

Condensed Guidelines to Financial Issues Related to FP7 Indirect Actions

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<https://www.egi.eu/>

Referenced documents:

ftp://ftp.cordis.europa.eu/pub/fp7/docs/financialguide_en.pdf

ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-ga-annex2_en.pdf

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GENERAL PRINCIPLE

Introduction

These guidelines have been prepared to help you in dealing with the financial rules applicable under the European Commission's Seventh Framework Programme (FP7). As an introduction, it should be pointed out that the distinction between cost models disappeared under FP7. Different types of organisations now have different reimbursement rates for eligible costs with various options for calculating and claiming indirect costs. So the funding is now received as a percentage of funding per type of organisation⁽¹⁾ and per activity⁽²⁾.

Hereafter are listed the main changes and their impact:

1. It is now possible to claim all personnel costs including permanent staff. Under FP6, AC model partners could only claim non-permanent staff costs;
2. It is now possible in cost statements to use average rates if they are typical rather than actual personnel costs, etc. However, an adjustment should be made in the subsequent financial report compared to the real costs incurred and reported in the accountant books;
3. Change in the collective financial responsibility: the Participant Guarantee Fund is equal to 5% of the total Community financial contribution foreseen in the Article 5 of the Grant Agreement;
4. The need for having Audit Certificates on an annual basis has been reduced and removed entirely for cumulative funding requests less than 375,000 Euros;
5. The amount of funding that can be received during the project duration is 90% of the total funding. The remaining 10% will be paid after the final review and bearing on the acceptance of all deliverables;
6. Interim payments will now be based on the accepted funding. This means that the pre-financing will not be decreased from the subsequent payment until the 90% ceiling is reached;
7. The scientific coordination of a project is now charged under research and development activities and the maximum funding is determined according to the percentage of funding per activity and per type of organisation of the Scientific Coordinator;
8. The category dedicated to management activities is no longer limited to the 7% of the total funding. However if exceeding 7%, the activities should be clearly justified to the Commission;
9. The deliverables are now due on the date mentioned in the Annex I; so the maximum delay for submission by the end of the period is no longer applicable. For example, if your Description of Work (Annex I) states that a deliverable is due at Month 6, it means that it should be delivered to the Commission at the end of the sixth month (e.g. if project starts on the 1st of January, the deliverable is due on June 30th, or Month 6 of the project).
10. There are new ways of interacting with the European Commission with the implementation of the participant Portal:

- URF (Unique Registration Facilities) is used to register your entity and legal representative (LEAR). Once your data is checked and approved by the Central Validation Team (CVT), you obtain a Participant Identification Number (PIC) which can be used for every grant agreement in which you participate;
- NEF is the online tool used throughout the life of the project, beginning with the negotiation process in order to collect legal and financial data as well as other background information about the participants. This database inherits the legal data associated with your PIC.

FP6 → FP7 - Changes in Terminology

Some changes in terminology from FP6 have been introduced. It is important to list them for a better understanding of the projects funded under FP7:

Original Terminology	Replacement Terminology	Description
IST	ICT	Information and Communication Technologies
INCO	ICPC	International Cooperation Partner Countries (reimbursement of eligible costs or lump sum)
STREP - Specific Targeted Research Project	Collaborative projects - Small or medium-scale focused research actions	New formal name for what was a STREP
IP- Integrated Project	Collaborative projects - Large-scale integrating projects	New formal name for what was an IP
Network of Excellence	Network of Excellence	Idem but the main purpose should be the creation of a European “virtual centre of research”
Coordination Actions (CA) and Specific Support Actions (SSA)	CSA: Coordination and Support Actions	! 2 in 1 ! 👉 indirect costs are funded @7% of direct costs for all activities
Instruments	Funding Schemes	E.g. : Network of Excellence or collaborative project or CSA
Financial Guidelines	Financial Rules	More formal
Contract	Grant Agreement	EC contract
CPF	GPF	Grant Agreement Preparation Forms
Necessary costs	Costs used solely to achieve Project Objectives	Much clearer
Guide for Proposer	Guide for Applicants	
Contractor	Beneficiary	This is because Contract has been renamed Agreement.
Audit Certificate	Certificate on Financial Statement	Another option is possible, the Certificate on the methodology
-	URF	Unique Registration Facilities
-	PIC	Participant Identification Code
-	LEAR	Legal Entity Appointed Representative

FUAs=Frequently Used Acronyms

AD= Advisory Board, or EAB=External Advisory Board
AM= Associate Member
CA=Consortium Agreement
CCPCSA=Combination of Collaborative Project and Coordination and Support Action
CFS= Certificate on the Financial Statement
CP=Collaborative Project
CSA=Coordination and Support Action
DoW=Description of Work=Technical Annex=TA=Annex I
EC=European Commission
ECAS=European Commission Authentication Service
ECGA=GA=Grant Agreement=EC contract
EPSS= Electronic Proposal Submission Service
Form A=Accession Form
Form C=Statement of financial activity, a.k.a., cost statement
GPF=Grant Preparation Forms
ICT=Information and Communication Technologies
IPR=Intellectual Property Rights
NEF=Negotiation Forms=online tool
PIC= Participant Identification Code
PM=Person Month
PO=Project Officer
SME=Small and Medium Enterprises
URF=Unique Registration Facilities
WP=Work Package

European Commission links

- The Model Grant Agreement and its annexes and any special conditions that could apply (http://cordis.europa.eu/fp7/calls-grant-agreement_en.html#standard_ga)
- The Guide to Financial Issues relating to FP7 indirect actions – version April 2009 (ftp://ftp.cordis.europa.eu/pub/fp7/docs/financialguide_en.pdf)
- The Rules to ensure consistent verification of the existence and legal status of participants, as well as their operational and financial capacities, in FP7 indirect actions (http://cordis.europa.eu/fp7/find-doc_en.html)
- The SME Tech Web (http://ec.europa.eu/research/sme-techweb/index_en.cfm)
- The Amendments Guide to FP7 Grant Agreements: ftp://ftp.cordis.europa.eu/pub/fp7/docs/amendments-ga_en.pdf
- The Checklist for a Consortium Agreement for FP7 projects (ftp://ftp.cordis.europa.eu/pub/fp7/docs/checklist_en.pdf)
- The Guide to Intellectual Property Rules for FP7 projects version 2 (ftp://ftp.cordis.europa.eu/pub/fp7/docs/ipr_en.pdf)
- The intellectual property helpdesk: <http://www.ipr-helpdesk.org/>
Free helpline offering a first line assistance on IPR related issues. The helpline is run in English, French, Italian, German, Spanish and Polish. It can be contacted at:
E-mail ipr-helpdesk@ua.es Telephone +34 96 590 97 18 Telefax +34 96 590 97 15
- Financial Helpdesk: <http://www.finance-helpdesk.org/>
- *New!* Unique Registration Facilities (URF): http://cordis.europa.eu/fp7/pp-pic_fr.html
To create/search the PIC of an entity: log on [European Commission RESEARCH - Participants](#)
To create an ECAS account: <https://webgate.ec.europa.eu/aida/selfreg>
To download the Participant Portal User's [Guide](#)
- FP7 related FAQ (Frequently Asked Question): <http://ec.europa.eu/research/index.cfm?pg=faq&lg=en>
- National contact points: http://cordis.europa.eu/fp7/ncp_en.html
- *New!* FP7 Periodic Report WIKI : <http://212.68.215.215/display/iknowextern/fp7+periodic+report>
- Helpdesk contact email:
 - IT Helpdesk for Participant Portal: DIGIT-EFP7-SUPPORT@ec.europa.eu
 - IT Helpdesk for Legal Validation (PIC/URF): DIGIT-EFP7-SUPPORT@ec.europa.eu
 - Helpdesk for NEF: ec-fp7-it-helpdesk@ec.europa.eu

NEW WAYS OF INTERACTING WITH THE COMMISSION

The Participant Portal (PP) channels all administrative information between participants. It supports the online web tool to enable a more efficient and paperless communication between the Project Officer and the Consortium. It also centralizes the management of the legal entity to avoid having to provide redundant information every time the entity participates in a proposal or a project. This information is required only once and any update is activated throughout all projects from the central database.

The access to this portal and its services require the creation of an ECAS account (European Commission Authentication Service).

URF

The URF is the portal used to enter the participant legal and financial information. After the registration of the organisation on the portal, the Central Validation Team (CVT) collects and checks the entity's supporting document. Once the legal and financial status is validated, a Participant Identification Code (or PIC) is allocated to the organisation which can be used in all proposal submissions and negotiations. The PIC is the unique identity to be used for the identification of FP7 participants.

Meanwhile, the organisation should appoint a legal representative or the so called Legal Entity Appointed Representative (LEAR). He/she will be the sole person responsible for maintaining the legal and financial data with the Commission services.

Through the URF portal, the LEAR can consult and introduce change requests, consult the list of projects in which his/her organisation is involved and can delegate some of his/her tasks by granting associates access rights according to their role in the organisation and projects.

