial partner.

Financial Partners

Financial partners are the NordFoU members who is financing a project. The financial partners has per definition only a financial obligation to the project. The obligation is to finance their own effort as a scientific partner or to finance a smaller or bigger part of the project. A financial partner commits to a finance obligation for a project when signing the project contract.

A financial partner can also have the role of a scientific partner.

The Financial Officer

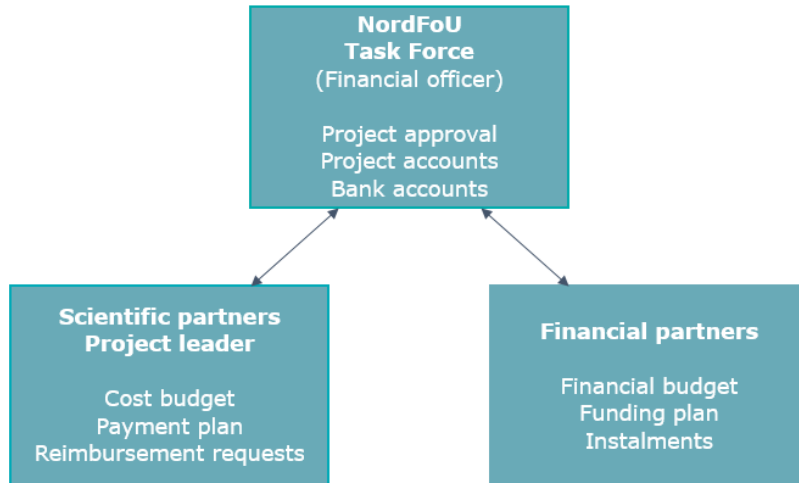
The financial officer handles below processes related to projects and, and is responsible for obtaining necessary approvals from the Task force and the Steering Committee to ensure compliance with NordFoU rules, good accounting practice and segregation of duties:

- All financial transactions regarding NordFoU members
- Invoicing project instalments
- Handling of project reimbursements (secretary general and financial officer), instalments to projects, and refunds to project partners, including acting as financial approver.
- Handle payouts of closed project surplus based on input from the Steering Committee and the Task Force
- Register transactions in E-conomic and perform periodic reconciliation of project accounts
- Prepare financial project reporting to Task force.
- Prepare financial reporting for Steering Committee.
- Prepare updates of NordFoU Financial Guide to the Steering Committee

ECONOMIC MODEL

Projects under NordFoU will have to take into account and describe the following elements in the memorandum of understanding (project contract):

- Economic setup
- Financial budget
- Cost budget



The economic setup describes the economic frame for the project. NordFoU operates with two different setups. The common pot setup where the project is financed by NordFoU members, and uses the financial setup in NordFoU, and the common effort setup, where each contributor finances their own work.

The financial budget defines the financial partners and their economic obligations / contributions to the project. The financial partners are the project members, who are paying for the project.

The cost budget defines the total costs of the project. The cost budget shows the expected costs of the scientific partners, how their costs are generated, and the total budgeted costs of all contributing scientific partners. The scientific partners are those project members, who are doing the scientific work.

THE ECONOMIC SETUP

A project under NordFoU will, before it is approved, have to define the economic setup for the project. NordFoU operates with two different setups, the setups differences in the relation between the financing organization and the organization performing the project work. The two setups are:

- Common Effort
- Common Pot

Common Effort	Common Pot
Each partner finances their own effort. Scientific Effort = Financial obligation	Scientific effort is financed by the common pot Effort ≠ Financial obligation
No financial transactions with NordFoU Projects not in NordFoU's financial accounts	Project represented in NordFoU's financial accounts.
Financial Officer not involved in the project financials	Financial transactions between partners and NordFoU and financial reporting to task force handled by the financial officer

This section describes both economic setups that are on research projects. However as only the common pot setup generates financial transactions between the partners and NordFoU, the following sections focus solely on the Common pot setup.

Common Effort

In the Common Effort setup, there is a one-to-one relation between a scientific partner and a financial partner. The effort of a scientific partner will be financed by themselves, and there will be no financial transactions between the project partner and NordFoU. Thus, the common effort setup is only using NordFoU to facilitate research cooperation between participating countries.

Common Pot (recommended setup)

In the Common Pot setup, the financial partners will establish a project fund under the NordFoU bank account. The scientific partners will be reimbursed from this fund.

The financial partners agree on the costs to be included in the project and the financing of the project, e.g.:

- Partner 1 contributes 60% of the financing
- Partner 2 contributes 15% of the financing
- Partner 3 contributes 25% of the financing
- Partner 4 contributes 0% of the financing

The scientific partners prepare a description of the work and the division of labor including budget, e.g.:

- Partner 1 contributes 40% of the work
- Partner 2 contributes 15% of the work
- Partner 3 contributes 25% of the work
- Partner 4 contributes 20% of the work

The project budget will have to describe a funding plan, that states when and what amount each financial partner has to transfer to the common pot. The budget should also describe a payment plan, that states when and how much the scientific partners expect to claim reimbursement through the project.

