

Annex 2: Project Financial Reporting & Monitoring Guidelines and Procurement Framework

(Sourced from Section 5 & 6 of the SANBio/BioFISA II Project Implementation Guidelines)

1. Costs supported by the SANBio/BioFISA II Grant

SANBio/BioFISA II Flagship and Seed projects are in general supported on a 60/20/20 basis, where 60% of funding will be from SANBio/BioFISA II matched with 20% cash and 20% in-kind contributions from the Lead Partner and Co-partners. The project consortium may also contribute more than this minimum level requirement. The funds allocated to the Lead Partner on behalf of the project consortium are to be paid in South African Rand (ZAR) and paid by the CSIR on behalf of SANBio/BioFISA II.

The 20% **cash contribution** should be provided in the form of a bank guarantee or bank statement upon contracting. The provision of **in-kind goods or services** during project implementation should be costed. Both these amounts (cash and in-kind contributions) should be auditable. In-kind contributions should amount to at least 20% of the total eligible costs that will be incurred during project implementation. In-kind contributions of consortium members should be monitored during the course of project implementation and should be included in all financial reports.

a) Eligible Expenditure

- Actual running costs incurred for the activities undertaken during project implementation;
- Training required for the completion of the project;
- Laboratory equipment (total value less than 5% of the grant contribution);
- Third party services such as short-term consultancies that provide a service or capability that is not available among the project partners
- Catering costs (excluding alcoholic drinks) for training workshops
- Consumables such as stationery;
- Laboratory consumables,
- Cost of scaling up or pre-commercialisation of the product;
- Audit fees;
- Traveling and accommodation costs – must be directly related to the execution of the project in the most economical manner as defined by the Automobile Association rates for travel and a maximum of 4 stars for accommodation;
- Communication and dissemination costs;
- Costs of non-permanent staff/students (e.g. Postdocs, MSc and PhD) working on the project. The costs claimed shall not exceed 30%¹ of the overall grant received. Please note that researchers who are on the host institution's payroll as permanent staff members may not claim salary reimbursement from this grant.
- Maximum of 5% of the estimated direct eligible costs can reserved as a contingency and can only be used for eligible costs

b) In-kind costs

In-kind costs provided by the **consortium partners** (Lead and Co-Partners) include:

- Specialised equipment/facilities owned by the applicants;
- Office and laboratory space including utilities;

¹ If a grant amount of R4.5 million is requested, up to R1 350 000 can be used to cover the costs of non-permanent staff/students who are working on the project

- Salaries of the institutions permanent personnel directly involved in the project, calculated in line with the amount of time spent only on the project – this includes technical, research and administrative support;
- Laboratory consumables and reagents;
- International and local travel, insurance, accommodation, per diems and subsistence allowance for project personnel;
- Pilot or scale-up facilities in partner's organisations.

c) Ineligible Expenditure

- Expenditure that is not based on the approved project plan or project and financing decisions issued for the project or which have not been agreed on with the financing authority in project negotiations
- Debts and debt service charges (interest);
- Provisions for losses or potential future liabilities;
- Costs declared by the beneficiary(ies) and financed by another funding agency or projects receiving a grant from SANBio;
- Purchases of land or buildings and refurbishments, vehicles, equipment, computers
- Laboratory equipment in excess of 5% of the grant contribution;
- Tuition fees of staff members;
- Long-term accommodation for project team members;
- Fees related to customs clearance;
- Maintenance costs of equipment;
- Purchase of office furniture;
- Entertainment costs and gifts;
- Currency exchange losses;
- Grant amount received cannot be used for salary costs of the permanent personnel of institutions (refer to section on "Contributions in kind" above);
- Overhead costs such as office space, general administration costs (refer to section on "Contributions in kind" above);
- Management fee;
- Membership of societies, journal subscriptions etc.

The lead party is responsible for the deliverables of all consortium members and disbursements are made when a milestone has been completed and the financial and technical progress reports have been approved by the BioFISA II Programme Unit (BPU).