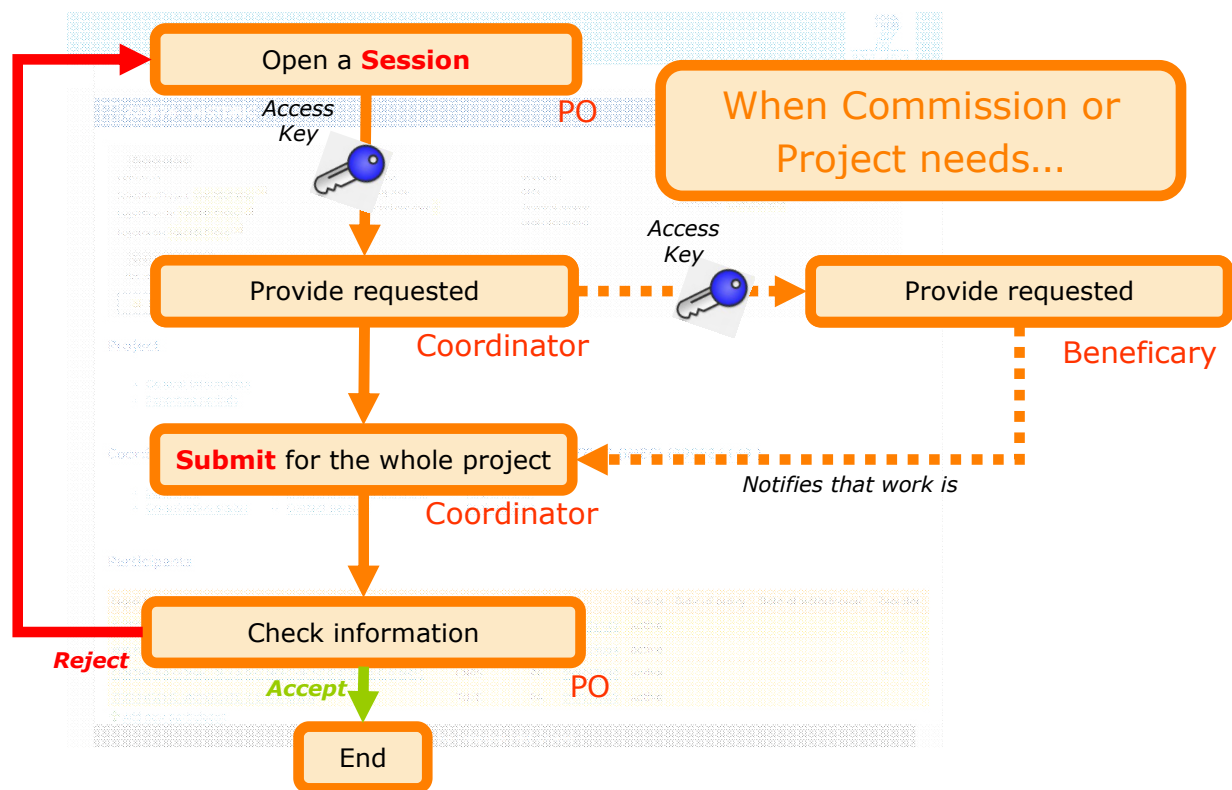
Participant Portal (PP): http://cordis.europa.eu/fp7/pp-pic_fr.html
(see other useful links in the previous page)

NEF

NEF is the single portal service used for the negotiation process, amendments, annual reporting and cost submission.

NEF is session based, thus the Project Officer must first create and open a session to enable the project coordinator and beneficiaries to access the project's data and to provide further information. This platform can also be used as a collaborative space for sharing documents between participants. NEF is of course integrated with the URF and the participant portal data.

Submission process and duration (EC diagram):



Access rights:

The Commission used to delegate access rights to the contact persons listed in the proposal and including the coordinator. However, the role of the coordinator has evolved. The Commission now grants access to the Coordinator, who in turn can grant access to the beneficiary, who in turn can delegate access to several people from the organisation.

These rights must be given to the person according to his/her responsibilities or role in the project. **The Coordinator must always be informed of every person within an institution who has been granted such access rights.**

Note: The portal is also accessible to the experts involved in a project review.

NEF will be shortly available for usage at the project level, i.e.:

- to submit deliverables;
- to access the status of payments;
- to access the status of the validation of deliverables, etc.

FINANCIAL ISSUES

Funding schemes

PERCENTAGE OF FUNDING PER TYPE OF ORGANISATION

<i>Type of organisation</i>	<i>SME</i>	<i>Large industrial</i>	<i>Academic</i>	<i>Other</i>
Under FP6	50%	50%	100% AC	100% AC
Under FP7	75%	50%	75%	75%

- ➔ An important change for those that have previously used the AC cost model because the permanent staff is eligible and can now be funded.
- ➔ The overhead rate (indirect costs) for Coordination and Support Actions (CSAs) will be limited to 7% instead of 20%.

In addition to the percentage of funding per type of organisation, please consider that the maximum funding to be expected will not exceed the funding rates applicable per activity. In case of doubt, you should talk directly to the Project Officer; e.g.: Should the validation of a prototype fall under research and technological development activities funded at 75% (or 50% for a large company) or under demonstration activities funded at 50%?

In the following table both conditions are represented:

- i) percentage of funding per type of organisation, and
- ii) percentage of funding per activity.

PERCENTAGE OF FUNDING PER ACTIVITY

Maximum reimbursement rates of eligible costs	Research & technological development ⁽¹⁾	Demonstration activities	Training activities ⁽²⁾	Dissemination activities	Consortium Management activities	Other specific activities ⁽³⁾
Network of Excellence	Large industrial Cies 50% Others ⁽⁴⁾ 75%				100%	100%
Large collaborative projects	Large industrial Cies 50% Others ⁽⁴⁾ 75%	50%	100%	100%	100%	100%
Small collaborative projects	Large industrial Cies 50% Others ⁽⁴⁾ 75%	50%	⁽²⁾	100%	100%	⁽²⁾
Specific research project for SMEs	Large industrial Cies 50% Others ⁽⁴⁾ 75%		100% (for collective research only)		100%	
Coordination or Networking actions			100% for CA		100% ⁽⁵⁾ (Ovh: flat rate 7%)	100% ⁽⁵⁾ (Ovh: flat rate 7%)

(1) Research & Technological development **includes scientific coordination**; the scientific coordination of a project is now charged under the R&D activities and the maximum funding is determined according to the percentage of funding per activity and per type of organisation.

(2) Training and other specific activities in non-ICT projects as per Large Collaborative Projects unless specified differently in specific call

(3) Other activities includes: coordination, dissemination, networking –seminar for networking- and intellectual property –filing and prosecution of patent; and is classified according to the instrument:

- for NoE Joint Program activities, except consortium management
- for CA: activities except consortium management
- for SA: any specific activity covered by Annex 1

(4) For beneficiaries: non-profit public bodies, secondary and higher education establishments, research organisations and SMEs

(5) Indirect costs = maximum 7% of direct costs (excl sub-contracting)

Cost Model, changes toward FP6

There are no more cost reporting models under the FP7 programme. The participants must declare their actual direct costs incurred for the project. However, the indirect costs still can be based on one of the calculations presented below:

- The Simplified Flat Rate (SFR): flat rate calculation of 20% of total direct costs minus subcontracting costs; this option must be chosen whenever the beneficiary does not have an analytical accounting system that can identify and group their indirect costs;
- The Simplified Method (SM); this latter is mainly used by an organisation that cannot identify the indirect costs (also called overhead) at the level of a centre or department but only at the level of the legal entity (e.g.: CNRS). The overhead can apply only to personnel costs either by using an hourly rate or using a percentage of personnel costs). There is no standard model and the only rules to follow are the usual ones:
 - accounting system in which indirect costs of the legal entity are identified;
 - in line with the existing accounting rules and systems;
 - overhead computing has to be extracted from the last closed accounting year (N-1).

↳ the methods used for the calculation of the indirect costs should be further described in the Certificate of Financial Statement (CFS = audit certificate)

- The Real Indirect Cost (RIC); again the calculation should be in line with the accountant's usual procedures and based on the last closed accounting year.
- The Special Transitional Flat Rate of 60% (STFR) will be available throughout the duration of FP7. The STFR should help organisations to do the transition from a flat rate calculation to an actual overhead calculation (which can be the simplified method). When moving to FP8, this 60% flat rate will be revised. An appropriate level of flat rate which should be an approximation of the real indirect costs concerned will apply; but it could not be lower than 40%. See further guidance on Method of calculating indirect costs available on EPSS.

Note:

- SMEs that used the Full Cost Flat rate (FCF) in the past may use the 60% derogation rate until they can implement the simplified method in their organisation.
- A change of accounting system which incurs a modification of the indirect costs will only be taken into account in new contracts, except for the case of an SME which becomes a big(ger) company and thus cannot benefit anymore from the 75% reimbursement rate of its research and technological development costs.

● Eligible costs

ALWAYS bear in mind two principles:

- Non profit (European contribution cannot exceed the total costs)
- Co-Financing

Note: The upper limit of funding is the amount stipulated in the grant agreement regardless of whether the total eligible costs incurred exceed the initial budget defined in the grant agreement.