The financial budget will describe each Financial Partner's financial contribution to the common pot.

The cost budget will describe each scientific partner's costs, including when the scientific partners expect to be reimbursed from the common pot.

In the Common Pot setup there often will not be a one-to-one relation between a scientific partner and a financial partner.

A scientific partner can choose to have a third partner (external company) doing parts, or all, of the scientific work. The scientific partner, who subcontracts with the external partner, will finance the external partner's work and then claim reimbursement from NordFoU, according to agreed budget. There will be no financial transactions directly between NordFoU and the external partner.

PROJECT START UP

When starting a new project, the project partners and task force defines the economic setup and roles of the project. This includes defining who has the responsibility of:

- Project leader
- Financial partners
- Scientific partners

This is specified in the project contract (Memorandum of understanding).

When all details are agreed upon the Task Force sends the information to the financial officer, if any details regarding the project differs from the standard rules of NordFoU this has to be described in the project contract and highlighted to the financial officer.

Differences could be:

- Using salary rates different from the standard rate of 50 EUR. This is a common difference in the actual project costs and reimbursement, and are as a general rule accepted. However, in order for the project leader and approvers of reimbursement requests within NordFoU to respond to requests in a timely manner, and validate costs, the project contract should specify the actual rates.
- Payment regarding use of rooms or special equipment. The project contract should agree upon rates and costs.

The project also has to provide a project budget to the financial officer. The project contract is described in further details below.

THE PROJECT BUDGET

Each project budget has to address two basic questions:

- How much does the project cost? = The cost budget
- How is the project financed? = The financial budget

The project budget may vary in respect to the economic setup chosen by the project. However, for every project both the financial budget and cost budget in the budget template has to be filled out and added as an appendix to the contract and project plan.

The project budget is the responsibility of the project leader. The project leader in collaboration with the scientific partners, financial partners and Task Force prepares the project budget.

The Task Force approves the project budget before starting the project. When signing the project contract (memorandum of understanding), the financial partners are obligated to follow the agreed funding plan.

The template to use for the project budget is available on the NordFoU webpage:

<http://www.nordfou.org/about/Sider/NordFoU-templates.aspx>

It is important that to fill out the cost budget for all scientific partners. The financial officer and task force use the details in the budget for ongoing financial controlling and reporting.

The cost budget

The cost budget should always show how much it costs to produce the scientific result.

The project should fill out a cost budget for each scientific partners. The budget will then show the aggregated cost budget.

Costs budget for

Deliverables	0	1	Year 2	3	4 Total	
Total	0	0	0	0	0	0
Delivery 1	0	0	0	0	0	0
Salary	0	0	0	0	0	0
Travel costs	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subcontractors	0	0	0	0	0	0
Rent of Equipment	0	0	0	0	0	0
Use of production facilities	0	0	0	0	0	0
Delivery 2	0	0	0	0	0	0
Salary	0	0	0	0	0	0
Travel costs	0	0	0	0	0	0
Other	0	0	0	0	0	0
Subcontractors	0	0	0	0	0	0
Rent of Equipment	0	0	0	0	0	0
Use of production facilities	0	0	0	0	0	0

In the budget template by scientific partner and shown by yearly costs, the years follows NordFoU's financial calendar and runs from 1st of July to 30th of June.

In order to reduce complexity and discussion when setting up the cost budget, the Task Force define which costs are eligible. Only eligible costs should figure in the costs budget.

Eligible and non-eligible costs

All costs that are directly related with generating the scientific result in the project are defined as an eligible cost. All costs charged to the project have to be actual costs, with the exception of salary, which can be charged at an hourly rate. The Task Force suggest the hourly rate should be used, however reimbursement of salary is defined in each project contract. Only in specific cases, budgets containing salaries over the decided hourly rate is accepted by the Task Force.

All costs which are not directly related with generating the scientific result in the project is defined as non-eligible costs.

Costs categories	
Eligible	Non-Eligible
Salary	Taxes/VAT
Travel expenses, including airport taxes	Debt
Subcontractors	Interest
Meeting costs	Overhead costs
Rent of equipment	
Use of production facilities	

Salary

Salary covers all work directly related to the project. Salary charged to the project should be the actual salary or an hourly rate.

The Task Force has decided upon an hourly rate of 50 Euro, the rate can be revised by decision of the Task Force.