2. Expense reporting

- All project expenses incurred by the Lead Partner and Co-Partners need to be recorded by project teams.
- Project costs related to in-kind contributions and related to costs covered by the partners for local travel etc. need to be included in the financial reports. Vouchers for reporting travel expenses are included.
- Signed timesheets for personnel on the project for the specific period must also accompany the financial reports. Timesheets have to be completed on a monthly basis by all team members who are working on the project. The Team Leader has to approve all timesheets. Non-permanent staff/students (e.g. Postdocs, MSc and PhD) working on the project are expected to complete timesheets and attach them to financial reports.

When implementing partners send reports to the BioFISA Programme Unit, it is important to ensure that all the required documentation are submitted. The Lead Partner should ensure that the report is as detailed and clear as possible and that a third person can verify the calculations and reconcile the figures in the financial report with the related vouchers without any difficulties. The invoices submitted to CSIR for payment must include supporting documents including list of vouchers and records of all financial transactions related to the project. It is vital that the financial report for the project can be verified by the financial records and supporting documents of all transactions undertaken on the project with a direct link to the income source, either from the Grant or partner cash and in-kind contributions. All transactions made must be converted to South African Rand (ZAR) based on the spot rate from the date the money was received from the CSIR/BioFISA II Programme.

3. Project funding disbursed to Co-Partners

The CSIR will only make payments to the Lead Partner and it is the responsibility of the Lead Partner to provide funding from the grant to the Co-Partners who are also carrying out project implementation. Proof of payment once funds transfer has been effected should be sent to the BPU timeously, so that effective monitoring of funds can be undertaken. An official letter must be sent by the Lead Partner to the Programme confirming receipt of the funds transferred and provide sufficient evidence.

All Co-Partners should adhere to and follow the financial guidelines and procurement guidelines as agreed to in the main contract with the funder and the Project Implementation Guidelines.

4. Financial procedures to be carried out by partners

The roles and responsibilities of the Lead Partner are:

- Submit financial invoice to the CSIR on behalf of the consortium;
- Receive the funds from the CSIR and disburse them according to the approved project plan to the Co-Partners;
- Collect and verify financial statements and reports from Co-Partners and compile them into one financial report to be submitted to the BPU. Financial reports include report on expenditure provided by the BPU and also the contributions of the consortium in respect of the 20% cash and 20% in kind contribution;
- Ensure that all supporting documents in respect of financial recording are completed for the project, this includes verification of records and transactions completed by Co-Partners; and
- Ensure that a project audit is completed at the end of the project for all partners.

The consortium partners are obliged to have a formal accounting system adhering to Generally Acceptable Accounting Standards (GAAP)/IFRS (depending on the country's presiding system) and keep the **original documents** for at least 6 years, counted from the end of the project, allowing access to these documents when required by the CSIR or SANBio/BioFISA II stakeholders or externally appointed auditors. Discussions on SANBio/BioFISA II financial requirements and due diligence visit for the accounting and administration system by SANBio/BioFISA II will take place at project inception. Furthermore, the Lead Partner is obligated to present a standard audit report at the end of the project.

Project funds should be deposited in an interest bearing account, and any interest accrued on the funds shall be used for purposes related to the project, upon written approval of SANBio/BioFISA II or as otherwise directed in writing by the BPU. Any unspent funds together with accrued interest, shall be returned to SANBio/BioFISA II within 30 (thirty) days of the completion date, or may be used by the Recipient for such purposes as directed by SANBio/BioFISA II in writing. Any unspent funds together

with accrued interest, shall roll-over to the following year and may be used for purposes related to the project. The expenditure will be reviewed in the financial report. The Programme reserves the right to assess if funds have been spent according to project financial proposal.

If a project cannot have its own bank account for the funds transferred from the BioFISA II Programme, then the project should have a separate cost account. Each project should ensure that funds are clearly auditable at any point during the project life-cycle. Any interest accrued to this specific project must be retained to the project.

Any funds, including interest, which has already been disbursed but has not been fully utilised by the end of the project shall be paid back to SANBio/BioFISA II in full. If a project is not delivering on the agreed milestones and deliverables, the project will be liable for any costs enquired and SANBio/BioFISA II may request repayment of all funds disbursed.

When the eligibility of expenditure is determined, the starting point is that the expenditure must be necessary for the project and be reasonable. All reimbursed costs are subject to discretion and their eligibility is evaluated in relation to the project plan and the project decision by the project management committee. During the financial report review process, the BPU reserves the right to refuse to accept certain expenses if they have not been budgeted for in the project financial proposal or deemed ineligible as in section 1.