Each contractor must apply its usual definition of eligible costs according to its usual accounting principles. In addition, the costs **MUST** be ACTUAL, NECESSARY, ECONOMIC and RECORDED:

- ACTUAL → must be real costs, not estimated, budgeted or imputed,
- RECORDED → recorded in the accounts of the beneficiary, be identifiable and controllable,
- NECESSARY → must be coherent, present in the contract (Annex I) and directly linked to achieve the objectives of the project,
- ECONOMIC → must be reasonable and employ the most economic solution.

In addition costs must be incurred BY the beneficiary and DURING the duration of the project, with the exception of costs related to the drawing up of the final reports (up to 60 days after the end of the project).

Personnel costs:

Since there is no longer a distinction between costs models, all resources, including permanent staff, are eligible under FP7. However the eligibility of a consultant should be carefully examined in order to determine if it is to be declared within the personnel costs of the beneficiary or if it is classified under the subcontracting category.

The (in-house) consultant can be considered as eligible personnel costs if the following criteria are met:

- the beneficiary has a contract to engage a physical person to work for it and some of that work involves tasks to be carried out under the EC project;
- the physical person must work under the instructions of the beneficiary, i.e. the work is decided, designed and supervised by the beneficiary. The physical person must work in the premises of the beneficiary (except in the case of teleworking which is agreed between both parties);
- the result of the work belongs to the beneficiary (Article II.26 of the FP7 model grant agreement);
- the costs of employing the consultant are not significantly different from the personnel costs of employees of the same category working under labour law contract for the beneficiary (thus excluding profit for the consultant);

- travel and subsistence costs related to such consultants' participation in project meetings or other travel relating to the project would have to pay directly to the beneficiary in order to be eligible.

Other costs category:

- Whenever a certificate on the financial statement (CFS) is required for an intermediate cost statement, it is possible to declare estimate costs. They should be calculated as closest as possible to the actual costs and only IF the actual costs are not available. And any adjustments should be made in the subsequent reporting period.
- If travel and subsistence costs are used to be reimbursed on the basis of a per diem, it is this latter which are considered to be eligible costs.
- The daily exchange rates are fixed by the European Central Bank and may be obtained at the following internet address: <http://www.ecb.int/stats/eurofxref/> or in the relevant OJ of the European Union (cf. Financial Guidelines on Cordis). **Loss through exchange rate is NOT an eligible cost.**
- **VAT or any identifiable duty taxes are non eligible costs.** However, Airport taxes are not considered as real taxes but as fee services and thus eligible.
- Bank charges are eligible costs if necessary for the project (costs of specific project bank account) or if usually recorded in book account of the project.

Third party and Subcontracting

1. A **subcontractor** is a type of third party, i.e. a legal entity which is not a beneficiary of the grant agreement and does not commit by signing it. The third party appears in the project because one of the beneficiaries has appealed to its services in order to carry out part of the work (ONLY the subcontracting of MINOR tasks is allowed), usually for specialised jobs that he/she cannot carry out him/herself or because it is more efficient to use the services of a specialised company.

The subcontractor is defined by certain characteristics:

- ➔ He/she charges a price which usually includes profit; his/her interest in the project is only commercial and not research itself;
- ➔ He/she works without the direct supervision of the beneficiary and it is not hierarchically subordinated to the beneficiary (unlike an employee);
- ➔ The working place of the subcontractor, its accounting rules and internal organisation are also different from the beneficiary;
- ➔ The subcontractor carries out elements of the work itself;
- ➔ A subcontractor has no rights or obligations vis-à-vis the Commission; the responsibility vis-à-vis the EC for the work subcontracted lies fully with the beneficiary. *However, the beneficiary must ensure that the subcontractor can be audited by the Commission.*

Subcontractors do not submit Financial Statements. However, the costs incurred by the beneficiary for subcontracting must be identified in the beneficiary's Financial Statement (excluding any VAT charged by the subcontractor). The beneficiary must ensure that its audit certificate also covers the eligible costs of the amount paid to the subcontractor.

2. A **third party** is a legal entity which does not sign the grant agreement. This entity can participate either i) by making resource available to the beneficiary or ii) by carrying out part of the work themselves. BUT the need of an association should not come from the project activity itself; otherwise both partners have to enter in the project as full contractor.

The costs of a third party may be eligible if their tasks have been identified during the negotiation and mentioned in the Annex I. And in some case the beneficiary and its third(s) party(ies) should be identified also in a special clause 10. This is the reason why each case should be carefully examined and discussed with your project coordinator and the EC project officer.

The third party must submit a Financial Statement and under FP7 a specific Financial Statement model has been created for this purpose (see appendixes). Note that the third party can only charge for the costs related to their activity.

Important Reminder:

- The use of third parties' resources must be considered as an exception. Hence the agreement between partner and third party should have been signed PRIOR to the contribution to the project .

- The beneficiary is responsible for the work of the third party and to make sure that the third party complies with the provisions of the grant agreement.

Special cases: Joint Research Centers (JRC), European Economic Interest Groupings (EEIG) and Joint Research Units (JRU)

In this case, the special clause 10 must be inserted in the contract. It should list the members of the JRC, EEIG or JRU. By consequence, the costs of the members are eligible and can be claimed. As in FP6, a single Form C from the members is required and the beneficiary should report these costs in the summary financial report.

Obviously, the association between partners in a JRC should exist prior to the request of the special clause 10.

ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-ga-clauses-v4_en.pdf

Subcontracting examples:

- An external consultant who doesn't work at the premises of the beneficiary and doesn't appear in the payroll;
- Certificate of Financial Statement: as your costs must be audited by an external auditor, the costs charged by the auditor are considered as subcontracting and no VAT and no overhead can apply on these costs;
- Services on equipment and consumables: whenever a service is provided with the purchase of equipment, it should not be considered as subcontracting. However it should clearly be identified that this service is part of the package (=equipment +services e.g. training);
- Renting a conference room and catering are considered as subcontracting (= no VAT, and no overhead can apply on these costs). These costs have to be reported in the Financial Statement Form in the subcontracting cell, even though they were not identified previously as a subcontract in the Technical Annex to the contract.

In general, subcontracting is not applied on minor costs such as the printing of brochures or copy services. However, eligibility for catering must be demonstrated by the necessity of incurring these costs; e.g. organisation of lunch breaks in the room of a project meeting to maintain control of the timing of the agenda.

Receipts

The Community contribution should respect the principle of non-profit. Therefore any income generated by the project has to be declared as a “receipt” in the financial statement (Form C).

Two kind of receipts have been identified:

1- Income generated by the project:

Admission fee to a conference organised by the consortium; sale of proceedings...

Exception: the income generated by the use of knowledge resulting from the project (=Foreground) is not considered as a receipt; e.g. registration fees charged for a training planned and organised by the project, considering that the training is an output of the project and by derivation a foreground.

2- Income made available by a third party:

- a. Financial transfers or equivalent to the beneficiary from third parties
- b. Contribution in kind from third parties (example: resources made available for use on the project)

Case 1: If the contribution (transfer or resource) from the third party has been **allocated to the beneficiary specifically for use on the project**, the resources should be declared, as a cost and as a receipt of the project, in the beneficiary's Financial Statement (Form C or CFS). Only actual costs of the third party (direct and indirect) can be charged, no flat rate or average personnel costs. And the beneficiary cannot apply a flat rate for the indirect costs incurred by third party.

Note: Only the part of the contribution that is not reimbursed by the beneficiary, so ‘free of charge’, can be declared as a receipt. Otherwise, it is treated as a normal cost of the beneficiary appearing in his accounts.

Case 2: If the use of the resource or contribution in kind is **at the discretion of the beneficiary**, they may be considered as eligible costs of the project and are **not considered as receipts**. Although they should be recorded in the accounts of the third party and available for auditing if required.

Deduction from the Eligible Costs:

The receipts are deducted from the total eligible costs at the end of the project (during the last payment). However, in most cases the receipts will not impact the EC contribution. Indeed, **if Total EC contribution + receipts < to total eligible costs, there is no reduction of the EC contribution.**

Example:

total eligible costs	250 000 €
contribution requested	150 000 € (200k @ 50% and 50k @ 100%)
Receipts	25 000 €
EC total Contribution:	175 000 €

The EC will pay the full amount of budgeted funding (150 000€) because the cumulative funding and the receipts are still lower than the eligible costs.

Exception: The interest yielded by the pre-financing is always deducted from the final payment.

Reports and Deliverables

● Concept of Person Month (PM)

- Productive hours⁽¹⁾ in the organisation: 1680/12
- Number of hours per month: 140 = 1 person month
- Number of working hours per day: 8 hours over 5 days

➤ Example :

Total working hours declared in the timesheet⁽²⁾ over a 6-month period: 580 hours / 140 = 4.1 pm

Cost are calculated with the 580 hours * hourly cost of the person

- (1) Productive hours: after the deduction of holidays, sick leave and other entitlements, and in respect of the labour law existing in the country.
- (2) Timesheet is used to record the time of the working hours spent by the personnel for the realisation of their activity on the project.