A project can argue for a different hourly rate based on the actual transactions in the road directorates. The rates scientific partners can claim regarding salary has to be described in the project contract and approved by the Task Force. If no rate is described in the project contract, the standard rate is always used, and reimbursement requests using other rates will be rejected.

Travel expenses

Travel expenses cover all expenses, flight ticket, hotel, food e.g., related to travels necessary to the projects.

Subcontractors

Subcontractor covers expenses to external partners hired by a scientific partner to perform certain / specified work related to the project. If a scientific partner subcontracts with a third party to perform parts of the scientific work, this cost type should be used.

Rent of equipment

Costs related to use of equipment not owned by a Financial Partner or part of the subcontractor's fee or contract. A lease normally has to be made for the equipment. In order to the costs reimbursed, a copy of the lease should be sent to the Financial Officer together with the invoice.

Use of production facilities

It is possible for a financial partner to reimburse for the costs of using equipment owned by the scientific partner. The cost of using the equipment should be settled between the scientific partner and the project, and should be estimated in the cost budget agreed upon in the project contract.

Taxes, debt, interest etc.

Not Eligible. Only the net value of invoices, meaning costs related to the projects, excluding any added taxes, interest's fees, etc. is to be charged to the project.

Overhead Costs

Not eligible. Overhead costs are not directly related with generating the scientific result. For scientific partners it has been decided that overhead costs are not a part of the costs budget and thus not considered eligible costs.

Under certain conditions the Task Force can allow, that third parties are reimbursed for their overhead costs. This should always be agreed upon in the project contract, and the third party should always send the invoice to the scientific partner.

VAT

VAT is considered a non-eligible cost. As the financial handling of research transactions are not liable to VAT for NordFoU, NordFou cannot get VAT refund costs related to project reimbursements.

Payment Plan

A payment plan has to be made for all projects under the Common Pot setup.

The payment plan can be based upon a time frame, obligations or a combination of the two. The purpose of the payment plan is to make clear when a partner expects to be reimbursed for their work. The payment plan should follow the budget, and give an overview of when, and how much for each period, the scientific partners expects to claim from NordFoU.

As a rule, it is decided that the scientific partners are obligated to claim quarterly reimbursements. If, for some reason special circumstances for project demands that the scientific partner is reimbursed more often this should be described in the project contract.

The scientific partners will always be responsible for sending reimbursement requests at times specified by NordFoU quarterly.

The budget template contains a standard payment plan, which has to be filled out, in the table below is an example of a payment plan.

Beneficiary	1 st payment	2 nd payment	3 rd payment	4 th payment
Partner 1	December 2016	March 2017	June 2017	Sept 2017
Partner 2	After deliverable 1	After Deliverable 2	After deliverable 3	After final report

The financial budget

The financial budget shows how the project is financed and by whom. Normally only NordFoU members will be financial partners in a project, but under certain conditions external funding can occur.

The financial budget is a part of the budget template to be prepared by project start up.

Financial budget for

Financial Partners	0	1	Year 2	3	4 Total	
Total	0	0	0	0	0	0
0						0
0						0
0						0
0						0
0						0
0						0
0						0

The amount in the financial budget should correspond with the total cost of the budget, so that there are no under- or over-financing.

No under-financing can take place. The project leader and scientific partners have a responsibility to report to the Task Force if the cost budget is expected to exceed its total amount.

Any unused funds has to be reverted back to the original financial contributor.

Funding plan

A funding plan is necessary if the project is based upon a Common Pot setup.

The funding plan has to be made in order to secure that there is funding for the payment plan and to show the Financial Partners, when they need to make an installment to the project account.

The budget template	Sept 2016	June 2017	Dec 2017	June 2018
Partner A	50.000	50.000	50.000	50.000
Partner B	100.000	100.000	100.000	100.000
Partner C	25.000	25.000	25.000	25.000
Partner D	75.000	75.000	75.000	75.000

Disagreements

A project leader or single representative of NordFoU cannot alone decide on changes to either the project contract or budget. Nor can the approval guidelines of NordFoU be overruled.

If either the project leader or chairman of the task force does not approve the reimbursement request from a scientific partner, it is the responsibility of the task force to solve differences and decide if reimbursement can be granted. If no solution is found the decision reverts to the steering committee.

The chairman of the task force or steering committee cannot alone overrule the decision of a project leader.

Payments to scientific partners

Under the Common pot setup, the financial officer handles the payments to the scientific partners.

The project has to be approved in NordFoU and established in NordFoU's systems. The Financial Officer will establish the account when the Task Force has approved the project and a project leader has to have been assigned to the project.

There should be enough funding on the project account. Which means that the instalment plan has to have had been followed by the financial partners.