5. Record keeping, monitoring and control for project finances

It is imperative that the project team be able to account for all financial transactions carried out in the course of project implementation. In financial reporting the following instructions have to be followed:

- a) All expenditures related to the Project, regardless of the source of funds, from Lead Partner, consortium members, other funder or SANBio/BioFISA II, have to be reported;
- b) **Only eligible expenses can be reimbursed/funded by SANBio/BioFISA II** (the list of eligible expenses is shown in Section 1);
- c) Each receipt received for any transaction has to be attached to a voucher detailing the expense, category of expense, cost incurred and the transaction amount in local currency (and in South African Rand) and the project milestone number if applicable;
- d) On a monthly basis, the project team member responsible for financial administration, or the Project Administrator/Coordinator has to update the list of vouchers which relate to project expenses – this will be an input into the financial report; it is preferable that a list of vouchers for each month be recorded;
- e) Supporting documents for all reported expenditure need to be attached including travel claims, receipts from suppliers, receipts and invoices from service providers, timesheets, proof of payments by electronic funds transfer;
- f) All invoices paid with SANBio/BioFISA II funds are stamped with a “***Paid with funds of SANBio/BioFISA II***” stamp;
- g) For remuneration paid by the Lead Partner and Co-Partner/s, the payment is supported by a receipt by the employee;
- h) All personnel working on the project have to record timesheets, irrespective of whether they are paid by the Grant or the cash contribution from consortia, or funded by in-kind support from the partners; timesheets have to record actual time spent on project activities, meetings and planning of project; timesheets have to be completed on a monthly basis and have to be approved by the Team Leader or the project responsible person in the Co-Partner institution;
- i) In case a service has been provided by a third party that verifiably cannot provide a receipt, the person has to sign a receipt indicating the amount or estimated cost of the service and enclose a copy of her/his identity documentation/card;

- j) If an expense has been split between SANBio/BioFISA II and another funding party, the voucher has to state the breakdown of the funds;
- k) If the reported expenditures have been covered by an advance payment, the LPs should use the exchange rate of the advance payment date when converting the expenses that are clearing the advance payment. For any other expenditure, the exchange rate used in conversion is the exchange rate on the reporting day using www.oanda.com; Annex 4 has the document pack for financial recording;
- l) All travel related expenses, need to include a list of the travel expenses including flights costs (copy of e-ticket), local transport (valid receipt), shuttle costs (valid receipt), visa costs (valid receipt), accommodation costs (valid receipt). Please note the Grant may not be used for subsistence costs. Copies of the boarding pass and passport of the traveller and the motivation and approval for the trip must be kept in the project records;
- m) All local travel (if part of the in-kind contribution) have to include a copy of the logbook, valid receipts for fuel, traveller details and motivation and approval of the trip;
- n) All expenses related to direct costs must be accompanied by receipts;
- o) All expenses related to indirect costs (e.g. laboratory space) must be stated in a cost estimate prepared by the financial officer in the institution and signed by the appropriate authority with the organisation stamp;

All the original receipts paid by the Grant allocation must be marked with the statement “**Paid with funds of SANBio/BioFISA II**” and must clearly indicate the name of the project partner. All purchases through internet will have to be endorsed by a formal VAT/payment receipt otherwise the expense will not be covered. In case a service has been provided by a third party that cannot submit a receipt (for example in case of in-kind contribution), the person will have to sign a receipt by the amount of the service and enclose a copy of his/her ID card.

6. Costs related to travel, meetings and workshops

Regional travel by flights must be directly related to the execution of the project in the most economical manner. Accommodation thresholds should be limited to reasonable four star facilities. In relation to meetings and workshops, the traveller may only depart a day before or on the day of the activity and return as soon as the activity is completed if a flight is available on the same day or when the next immediate flight is available. For hosting workshops and large meetings, catering costs in respect of non-alcoholic beverages, light meals are allowed. For all of the above, an invoice from a registered supplier to the project partner is required. The use of cash payments is discouraged and will be disallowed. All participant registers must include disaggregated data in terms of gender, age, type of institution and country for programme monitoring purposes. For all training, proper procurement processes need to be followed.