Note: The activity of the resource has to be declared through monthly timesheets and every activity must be read in one single timesheet, e.g. holidays and illness but also all other activities in which the resource is involved.

● Deliverables in Annex I

They must be delivered on the date mentioned in the Annex I;

Example: Month 6 means on the last day of the sixth month of the project

Start 1st Jan → due 30 June

(See also Article II.4 of GA – Reports and deliverables)

They should be sent to the Commission through the Coordinator and by electronic means. Only the Form C and the audit certificates (Certificates on the Financial Statements and on the methodology) should be forwarded as an original document, duly dated, stamped and signed (see also Article II.4 of GA – Reports and deliverables).

The guidance notes on project reporting are available at the following url:
http://cordis.europa.eu/fp7/find-doc_en.html

● Periodic Reports

FP7 Periodic Report WIKI : <http://212.68.215.215/display/iknowextern/fp7+periodic+report>

A **Periodic report** is due within 60 days of the end of each reporting period (Art 4 – Grant Agreement). It includes: i) a periodic progress activity report with a publishable summary, ii) an explanation of the use of the resources (Templates not yet available), iii) financial statement from each partner and summary financial report consolidating all claimed costs ([Appendices 1, 2 and 3](#)).

A **Final report** is due after the end of the project and within 60 days. It includes: i) a final publishable report, ii) a plan for use and dissemination of foreground, gender action, ethical issues and spreading awareness....

In addition, the Coordinator shall submit a **report on the distribution of the Community Financial contribution** 30 days after receipt of the final payment.

The Commission has 105 days to evaluate and execute the corresponding payment:

There is no tacit approval and after reception of the reports, the Commission may:

- Approve;
- Suspend the time limit requesting revision/completion;
- Reject them giving justification, possible termination;
- Suspend the payment.

● Dissemination under FP7

This activity is now refunded at 100% of the claimed eligible costs.

Before any publication the content of the article must be validated by the dissemination work package to be in line with the specific guidelines produced by the relevant EC programme. More information can be found on the Cordis website. Also ensure the FP7 logo links to the e-Infrastructures site (http://cordis.europa.eu/fp7/ict/e-infrastructure/home_en.html)

Pre-financing and intermediate payments

The pre-financing is transferred once and within 45 days after the start date of the contract. Its amount varies according to the number of reporting periods:

- i) one or two reporting periods: **60 to 80% of the total EC contribution**
- ii) more than two reporting periods: **160% of the average EU funding per period** [(total EC contribution / number of period) * 160%]

The intermediate payments are based on the total funding requested at the intermediate reporting period up to the limit of 90% of the total EC contribution.

Example: 3 years project with 3 000 000 € funding (ceiling 2 700 000 € with 10% retention)

Pre financing (3 000 000/3*160%) 1 600 000 €

Of which 150 000 € is transferred to the **guarantee fund** -150 000 €

Total pre-financing to be transferred to the consortium: 1 450 000 €

Period 1: Accepted funding = interim payment 1 000 000 €

→ minus any interest yielded by the pre-financing -20 000 €

Total interim payment: 980 000 €

Period 2: Accepted funding = 1 000 000 - interim payment 100 000 €

(1 600 000 + 1 000 000 = 2 600 000 paid pre-financing+P1)

So interim payment is reduced to respect the limit of 90% of the maximum EC contribution

Total Cumulative payment 2 700 000 €

Final Period: Accepted funding = 1 000 000

Total final payment is the remaining 10% 300 000 €

Distribution of funding:

The members of the consortium can decide how to distribute the financial contribution received from the Commission. This may be in strict accordance with the reimbursement rates made by the Commission or may be in accordance with the consortium's preferences. Whatever the choice, it is important that it is clearly indicated in the consortium agreement in order to avoid disputes.

Participant Guarantee Fund (PGF)

The establishment of the guarantee fund has removed the collective responsibility of the project beneficiary as applicable under FP6. It aims at contributing to the fund to ensure against financial losses. So the financial interest generated from the guarantee fund will serve to cover the financial risks which may arise during the project life; e.g. defaulting contractors (Annex II Art 20). This financial security also facilitates the access of SMEs to Community funding. However, do not expect to receive a bonus! The amount placed in the guarantee fund will not be released to the consortium if the project does not encounter financial loss.

The 5% PGF contribution is always calculated on the total EU funding and is immediately subtracted from the pre-financing transfer and transferred to a central guarantee bank (European Investment Bank - EIB).

The interest generated by the contributions will cover the risks incurred by the non reimbursement of amounts due by the beneficiaries. The PGF capitals and interest can total 3-4 times the funds allocated. It is returned at the moment of the final payment. The calculation method is foreseen in Article II.21 of GA. In case the PGF has incurred losses, the Commission will deduct a maximum of 1% of the final EC contribution due to the beneficiary (with the exception of public bodies, legal entities whose participation in the grant agreement is guaranteed by a Member State or an associated country, and higher and secondary education establishment).

Note: the amount of the contribution transferred to the Guarantee Fund is considered as part of the pre-financing received by the Consortium.

Changes in Annex I (amendment)

Amendments to FP7 Grant Agreements: ftp://ftp.cordis.europa.eu/pub/fp7/docs/amendments-ga_en.pdf

An amendment to the Grant Agreement is a legal act which creates new rights and new obligations. However, under the FP7, an amendment is not systematic and only required if changes affect significantly the technical work. A notification of legal change by a beneficiary does not imply an amendment by the coordinator. And the use of the participant portal enables the modification to be spread throughout all projects from database.

In all cases the Project Officer should be consulted before the implementation of a change.

The Coordinator can accept an amendment introduced by the European Commission on behalf of the other beneficiaries. Otherwise for the amendment submitted by the Coordinator on behalf of all beneficiaries, approval or rejection will be replied within 45 days. The lack of answer means a tacit rejection, except in the case of the addition or termination of a beneficiary. Tacit approval can be deemed after 4 days.

However, the Commission can send a counter proposal, which should be accepted by the coordinator within 45 days and agreement should be notified to the Commission in writing within 60 days.

The entry into force is always the date of the last signature, although the date of effect, so when the changes start to apply, can be indicated in the amendment. Otherwise it is deemed to be the date of signature by the Commission.

Note: The selection of a new beneficiary should be made through a competitive call.

Changes in the budget distribution:

For any transfer of funds, the transfer will be adjusted with the rate of the new activity or of the new beneficiary. So transfers from high funded activity to less funded activity or alternatively from full funded beneficiary to another one funded only @ 50%, MUST be justified with an increase of eligible costs AND validated by your project officer. Otherwise it will be adjustable to the low funded activity/beneficiary.

Example **based on transfer of Eligible costs:**

- 100 000 € transferred from Management activities (funded @100%) to R&D activities (funded @50%) is adjusted to 50 000 € if the costs remains the same;
- 100 000 € transferred from beneficiary A funded @ 50% to beneficiary B funded @ 75% is adjusted to 75 000 € but the maximum contribution cannot be increased

The changes in the budget tables, i.e. transfers between beneficiaries, do not require an amendment if they do not change the attribution of the tasks in the Description of Work (Technical Annex).

Certificate on Financial Statements (CFS)

The CFS aims at verifying the costs and receipts declared by beneficiaries. It is submitted after the costs are incurred and claimed. Compared to FP6 in which the rules stated that the auditor should provide an assurance opinion on costs claimed, in FP7 the auditor should only provide a report based on factual findings.

A CFS comprises three parts (see also template in Appendix 3):

- i) Terms of Reference (ToR) included in the engagement letter between the beneficiary and the auditor. (Dated and signed by both parties);
- ii) The model auditor's report on factual findings. (On the auditor's letterhead; dated, stamped, and signed);
- iii) A detailed description including the procedures to be performed by the auditor. (Table of Annex VII, Form D) (Dated, stamped, and signed by auditor).

i) Terms of Reference (ToR):

Auditor and beneficiary sign prior to the audit a Terms of Reference (ToR) letter. This is an engagement letter which defines the terms of the procedures:

- Responsibilities of the parties,
- Subject of the engagement (project, dates of reporting period)
- Reason of the engagement, type and objectives,
- Scope of the work, reporting and timing
- Any other terms agreed between the parties.

Note: ToR correspond to international audit standards (International Federation of Accountants – IFAC – ISRS 4400). Thus it implies that your auditor is eligible to these standards.

ii) Independent report of factual findings on costs claimed:

Your financial statement must be checked by an auditor who will certify that the expenditure is eligible, based on real costs expenditure and claimed in accordance with:

- the Grant Agreement;
- the ToR;
- the IRSS 4400;
- the Code of Ethics for professional Accountants issued by the International Federation of Accountants (IFAC)

The European Commission validates that the activity was necessary and the Auditor certifies that the expenditure is eligible.

iii) Procedure performed by the auditor:

The procedures to be followed and commented are compulsory; any exception must be quoted in this document, which does not mean that it will necessarily be rejected by the Commission. However it is placed under the evaluation of the European Commission which may require complementary information from the beneficiary.