In order for the scientific partners to collect payments from NordFoU, the process for reimbursement requests as specified in the NordFoU accounting standards has to be followed:

- The reimbursement requests should use the standard template
 - <http://www.nordfou.org/about/Sider/NordFoU-templates.aspx>
- All claims should be documented by copies of original supporting documentation
- Invoice copies
- Copies of timesheets / time reports
- Copies of expense reports
- All claims must be approved by the project leader:
 - Approval that the costs stated in the voucher are related to the project, and that reimbursed costs are according to plan and budget
 - Control with the scientific partner that all related costs are reimbursed
 - Approval that the reimbursement request has the correct bank details for the scientific partner.

If above requirements are fulfilled the financial officer can handle the request and forward this to the chairman of the task force for final approval. If the chairman of the task force is representing the project for which reimbursement are chairman of the task force, the final approval reverse to the chairman of the steering committee.

All request for payments / invoices from Scientific Partners should be send to this billing address:

NordFoU
PROJECT NAME
c/o Vejdirektoratet
Guldalderen 12
2640 Hedehusene
Denmark
Att.: Marianne Worm

Requests for payments to Financial Partners

When the Task Force has approved a funding plan, the financial officer will make sure that the plan is followed. The funding plan is essential in order to make sure, that there always is enough funding for the project to fulfill its financial obligation to scientific partners and third parties.

If a Financial Partner does not fulfill its obligation in the funding plan. The financial officer will raise the issue to the Task Force and stop payment to scientific partner until the financial issue is solved.

PROJECT CLOSING

When a project ends, it must be ensured that all project costs are correctly recorded in NordFoU's accounts. When all project transactions are recorded and all outstanding amounts with scientific partners settled, the Task Force needs to ensure that the project surplus are paid back to the financial partners.

1. On basis of status reporting from the project leader, the Task Force decides when a project closes and gives the information to the financial officer.
2. The financial officer contacts the project leader for final reimbursements

The financial officer provides the project leader with

- a. an overview of recorded project balances,
 - b. Registered costs in NordFoU split by scientific partners.
3. The project leader requests final reimbursement requests from the scientific partners
 - a. The scientific partners must ensure that all project related costs that can be reimbursed from NordFoU are recorded in the organisations accounting system. When a project is closed, no more reimbursements can be claimed from NordFoU.
 - b. The reimbursement requests should
 - i. Contain only actual eligible costs
 - ii. Be supported by sufficient voucher documentation
 - iii. Be approved by the project leader.(maybe this should be by the end of calendar year after closing of the financial year at the road directories)

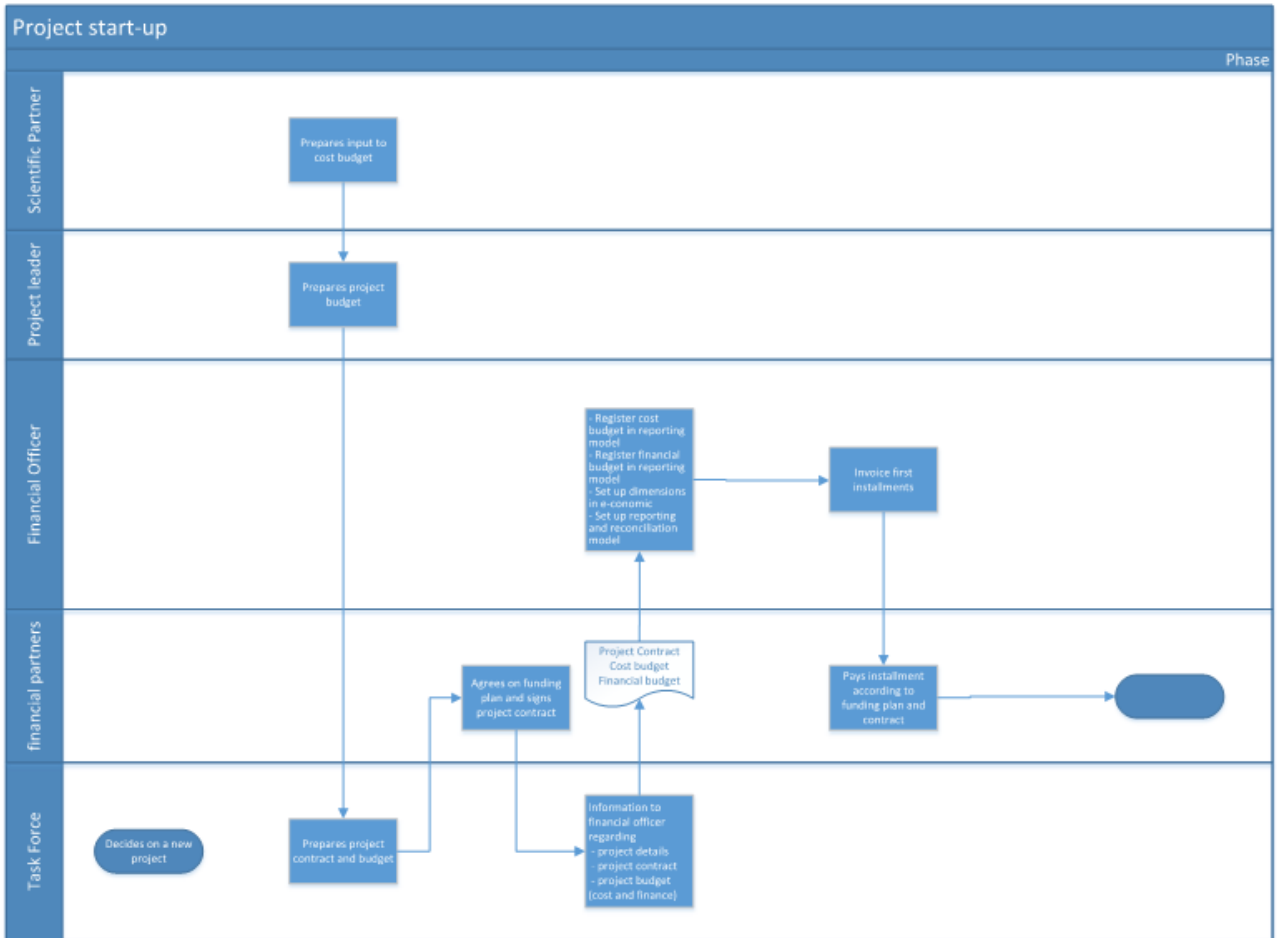
It is the responsibility of the project leader so ensure that the scientific partners reimburse all project costs.

