

# Payroll & time management

**“THE PAYROLL IS A SIGNIFICANT COST THAT MUST BE PROPERLY CONTROLLED”**



Human resources are a major cost component for many projects, it is therefore essential to control and account properly for these costs.

## CRITICAL ASPECTS OF PAYROLL COSTS INCLUDE:

- Proper calculation of pay and compliance with national social security and related rules
- Adequate staff contracting
- Adequate systems to allocate staff costs to projects
- Adequate control of attendance
- Sound remuneration practices.

## MINIMUM CONTRACTUAL CONDITIONS:

(Article: Eligible costs of General Conditions)

- Eligible payroll costs are defined as **“the direct cost of staff assigned to the action, comprising actual salaries plus social security charges and other statutory costs included in the remuneration, provided that this does not exceed the average rates corresponding to the beneficiary’s usual policy on remuneration.”**
- To be eligible, costs should comply with the requirements of the applicable tax and social legislation.
- To be eligible, costs should be reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

## WHAT CAN GO WRONG?

- It is impossible to show how much time staff have spent on the project.
- The time reported by staff on timesheets is unreliable.
- The actual salary costs have not been correctly determined or the amount has not been supported.
- The relevant social security rules and/or the relevant national employment or tax legislation are not respected.
- Undue and unjustified allowances (per diem and other) paid to staff are charged to the project.



## Basic tips

- 1. Beneficiaries are encouraged to use timesheet system for time management, even if this is not required in the contractual conditions.**

An effective timesheet system can help meet several important objectives:

- Allocating staff costs to the project according to the actual amount of time spent working on the project.
- Allocating work to the correct activity in the project.
- Documenting staff work on the project.

Appropriate measures to make a timesheet system more effective include:

- Arrange for timesheets to be filled directly by those who perform the work. Have them sign their timesheets to acknowledge their responsibility for their input.
- Require project staff to submit their timesheets no later than one or two days after the end of the timesheet period. To encourage reliability, monitor this deadline.
- Make the timesheet period sufficiently short (at most monthly).
- Set up a standardised timesheet format which must be used by all staff.
- Have timesheets reviewed and approved by direct superiors.
- Once the timesheet has been filled in and approved, the staff member should not be able to amend it.
- If staff work on several projects simultaneously, maintain an overview of the time spent by each individual on the different projects, which should tally with his/her total time worked. This practise should ensure that time cannot be charged twice.

- 2. Payment of fees & remunerations should be commensurate with reasonable reimbursement.**

Beneficiaries should consider the following:

- For travel & subsistence allowances, remember that the amounts published by the EC are the maximum sums eligible. Beneficiaries can pay lower amounts, for example for travel to cheaper parts of the country or if the actual costs are lower.
- For training allowances, fix the allowance at a level compatible with reasonable reimbursement of expenses. Document the basis for fixing the allowance. Avoid paying 'fees' or 'remuneration' for attending training courses.

- 3. Beneficiaries should inform staff of the start and end date of the project implementation period, which is the only period during which they may work on the project.**

- 4. Beneficiaries are encouraged to keep sufficient documentation showing compliance with national social and tax legislations.**

- Correctly drafted employment contracts
- Payroll sheets showing that gross and net pay tally for individual staff and for the entity as a whole
- Returns submitted to national authorities concerning social security and income taxes, reconciled with the payroll, and proof of payment to the authorities.

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