Periodicity of CFS:

Under FP7, the requirement for an audit certificate prior to reimbursement is only needed if the cumulative requested funding is equal or superior to 375 000 Euros. Therefore **no CFS is required whenever the EC contribution is below 375 000 Euros**

- For project < or = 2 years; only one CFS is due at the final payment; if funding above or equal to 375 000 Euros
- For projects > 2 years; a CFS is due each time the cumulative funding requested reach 375 000 Euros
- For a project over 2 years but with only 2 reporting periods (e.g. twice 18 month), the CFS will be due at each reporting period if the funding requested reach 375 000 Euros even if there are only 2 reporting periods as for projects < 2 years.

Note: In order to avoid rejection from the Commission, **you must use the CFS template annexed** (Appendix 3)

Certificate on the Methodology (CoM):

The CoM aims at verifying and validating the systems used by the beneficiary to calculate personnel and indirect costs (overhead) and eventually make usage of average personnel costs (CoMav). The certificate on the methodology is only used for the identification of personnel and indirect costs, not for the other costs. The CoM and CoMav should be submitted and approved by the Commission services prior to being used. Therefore until the CoM or CoMav has been validated, a beneficiary must declare its real personnel costs and use the CFS whenever it is stated to do so in the terms of the Grant Agreement terms.

Once the CoM has been validated, the CFS will be due at the end of the project, and not for intermediate financial claims. For personnel and indirect costs the auditor is only required to verify that the method and the system used are in compliance with the certificate on the methodology accepted by the Commission. The checking of the individual calculations will no longer be required.

For more information please see Annex VII – Form E):

ftp://ftp.cordis.europa.eu/pub/fp7/docs/fp7-ga-annex7e_en.pdf

● Auditor's requirements

The audit is conducted by an external auditor or, for a public body, a public competent officer. The auditor is a third party, subject to the contractual obligations relating to subcontracting. As such the auditor has a contractual relationship with the contractor only. And he should definitely not be involved in the preparation of the financial statement that he should audit.

It shall be your *usual external auditor* with the cumulative following professional requirements:

- ➔ He/she must be ***independent*** from the contractor “*in fact and/or in appearance*”,
- ➔ He/she must be ***qualified to carry out statutory audits of accounting documents***.

For a public body

- ⇒ the public competent officer (the auditor) must not be involved in the processing of the financial statement (Form C),
- ⇒ In the case where he or she is an official of the contractor (an internal auditor):
 - Independence should be established by the relevant national authorities, as well as,
 - Establish his or her legal capacity to audit that public body.

● Documents to be made available for an audit (indicative, not restrictive)

- Grant Agreement and its Annexes,
- Financial statements,
- CFS template annexed (Annex VII - FORM D),
- **These Guidelines.**

Note: the certificate on financial statement does not diminish your responsibility with regard to the costs claimed. The European Commission has the right to carry out its own audits at any time and up to 5 years after the end of the project.

● Cost of the audit certificate and eligibility

- ✓ the price of an audit certificate is an eligible cost excluding VAT and up to the amount stipulated in the contract per certificate for this project (if applicable see Consortium Agreement or budget in grant agreement and/or Description of Work);
- ✓ the cost of an audit certificate is ALWAYS claimed under the management activity;
- ✓ The cost of an audit certificate is always and only eligible on the subsequent reporting period as it is conducted outside of the current reporting period;
- ✓ For an audit certificate provided by an external auditor = subcontractor, no overhead can be applied;
- ✓ For an audit certificate provided by an internal officer, no overhead can be applied as this is not an additional cost (internal officer is paid by the recurring cost of the university or laboratory);

- ✓ The language of an audit certificate has to be the same as the language used for the other reports. The Audit Certificate is considered as a report, and so it must be written in English (see also the language indicated in Art.4 of the grant agreement);
- ✓ The audit certificate has to be delivered **to the attention of the beneficiary**, (not to the attention of the European Commission).

A P P E N D I C E S

Appendix 1 – FORM C for Coordination and Support Action
 (same template as for Combination of CP and CSA) ... *double click to download the document...*

FP7 - Grant Agreement - Annex VI - Combination of Collaborative Project and Coordination and Support Action

Summary Financial Report - Combination of Collaborative Project and Coordination and Support Action

Project acronym

Project nr

Reporting period from

to

Page

1/1

Funding scheme				Type of activity										Total			
CP + CSA				RTD (A)		Coordination (B)		Support (C)		Management (D)		Other (E)		(A)+(B)+(C)+(D)+(E)			
Beneficiary nr	If 3rd Party, linked to beneficiary	Adjustment (Yes/No)	Organisation Short Name	Total	Max EU Contribution	Total	Max EU Contribution	Total	Max EU Contribution	Total	Max EU Contribution	Total	Max EU Contribution	Total	Max EU Contribution	Receipts	Interest
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
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15																	
16																	
17																	
18																	
19																	
20																	
21																	
22																	
23																	
24																	
25																	
TOTAL																	

Requested EU contribution for the reporting period (j=k)

Appendix 2 –FORM D – CERTIFICATE on FINANCIAL STATEMENTS (11 pages)

FP7 GRANT AGREEMENT – ANNEX VII - FORM D - TERMS OF REFERENCE FOR THE CERTIFICATE OF FINANCIAL STATEMENTS

The CFS is composed of three documents which define i) the terms of the agreement with the auditor, ii) the report itself and iii) the procedures followed by the auditors to perform the audit.

I) TERMS OF REFERENCE FOR AN INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS CLAIMED UNDER A GRANT AGREEMENT FINANCED UNDER THE SEVENTH RESEARCH FRAMEWORK PROGRAMME (FP7)

The Terms of Reference (ToR) should be completed by the Beneficiary and agreed with the Auditor. It sets up the terms and context required to carry out the audit.

II) INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS CLAIMED UNDER A GRANT AGREEMENT FINANCED UNDER THE SEVENTH RESEARCH FRAMEWORK PROGRAMME (FP7)

The Independent Report of Factual Findings is provided by the Auditor. This report replaces the former 'Audit Certificate'.

III) PROCEDURES PERFORMED BY THE AUDITOR

The analysis of the costs has to be accurately commented by the auditor for each category of costs, according to the internal accountant rules of the Beneficiary and the FP7 Guide to Financial Issues.

II) TERMS OF REFERENCE FOR AN INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS CLAIMED UNDER A GRANT AGREEMENT FINANCED UNDER THE SEVENTH RESEARCH FRAMEWORK PROGRAMME (FP7)

The following are the terms of reference ('ToR') on which **INSTITUTE SHORT NAME** 'the Beneficiary' agrees to engage **AUDITOR NAME** 'the Auditor' to provide an independent report of factual findings on a Financial Statement prepared by the Beneficiary and to report in connection with a European Union financed grant agreement concerning the Seventh Research Framework Programme (FP7), concerning **"FULL PROJECT NAME" SHORT PROJECT NAME N° PROJECT NUMBER** (the 'Grant Agreement'). Where in these ToR the 'European Commission' is mentioned this refers to its quality as signatory of the Grant Agreement with the Beneficiary. The European Union is not a party to this engagement.

1.1 Responsibilities of the Parties to the Engagement

'The Beneficiary' refers to the legal entity that is receiving the grant and that has signed the Grant Agreement with the European Commission.

- The Beneficiary is responsible for preparing a Financial Statement for the Action financed by the Grant Agreement in compliance with such agreements and providing it to the Auditor, and for ensuring that this Financial Statement can be properly reconciled to the Beneficiary's accounting and bookkeeping system and to the underlying accounts and records. Notwithstanding the procedures to be carried out, the Beneficiary remains at all times responsible and reliable for the accuracy of the Financial Statement.
- The Beneficiary is responsible for the factual statements which will enable the Auditor to carry out the procedures specified, and will provide the Auditor with a written representation letter supporting these statements, clearly dated and stating the period covered by the statements.
- The Beneficiary accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary providing full and free access to the Beneficiary's staff and its accounting and other relevant records.

'The Auditor' refers to the Auditor who is responsible for performing the agreed-upon procedures as specified in these ToR, and for submitting an independent report of factual findings to the Beneficiary.

The Auditor must be independent from the Beneficiary.

- The Auditor is qualified to carry out statutory audits of accounting documents in accordance with the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC or similar national regulations.
- The procedures to be performed are specified by the European Commission and the Auditor is not responsible for the suitability and appropriateness of these procedures.
-

1.2 Subject of the Engagement

The subject of this engagement is the Financial Statements in connection with the Grant Agreement for the project period covering **DATE1 to DATE2**.

1.3 Reason for the Engagement

The Beneficiary is required to submit to the European Commission a certificate on a Financial Statement in the form of an independent report of factual findings produced by an external auditor in support of the payment requested by the Beneficiary under Article II.4 of the Grant Agreement. The Authorizing Officer

of the Commission requires this Report as he makes the payment of costs requested by the Beneficiary conditional on the factual findings of this Report.