4. The financial officer sends a final project reporting to the project leader.
5. The project leader comments the numbers and approve that all costs are recorded.
6. The Task Force approves that remaining project reserve can be paid back to the financial partners if relevant.

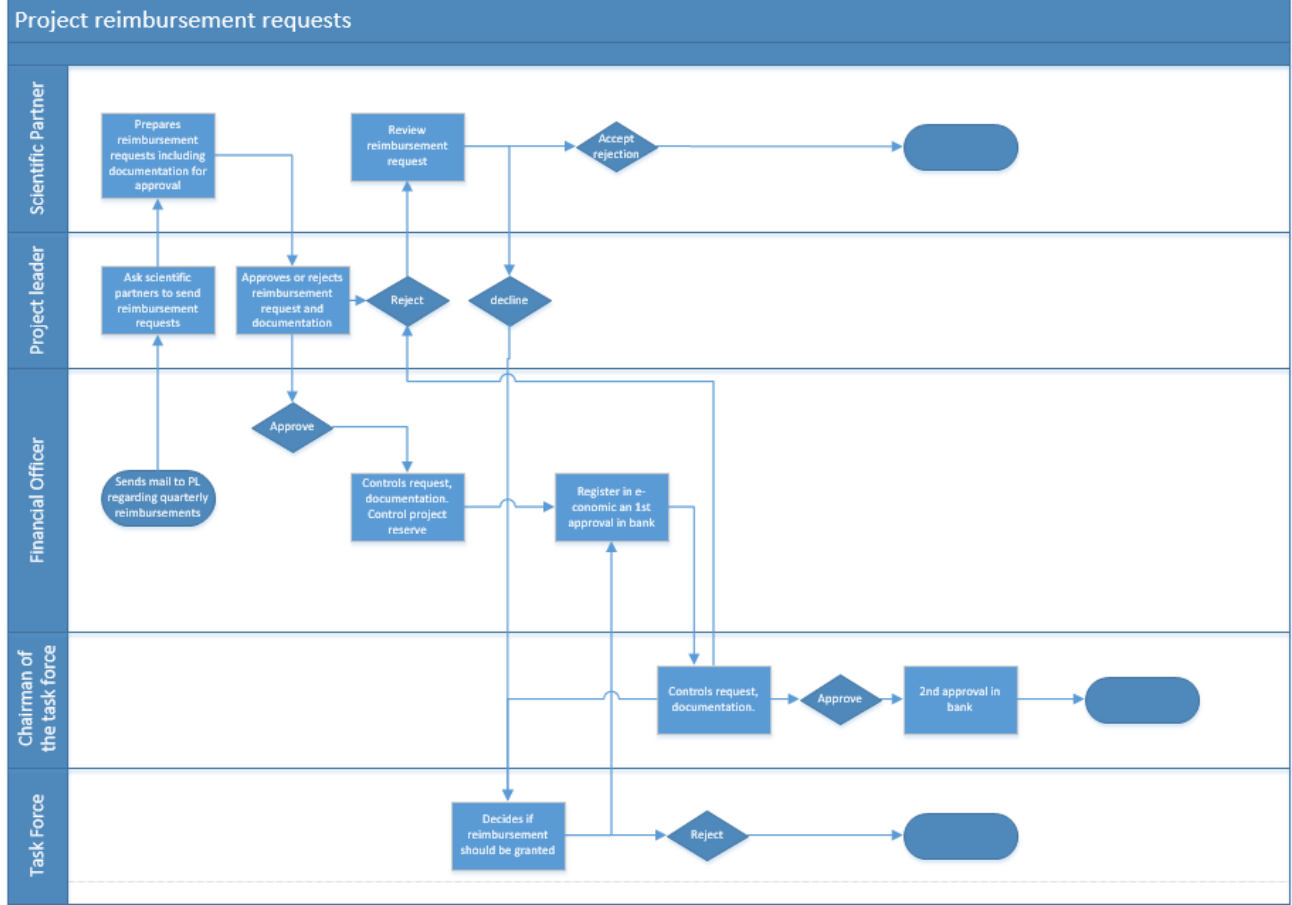
APPENDIX

PROCESS DIAGRAMS

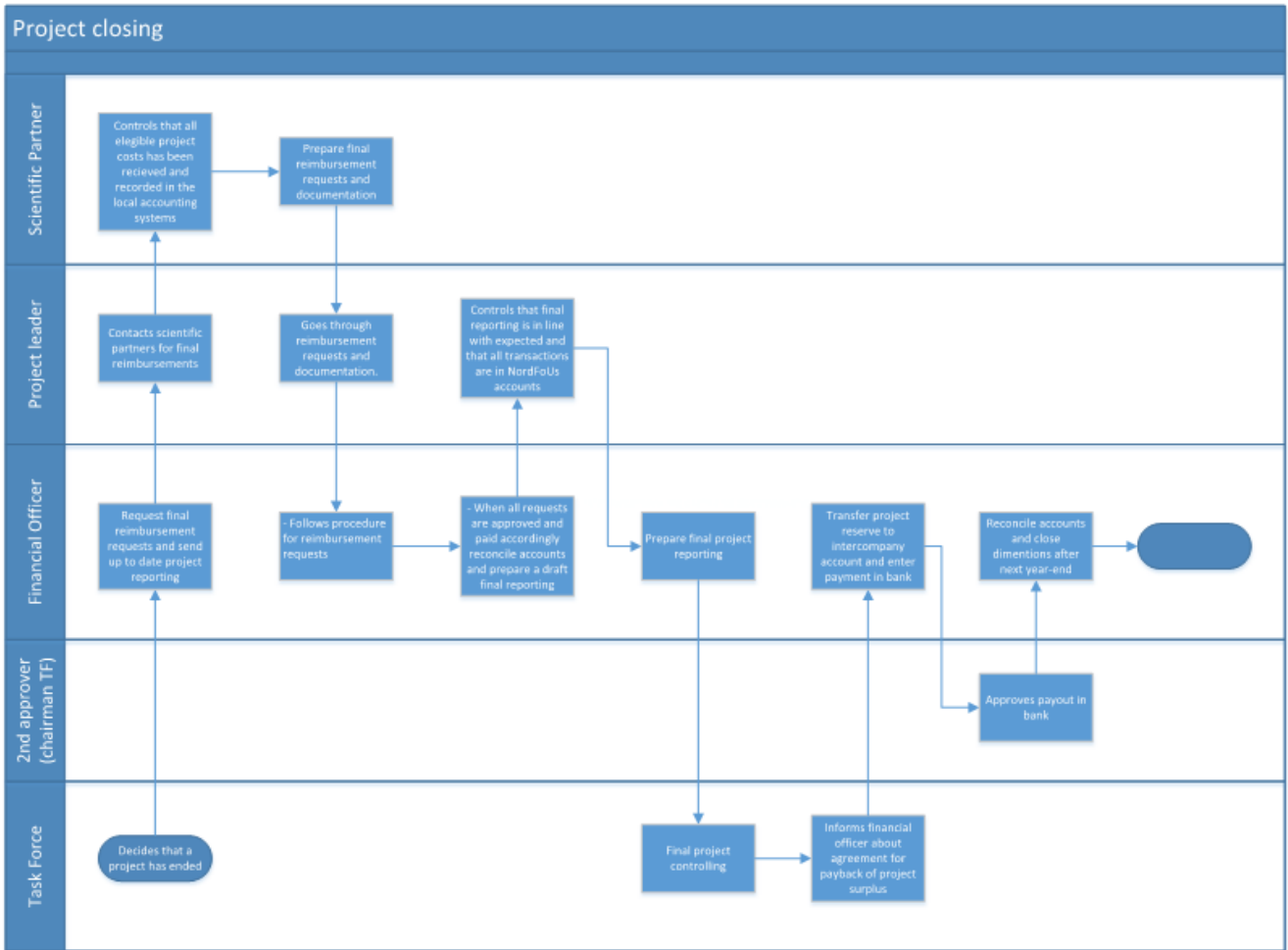
Project start-up