7. Project related VAT

VAT or levies cannot be paid from the grants awarded by the BioFISA II Programme. The following is an illustration of how each project should treat for VAT on income and VAT on expenses:

(1) South African VAT registered company

- a. Income:
 - i. Submit an invoice to the CSIR for the requested grant amount and add VAT to the grant. However, VAT cannot be allocated to the projects.
- b. Expenses:
 - i. Only expenses without VAT allocated to the project;
 - ii. VAT amount on the expense should be paid and claimed from the company VAT account. Therefore, no VAT expense should be allocated to the projects.

(2) South African Non- VAT registered company

- a. Income:
 - i. Submit an invoice to the CSIR for the requested grant amount only.
- b. Expenses:
 - i. Only expenses without VAT allocated to the project;
 - ii. VAT amount on the expense should be paid from the company and projects should use their cash contribution or other cash amounts to pay for this VAT. The VAT amount should never be paid from the BioFISA grant amount.

(3) International VAT registered company

- a. Income:
 - i. Submit an invoice to the CSIR for the requested grant amount only.
- b. Expenses:
 - i. Only expenses without VAT allocated to the project;
 - ii. VAT amount on the expense should be paid and claimed from the company VAT account. Therefore, no VAT expense should be allocated to the projects.

(4) International Non- VAT registered company

- a. Income:
 - i. Submit an invoice to the CSIR for the requested grant amount including only.
- b. Expenses:
 - i. Only expenses excluding the VAT amount should be allocated to the project;
 - ii. VAT amount on the expense should be paid from the company and projects should use their cash contribution or other cash amounts to pay for this VAT. The VAT amount should never be paid from the BioFISA grant amount.

The Lead Partners are responsible for following the applicable VAT regulation in the country or countries where the project or the Lead Partner is located and choose to deduct or apply for refunding of VAT for project related expenses, if this is possible.

8. Consequences for under-reporting, misuse and abuse of funds

As the SANBio/BioFISA II Programme funds are allocated from donor funds from taxpayers in South Africa and Finland, it is imperative that the programme finances be used judiciously. There is a no tolerance attitude towards corruption. Besides bribery, corruption may take the form of misuse of power for a trusted position, misuse of financial and other resources, deceptive recording of their use or under-reporting of funds. The Programme expects to be informed accurately and in a timely fashion of each case of potential corruption by sending an official letter to the BPU. Besides regulations on reporting, monitoring and auditing there are a number of guidelines that are recommended to be used to ensure that the funds are used judiciously and reported accurately. If there is infringement of any of the financial regulations, the CSIR acting on behalf of the SANBio/BioFISA II may request repayment of all funds or lodge a suit for compensation of all funds issued to grantees.

9. Procurement guidelines

It is of utmost importance that consortium partners and project teams maintain open and transparent processes in securing goods and services for the completion of projects. All procedures followed in procuring goods and services should be clearly defined for audit trail. The project consortium is required to make all procurement in accordance with the local procurement rules of the implementing organisations provided they are similar or more stringent than the ones below. In case an institution does not have procurement rules, then the default guidelines in Table 1 must be used for implementing the project.

Table1: Procurement Framework for Projects

Estimated Order value	Procurement Procedure
General Purchases of goods and services	
< R30k	<ul style="list-style-type: none"> • Minimum of one quotation required via email
> R30k	<ul style="list-style-type: none"> • Minimum of three formal written quotations required and receipts of major purchases above R30K should be submitted to BioFISA II Programme together with the financial reports. • <i>Price quotations are obtained for standardised goods and/or services making each supplier quote comparable. For other competitive bids, a request for proposal (RFP) must be issued.</i> • A standard matrix must be used to select a winning bid. Appropriate procurement points system must be used for the selection of the supplier. • Records of procurement process followed must be attached to the requisition
Purchases via Supply Contract	<ul style="list-style-type: none"> • Where there is an existing supply contract for specific items with a Preferred or Approved Supplier, partners may purchase as required and stipulated in the contract. • For any additional goods and/or services, not covered by the supply contract, the process for general purchases for goods and/or services must be followed
Purchases from a Sole Supplier (not recommended but only applicable in exceptional circumstances)	