1.4 Engagement Type and Objective

This constitutes an engagement to perform specific agreed-upon procedures regarding an independent report of factual findings on costs claimed under the Grant Agreement.

As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The European Commission derives its assurance by drawing its own conclusions from the factual findings reported by the Auditor on the Financial Statement and the payment request of the Beneficiary relating thereto.

The Auditor shall include in its Report that no conflict of interest exists between it and the Beneficiary in establishing this Report, as well as the fee paid to the Auditor for providing the Report.

1.5 Scope of Work

1.5.1 The Auditor shall undertake this engagement in accordance with these ToR and:

- in accordance with the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the IFAC;
- in compliance with the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the European Commission requires that the Auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

1.5.2 Planning, procedures, documentation and evidence

The Auditor should plan the work so that the procedures can be effectively performed. For this purpose he performs the procedures specified in 1.9 of these Terms of Reference ('Scope of Work – Compulsory Report Format and Procedures to be Performed') and uses the evidence obtained from these procedures as the basis for the Report of factual findings.

1.6 Reporting

The Report of factual findings, an example of which is attached to this ToR, should describe the purpose and the agreed-upon procedures of the engagement in sufficient detail in order to enable the Beneficiary and the European Commission to understand the nature and extent of the procedures performed by the Auditor. Use of the reporting format attached as Annex VII of the Grant Agreement is compulsory. The Report should be written in the language indicated in Article 4 of the Grant Agreement. In accordance with Article II.22 of the Grant Agreement, the European Commission and the Court of Auditors have the right to audit any work carried out under the project for which costs are claimed from Community, including the work related to this engagement.

1.7 Timing

The Report should be provided by **DATE OF DELIVERY**.

1.8 Other Terms

N/A

Prepared in **LOCATION**, **DATE OF ORDER**

'the Beneficiary'

INSTITUTE NAME, **REPRESENTATIVE**,
TITLE

'the Auditor'

AUDITOR NAME, **REPRESENTATIVE**,
TITLE

II) SCOPE OF WORK – COMPULSORY REPORT FORMAT AND PROCEDURES TO BE PERFORMED

INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS CLAIMED UNDER A GRANT AGREEMENT FINANCED UNDER THE SEVENTH RESEARCH FRAMEWORK PROGRAMME (FP7)

to
INSTITUTE NAME
ADDRESS 1
ADDRESS2
ZIP CODE, TOWN, COUNTRY
Represented by REPRESENTATIVE,

In accordance with our contract dated DATE OF ORDER with INSTITUTE SHORT NAME “the Beneficiary” and the terms of reference attached thereto (appended to this Report), we provide our Independent Report of Factual Findings (“the Report”), as specified below.

Objective

We AUDITOR NAME, established in FULL ADDRESS represented for signature of this Report by REPRESENTATIVE, TITLE have performed agreed upon procedures regarding the cost declared in the Financial Statement of INSTITUTE SHORT NAME hereinafter referred to as the Beneficiary, to which this Report is attached, and which is to be presented to the European Commission under grant agreement “FULL PROJECT NAME” SHORT PROJECT NAME N° PROJECT NUMBER for the project period, from DATE1 to DATE2. This engagement involved performing certain specified procedures, the results of which the European Commission uses to draw conclusions as to the eligibility of the costs claimed.

Scope of Work

Our engagement was carried out in accordance with :

- the terms of reference appended to this Report and:
 - International Standard on Related Services (‘ISRS’) 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants (‘IFAC’);
 - the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the European Commission requires that the Auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*;

As requested, we have only performed the procedures set out in the terms of reference for this engagement and we have reported our factual findings on those procedures in the table appended to this Report.

The scope of these agreed upon procedures has been determined solely by the European Commission and the procedures were performed solely to assist the European Commission in evaluating whether the costs claimed by the Beneficiary in the accompanying Financial Statement has been claimed in accordance with the Grant Agreement. The Auditor is not responsible for the suitability and appropriateness of these procedures.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Financial Statements.

Had we performed additional procedures or had we performed an audit or review of the Financial Statements of the Beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Sources of Information

The Report sets out information provided to us by the management of the Beneficiary in response to specific questions or as obtained and extracted from the Beneficiary's information and accounting systems.

Factual Findings

The above mentioned Financial Statements per Activity were examined and all procedures specified in the appended table for our engagement were carried out. On the basis of the results of these procedures, we found that all documentation and accounting information to enable us to carry out these procedures has been provided to us by the Beneficiary.

Exceptions

No exceptions were noted.

Use of this Report

This Report is solely for the purpose set forth in the above objective.

This Report is prepared solely for the confidential use of the Beneficiary and the European Commission and solely for the purpose of submission to the European Commission in connection with the requirements as set out in Article II.4.4 of the Grant Agreement. This Report may not be relied upon by the Beneficiary or by the European Commission for any other purpose, nor may it be distributed to any other parties. The European Commission may only disclose this Report to others who have regulatory rights of access to it, in particular the European Anti Fraud Office and the European Court of Auditors.

This Report relates only to the Financial Statements specified above and does not extend to any other financial statements of the Beneficiary.

No conflict of interest exists between the Auditor and the Beneficiary in establishing this Report. The fee paid to the Auditor for providing the Report was € **AUDIT COST** exclusive of VAT.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

AUDITOR NAME,
REPRESENTATIVE, TITLE
DATE OF DELIVERY

III) PROCEDURES PERFORMED BY THE AUDITOR

The Auditor designs and carries out his work in accordance with the objective and scope of this engagement and the procedures to be performed as specified below. When performing these procedures the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations or any others deemed necessary in carrying out these procedures.

The European Commission reserves the right to issue guidance together with example definitions and findings to guide the Auditor in the nature and presentation of the facts to be ascertained. The European Commission reserves the right to vary the procedures by written notification to the Beneficiary. The procedures to be performed are listed as follows:

Procedures	Standard factual finding and basis for exception reporting
Personnel Costs	
1. Recalculate hourly personnel and overhead rates for personnel (full coverage if less than 20 employees, otherwise a sample of minimum 20, or 20% of employees, whichever is the greater), indicate the number of productive hours used and hourly rates. Where sampling is used, selection should be random with a view to producing a representative sample. 'Productive hours' represent the (average) number of hours made available by the employee in a year after the deduction of holiday, sick leave and other entitlements. This calculation should be provided by the Beneficiary.	For each employee in the sample of [REDACTED], the Auditor obtained the personnel costs (salary and employer's costs) from the payroll system together with the productive hours from the time records of each employee. For each employee selected, the Auditor recomputed the hourly rate by dividing the actual personnel costs by the actual productive hours, which was then compared to the hourly rate charged by the Beneficiary. No exceptions were noted. The average number of productive hours for the employees selected was [REDACTED]. If the productive hours or costs of personnel cannot be identified, they should be listed (together with the amounts) as exceptions in the main report.
2. For the same selection examine and describe time recording of employees (paper/ computer, daily/weekly/monthly, signed, authorised).	Employees record their time on a daily OR weekly OR monthly basis using a paper OR computer -based system. The time-records selected were authorised by the project manager or other superior. If no time records are available which fit the above description, this should be listed as an exception in the main report.
3. Employment status and employment conditions of personnel. The Auditor should obtain the employment contracts of the employees selected and compare with the standard employment contract used by the Beneficiary. Differences which are not foreseen by the Grant Agreement should be noted as exceptions.	For the employees selected, the Auditor inspected their employment contracts and found that they were: – directly hired by the Beneficiary in accordance with its national legislation, – under the sole technical supervision and responsibility of the latter, and – remunerated in accordance with the normal practices of the Beneficiary. Personnel who do not meet all three conditions should be listed (together with

Procedures	Standard factual finding and basis for exception reporting
<p>4. In-House consultant</p> <p>The auditor should obtain the employment contract and ensure that the costs of in-house consultants are eligible and fulfil the conditions listed in Article II.14 of the model grant agreement.</p> <p>The in-house consultant can be considered as personnel costs regardless of whether the intra-muros consultants are self-employed or employed by a third party if the following cumulative criteria are fulfilled:</p> <ul style="list-style-type: none"> - the beneficiary has a contract to engage a physical person to work for it and some of that work involves tasks to be carried out under the EC project. - the physical person must work under the instructions of the beneficiary, ie the work is decided, designed and supervised by the beneficiary. The physical person must work in the premises of the beneficiary (except in the case of teleworking agreed between both parties). - the result of the work belongs to the beneficiary (Article II.26 of the FP7 model grant agreement; - the costs of employing the consultant are not significantly different from the personnel costs of employees of the same category working under labour law contract for the beneficiary - travel and subsistence costs related to such consultants' participation in project meetings or other travel relating to the project would have to paid directly to the beneficiary in order to be eligible. 	<p>the amounts) as exceptions in the main report.</p> <p>The auditor inspected the employment contract of two in-house consultants recruited to work on the PROJECT SHORT NAME project and found out:</p> <ul style="list-style-type: none"> - these in-house consultants were physical person whom work involves tasks to be carried out under the EC project; - these in-house consultants work under the instructions of the beneficiary; - the contract stipulate that the result of work belongs to the beneficiary in accordance with Article II.26 of the FP7 model grant agreement; - the cost of these consultants are the same than the personnel costs of employees of the same category working under labor law contract for the beneficiary; - travel and subsistence costs related to these in-house consultants' participation in project meetings or other travel relating to the project have been paid directly to the beneficiary in order to be eligible and recorded as such in the account book of the beneficiary.
<p>5. Use of average personnel costs</p>	<p>The Auditor found that the personnel costs charged to the financial statement:</p> <ul style="list-style-type: none"> - are calculated using average costs in accordance with the methodology as specified in the Report of findings on the methodology dated _____.