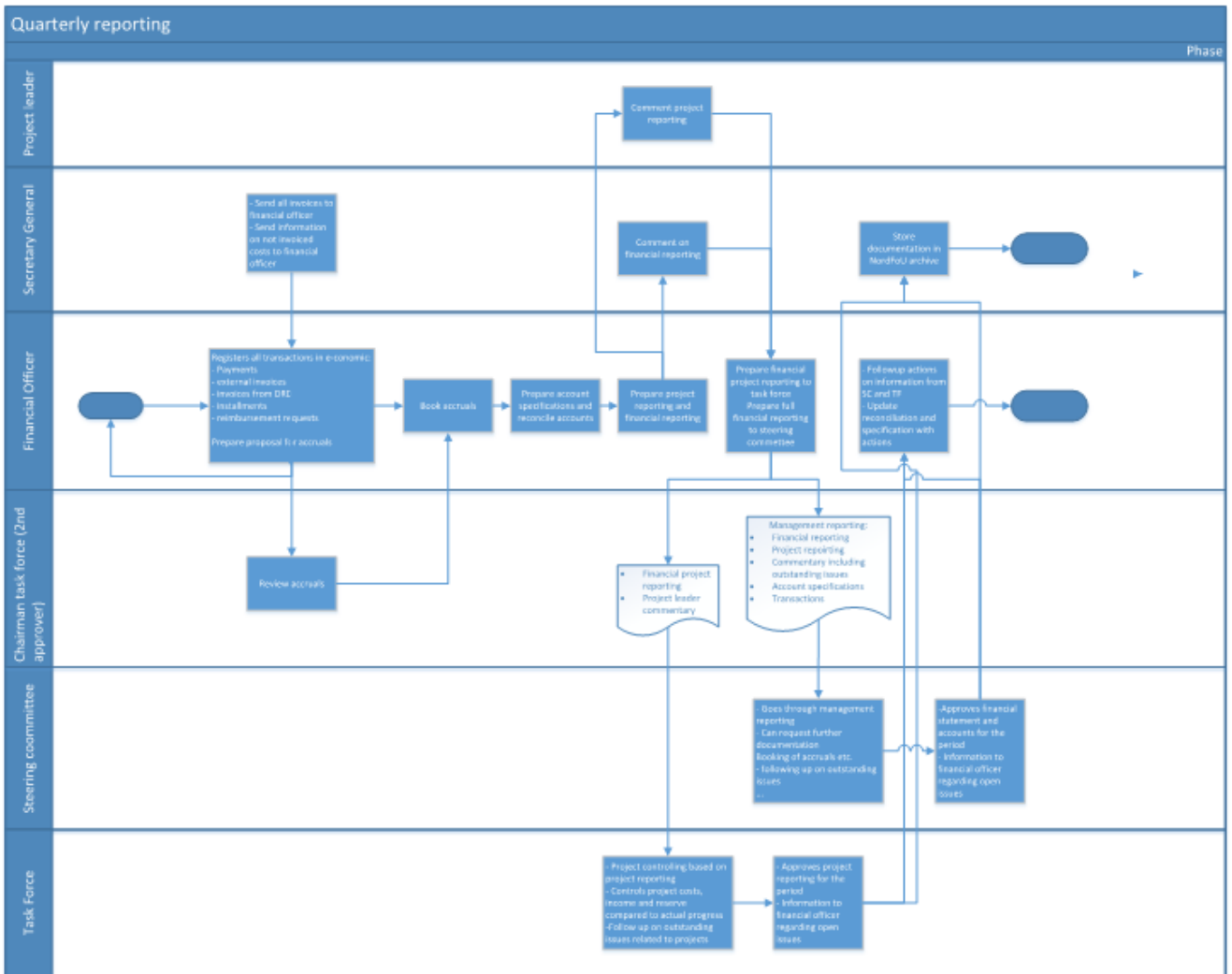
Project reimbursement



Project closing



Project reporting



ROLES AND RESPONSIBILITIES OF THE FINANCIAL ORGANISATION

Purpose

The purpose of this section is to describe the role of the financial organisation in order to secure, that everyone with a role is aware of the responsibilities delegated to them.

Roles

Project leader

The project leader is responsible for own projects. This means responsibility for both meeting deadlines, goals and budgets of the project.

As responsible for the budget, the project leader is responsible for costs allocated to the project as well as responsible for reimbursement requests sent to NordFoU.

The project leader refers to the Task Force and the Steering Committee, and should report to these on both status and financials of the project quarterly or by request.

The project leader is 1st approver of reimbursement requests, as the project leader is responsible for securing that cost are allocated to the correct project etc. The project leader is also responsible for securing sufficient and correct voucher-documentation in the form of copies of invoices and timesheets.

Secretary General

The Secretary General can be stand-in for the financial officer if needed. This means that the Secretary General can be 1st approver on payments.

Financial Officer

The financial officer is responsible for the daily tasks of the Finance Secretariat. This means that the financial officer is responsible for:

- Timely registration of transactions (bookkeeping)
- Continuous reconciliations and correction of errors
- Controlling
- Preparation of management reporting
- Preparation of year-end documentation
- Communication with external auditors
- Developing and updating standard models
- Updating accounting standards
- Assisting project participants with financial matters
- Acting as link between projects, Task Force and Steering Committee
- Assisting NordFoU with clarification of financial matters
- Collecting reimbursements for agreed costs and prepare pay outs for fund in compliance with the approved budget

The financial officer acts as 1st approver on payments for both external invoices and reimbursement requests and is responsible for securing sufficient voucher-documentation.

The financial officer works under the instruction and quality assurance of the chairman of the Steering Committee.

The Steering Committee

The Steering Committee as a whole is overall responsible for the economy of NordFoU – as well as for the chosen financial setup including the control environment.

The Steering committee is therefore responsible for ensuring sufficient control of the tasks solved by the financial organisation.

Control with the financial organisation is primarily done through approval of quarterly management reporting including postings in E-conomic and bankaccounts, which will be attached to the quarterly reporting.

Between the Steering Committee meetings, decision-making in "normal" matters has been delegated to the chairman of the Steering Committee on behalf of the Steering Committee. This means the chairman can make important decisions, except decisions regarding approval of new projects or change of scope and budgets for existing projects. The chairman also has access to approve payments from bankaccounts as 2nd approver.

The chairman of the Task Force

Approval of payments has been delegated to the chairman of the Task Force. This means the chairman of the Task Force is responsible for approving payments as 2nd approver.

If the chairman of the Task Force is responsible for a project reimbursement as project leader, the payment should be approved by the chairman of the Steering Committee to ensure segregation of duties on all payments.

When approving payments the chairman is responsible for securing sufficient and correct voucher-documentation for all payments.

The chairman is responsible for:

- Securing payments have the correct amount and are transferred to the correct receiver of the payment
- Securing sufficient voucher-documentation
 - For projects this means reimbursement-requests as well as underlying voucher-documentation to support the reimbursement request in the form of copies of invoices and timesheets
 - For other payments this means invoices from supplier

Approval of a payment does not make the chairman responsible for the project. The approval only consists of securing correct and sufficient voucher-documentation and is not and approval of whether costs are allocated to the right project etc., as this is always the responsibility of the project leader.

Approval of invoices

1st approver

For all invoices the 1st approver is responsible for securing the following:

- Securing that good or service has been delivered
- Securing that invoices are in accordance with underlying agreements and contracts
- Securing sufficient documentation on the invoice

2nd approver

For all invoices the 2nd approver is responsible for the following:

- Securing payments have the correct amount and are transferred to the correct receiver of the payment
- Securing sufficient voucher-documentation
 - For projects this means reimbursement-requests as well as underlying voucher-documentation to support the reimbursement request in the form of copies of invoices and timesheets
 - For other payments this means invoices from supplier

Approval of reimbursement requests

Project leader approval

For all reimbursement requests the project leader is responsible for:

- Making quarterly reimbursement requests and send them to the financial officer
- Signing reimbursement requests to document that the following is secured:
 - The reimbursement request only contains costs and hours concerning the project
 - The reimbursement request is followed by sufficient voucher-documentation:
 - Copy of invoices
 - Copy of timesheets
 - If the reimbursement request contains delivery of goods, have been delivered
 - Securing that invoices are in accordance with underlying agreements and contracts

1st approver

1st approver is responsible for:

- Timely registration of transactions in E-conomic
- Timely preparation of payment in the bank for the 2nd approver to approve
- Securing sufficient voucher-documentation.

2nd approver

2nd approver is responsible for the following:

- Securing payments have the correct amount and are transferred to the correct receiver of the payment
- Securing sufficient voucher-documentation
 - For projects this means reimbursement-requests as well as underlying voucher-documentation to support the reimbursement request in the form of copies of invoices and timesheets

The approval only consists of securing correct and sufficient voucher-documentation and is not an approval of whether costs are allocated to the right project etc., as this is always the responsibility of the project leader.

If the chairman of the Task Force is responsible for a project reimbursement as project leader, the payment should be approved by the chairman of the Steering Committee as 2nd approver to ensure segregation of duties on all payments.