Procedures	Standard factual finding and basis for exception reporting
	<p>- have been calculated using amounts derived from the relevant period which can be reconciled to the accounting records of the relevant period. Where categories are used, the Auditor verified that the researcher (or research-related person) had been correctly classified. The Auditor obtained confirmation from the Beneficiary that the rates used were not budgeted or estimated amounts. If amounts cannot be reconciled, or if estimates or budgeted amounts were used, this should be reported as an exception in the main report.</p> <p>OR</p> <p>Not applicable in this case</p>
Subcontracting	
<p>6. Obtain a written description from the Beneficiary regarding 3rd party resources used and compare with Annex 1 to the Grant Agreement.</p>	<p>The Auditor compared the description of the 3rd party resources provided by the Beneficiary to the specification in Annex 1 to the Grant Agreement, and found them to be the same If the descriptions do not clearly match, this should be reported as an exception in the main report.</p> <p>OR</p> <p>Not applicable in this case</p>
<p>7. Inspect documents and obtain confirmations that subcontracts are awarded according to a procedure including an analysis of best value for money (best price-quality ratio), transparency and equal treatment. Full coverage if less than 20 items, otherwise a sample of minimum 20, or 20% of the items, whichever is the greater.</p>	<p>The Auditor obtained tendering documents for each subcontract entered into and found that the tendering process was followed and that a written analysis of value-for-money had been prepared by the Beneficiary in support of the final choice of subcontractor, or that the contract had been awarded as part of an existing framework contract entered into prior to the beginning of the project. If the Auditor is not provided with evidence of either of the above situations, the amount of the subcontract should be listed as an exception in the main report.</p> <p>OR</p> <p>Not applicable in this case</p>
Other Direct Costs	

Procedures	Standard factual finding and basis for exception reporting
<p>8. Allocation of equipment subject to depreciation is correctly identified and allocated to the project. Full coverage if less than 20 items, otherwise a sample of minimum 20, or 20% of the items, whichever is the greater.</p>	<p>The Auditor traced the equipment charged to the project to the accounting records and the underlying invoices. The Beneficiary has documented the link with the project on the invoice and purchase documentation, and, where relevant, the project accounting. The asset value was agreed to the invoice and no VAT or other identifiable indirect taxes were charged. The depreciation method used to charge the equipment to the project was compared to the Beneficiary's normal accounting policy and found to be the same.</p> <p>If assets have been charged which do not comply with the above, they should be listed (together with the amounts) as exceptions in the main report.</p> <p>OR</p> <p>Not applicable in this case (not equipment purchased by the project)</p>
<p>9. Travel costs correctly identified and allocated to the project (and in line with Beneficiary's normal policy for non-EC work regarding first-class travel, etc.) Full coverage if less than 20 items, otherwise a sample of minimum 20, or 20% of the items, whichever is the greater. The Beneficiary should provide written evidence of its normal policy for travel costs (e.g. use of first class tickets) to enable the Auditor to compare the travel charged with this policy.</p>	<p>The Auditor inspected the sample and found that the Beneficiary had allocated travel costs to the project by marking of invoices and purchase orders with the project reference, resulting in traceable allocation in the project accounts.</p> <p>The costs charged were compared to the invoices and found to be the same. No VAT or other identifiable indirect taxes were charged. The use of first class travel was in line with the written policy provided by the Beneficiary</p> <p>Costs which are not allocated to project accounts and do not have a clear attribution (normally by writing the project number on the original invoice) should be listed (together with the amounts) as exceptions in the main report.</p>
<p>10. Consumables correctly identified and allocated to the project. Full coverage if less than 20 items, otherwise a sample of minimum 20, or 20% of the items, whichever is the greater.</p>	<p>The Auditor inspected the sample and found that the Beneficiary had allocated consumable costs to the project by marking of invoices and purchase orders with the project reference, resulting in traceable allocation in the project accounts.</p> <p>The costs charged were compared to the invoices and found to be the same. No VAT or other identifiable indirect taxes were charged.</p> <p>Costs which are not allocated to project accounts and do not have a clear attribution (normally by writing the project number on the original invoice)</p>

Procedures	Standard factual finding and basis for exception reporting
	should be listed (together with the amounts) as exceptions in the main report.
Indirect costs	
<p>11. Obtain and review a detailed breakdown of Indirect costs (reconciled to the financial accounts) and confirm that the following costs are not present:</p> <ul style="list-style-type: none"> a) identifiable indirect taxes including value added tax, b) duties, c) interest owed, d) provisions for possible future losses or charges, e) exchange losses, cost related to return on capital, f) costs declared or incurred, or reimbursed in respect of another Community project, g) debt and debt service charges, excessive or reckless expenditure¹. 	<p>The organisation uses the Simplified Flat rate (SFR) of 20%, OR a Simplified Method (SM), OR the Real Indirect Cost calculation (RIC) OR a Special Transitional Flat rate of 60 % (STFC).</p> <p>The Auditor obtained the total overhead amount which was allocated and reconciled this to the accounting records for the period in question.</p> <p>The Auditor recalculated the ratio of indirect costs [as a percentage of personnel costs/ as a fixed personnel hourly rate / as another cost driver specified by the Beneficiary] and agreed it to the rate used in the Financial Statements.</p> <p>The Auditor obtained a detailed breakdown from the accounting system of the indirect costs which have been charged to the contract, and reconciled the individual amounts to the general ledger of the Beneficiary.</p> <p>The Auditor found that costs for the non-research activities of the Beneficiary, such as manufacturing, education, marketing of products or services, etc., had not been included in the calculation.</p> <p>For each element of the breakdown, the Auditor obtained the Beneficiary's confirmation that it contained none of the ineligible costs specified (typical examples are leasing costs, loan charges, provisions for doubtful debt (but not normal accruals), local business and property taxes, customs duties, exchange losses from billing in a foreign currency).</p> <p>Only the types of excessive and reckless expenditure listed in the Commission's guidance should be considered, the Auditor is not required to exercise professional judgement or provide assurance in this matter. Amounts which do not meet the above criteria or where the Auditor is not provided with sufficient information in order to inspect and compare the types of cost should be listed (together with the amounts) as exceptions in the main report.</p>

¹ Excessive or reckless expenditure as defined in guidance note to be issued by the Commission in 2007.

Procedures	Standard factual finding and basis for exception reporting
<p>12. Assess use of a simplified method of calculation of overheads at the level of the legal entity. The Beneficiary may use a simplified method of calculation (either due to the lack of analytical accounting or legal requirement to use a form of cash-based accounting). This does not permit the use of a generalised estimate, or the use of a 'standard' rate that is not derived from the financial accounts of the period in question. Thus the rate (but not the methodology) should be updated for each accounting period.</p>	<p>The Beneficiary's accounting system does not permit indirect costs to be separately identified for the individual departments. [and/ or] The Beneficiary's accounting system is cash-based and year-end adjustments are made using accounting estimates in order to charge certain accrued costs.</p> <p>The Auditor obtained the breakdown of overhead costs and the adjusting entries together with the source of the relevant accounting entries. The Beneficiary provided the Auditor with underlying calculations showing the basis for additional accounting entries. The Auditor agreed these calculations to the relevant sources of management information.</p> <p>Any elements of a simplified calculation which represent percentage estimates and which cannot be compared to underlying data should be listed (together with the amounts) as exceptions in the main report.</p> <p>OR</p> <p>Not applicable in this case</p>
<p>13. Inspect and compare exchange rates into Euros.</p>	<p>The Auditor compared the exchange rates used for conversion with the applicable official exchange rates established by the European Communities and the Beneficiary used :</p> <ul style="list-style-type: none"> the conversion rate of the date where the actual costs were incurred <p>OR</p> <ul style="list-style-type: none"> the rate applicable on the first day of the month following the end of reporting period <p>Where rates cannot be agreed, an exception should be noted, (together with the amount) in the main report.</p>
<p>14. Identification of receipts. The Beneficiary is obliged to deduct from its claim any receipts related to the project (income from events, rebates from suppliers, etc.)</p>	<p>The Auditor examined the relevant project accounts and obtained representations from the Beneficiary that the amounts listed represent a complete record of the sources of income connected with the project. The amount included in the claim regarding receipts is the same as the amount recorded in the project accounting.</p>

Procedures	Standard factual finding and basis for exception reporting
	<p>Any discrepancies in the receipts noted in the accounts and those reported by the beneficiary should be noted (together with the amount) as exceptions in the main report.</p> <p>OR</p> <p>Not applicable in this case</p>
<p>15. Identification of interest yielded on pre-financing. The Beneficiary, when it is the coordinator of the project, is obliged to declare interest yielded on pre-financing</p>	<p>The Auditor compared the relevant project accounts with the interest shown in the bank statements and found them to be the same.</p> <p>Any discrepancies in the interest noted in the accounts and those reported by the Beneficiary should be noted (together with the amount) as exceptions in the main report.</p>

Appendix 3 – PERIODIC REPORTS TEMPLATE

http://cordis.europa.eu/fp7/find-doc_en.html (then on Cordis, click right to open the doc file in new windows or tab)

PROJECT PERIODIC REPORT

Grant Agreement number:

Project acronym:

Project title:

Funding Scheme:

Date of latest version of Annex I against which the assessment will be made:

Periodic report: 1st ☐ 2nd ☐ 3rd ☐ 4th ☐

Period covered: from to

Name, title and organisation of the scientific representative of the project's coordinator²:

Tel:

Fax:

E-mail:

Project website³ address:

² Usually the contact person of the coordinator as specified in Art. 8.1. of the grant agreement

³ The home page of the website should contain the generic European flag and the FP7 logo which are available in electronic format at the Europa website (logo of the European flag: http://europa.eu/abc/symbols/emblem/index_en.htm ; logo of the 7th FP: http://ec.europa.eu/research/fp7/index_en.cfm?pg=logos). The area of activity of the project should also be mentioned.

Declaration by the scientific representative of the project coordinator

I, as scientific representative of the coordinator² of this project and in line with the obligations as stated in Article II.2.3 of the Grant Agreement declare that:

- The attached periodic report represents an accurate description of the work carried out in this project for this reporting period;
- The project (tick as appropriate):
 - ☐ has fully achieved its objectives and technical goals for the period;
 - ☐ has achieved most of its objectives and technical goals for the period with relatively minor deviations⁴;
 - ☐ has failed to achieve critical objectives and/or is not at all on schedule⁵.
- The public website is up to date, if applicable.
- To my best knowledge, the financial statements which are being submitted as part of this report are in line with the actual work carried out and are consistent with the report on the resources used for the project (section 3.6) and if applicable with the certificate on financial statement.
- All beneficiaries, in particular non-profit public bodies, secondary and higher education establishments, research organisations and SMEs, have declared to have verified their legal status. Any changes have been reported under section 5 (Project Management) in accordance with Article II.3.f of the Grant Agreement.

Name of scientific representative of the Coordinator²:

Date://

Signature of scientific representative of the Coordinator²:

⁴ If either of these boxes is ticked, the report should reflect these and any remedial actions taken.

⁵ If either of these boxes is ticked, the report should reflect these and any remedial actions taken.

1. Publishable summary

This section should be of suitable quality to enable direct publication by the Commission. Please ensure that it is set out and formatted so that it can be printed as a stand-alone paper document not exceeding four pages. It shall also reflect the website of the project (if applicable).

Please include a summary description of the project objectives, a description of the work performed since the beginning of the project, a description of the main results achieved so far, the expected final results and their potential impact and use (including the socio-economic impact and the wider societal implications of the project so far). You should update this publishable summary at the end of each reporting period.

Please include also, as appropriate, diagrams or photographs illustrating and promoting the work of the project, the project logo and relevant contact details. The address of the project public website should also be indicated, if applicable.

2. Project objectives for the period

Please provide an overview of the project objectives for the reporting period in question, as included in Annex I of the Grant Agreement. These objectives are required so that this report is a stand-alone document.

Please include a summary of the recommendations from the previous reviews (if any) and indicate how these have been taken into account.

3. Work progress and achievements during the period

Please provide a concise overview of the progress of the work in line with the structure of Annex I of the Grant Agreement.

For each work package -- except project management, which will be reported in section 3.5-- please provide the following information:

- *A summary of progress towards objectives and details for each task;*
- *Highlight clearly significant results;*
- *If applicable, explain the reasons for deviations from Annex I and their impact on other tasks as well as on available resources and planning;*
- *If applicable, explain the reasons for failing to achieve critical objectives and/or not being on schedule and explain the impact on other tasks as well as on available resources and planning (the explanations should be coherent with the declaration by the project coordinator) ;*
- *a statement on the use of resources, in particular highlighting and explaining deviations between actual and planned person-months per work package and per beneficiary in Annex I (Description of Work)*
- *If applicable, propose corrective actions.*

4. Deliverables and milestones tables

Deliverables (excluding the periodic and final reports)

Please list all the deliverables due in this reporting period, as indicated in Annex I of the Grant Agreement.

Deliverables that are of a nature other than written "reports", such as "prototypes", "demonstrators" or "others", should also be accompanied by a short report, so that the European Commission has a record of their existence.

If a deliverable has been cancelled or regrouped with another one, please indicate this in the column "Comments".

If a new deliverable is proposed, please indicate this in the column "Comments".

This table is cumulative, that is, it should always show all deliverables from the beginning of the project.

TABLE 1. DELIVERABLES ⁶									
Del. no.	Deliverable name	WP no.	Lead beneficiary	Nature	Dissemination level	Delivery date from Annex I (proj month)	Delivered Yes/No	Actual / Forecast delivery date	Comments

Milestones

⁶ For Security Projects the template for the deliverables list in Annex A1 has to be used.

*Please complete this table if milestones are specified in Annex I of the Grant Agreement.
Milestones will be assessed against the specific criteria and performance indicators as defined in Annex I.*

TABLE 2. MILESTONES							
Milestone no.	Milestone name	Work package no	Lead beneficiary	Delivery date from Annex I	Achieved Yes/No	Actual / Forecast achievement date	Comments

5. Project management

Please use this section to summarise management of the consortium activities during the period. Management tasks are indicated in Articles II.2.3 and Article II.16.5 of the Grant Agreement.

Amongst others, this section should include the following:

- *Consortium management tasks and achievements;*
- *Problems which have occurred and how they were solved or envisaged solutions;*
- *Changes in the consortium, if any;*
- *List of project meetings, dates and venues;*
- *Project planning and status;*
- *Impact of possible deviations from the planned milestones and deliverables, if any;*
- *Any changes to the legal status of any of the beneficiaries, in particular non-profit public bodies, secondary and higher education establishments, research organisations and SMEs;*
- *Development of the Project website, if applicable;*
- *Use of foreground and dissemination activities during this period (if applicable).*

The section should also provide short comments and information on co-ordination activities during the period in question, such as communication between beneficiaries, possible co-operation with other projects/programmes etc.

For Grant Agreements related to infrastructures (Annex III of the Grant Agreement), the access provider shall include a section in the periodic reports on the access activity, indicating the membership of the selection panel as well as the amount of access provided to the user groups, with the description of their work, and the names and home institutions of users.

6. Explanation of the use of the resources

Please provide an explanation of personnel costs, subcontracting and any major direct costs incurred by each beneficiary, such as the purchase of important equipment, travel costs, large consumable items, etc. linking them to work packages.

There is no standard definition of "major direct cost items". Beneficiaries may specify these, according to the relative importance of the item compared to the total budget of the beneficiary, or as regards the individual value of the item.

These can be listed in the following tables (one table by participant):

TABLE 3.1 PERSONNEL, SUBCONTRACTING AND OTHER MAJOR DIRECT COST ITEMS FOR BENEFICIARY 1 FOR THE PERIOD			
Work Package	Item description	Amount	Explanations
<i>Ex: 2, 5, 8, 11, 17</i>	<i>Personnel costs</i>	<i>235000 €*</i>	<i>Salaries of 2 postdoctoral students and one lab technician for 18 months each*</i>
<i>5</i>	<i>Subcontracting</i>	<i>11000 €*</i>	<i>Maintenance of the web site and printing of brochure*</i>
<i>8, 17</i>	<i>Major cost item 'X'</i>	<i>75000 €*</i>	<i>NMR spectrometer*</i>
<i>11</i>	<i>Major cost item 'Y'</i>	<i>27000 €*</i>	<i>Expensive chemicals xyz for experiment abc*</i>
	<i>Remaining direct costs</i>	<i>15000 €*</i>	
	TOTAL DIRECT COSTS⁷	363000 €*	

* The entries in italics blu are examples and purely for illustration

TABLE 3.2 PERSONNEL, SUBCONTRACTING AND OTHER MAJOR DIRECT COST ITEMS FOR BENEFICIARY 2 FOR THE PERIOD			
Work Package	Item description	Amount	Explanations
	Personnel costs		
	Subcontracting		
	Major cost item 'X'		
	Major cost item 'Y'		
	Remaining direct costs		
	TOTAL DIRECT COSTS⁷		

⁷ Total direct costs have to be coherent with the direct costs claimed in Form C

The following table is required only for the funding schemes for Research for the benefit of SMEs

THE TRANSACTION

Please provide a list of the actual cost incurred by the RTD performers during the performance of the work subcontracted to them. These costs refer only to the agreed '*Transaction*'.

Name of RTD Performer	Number of person months	Personnel Costs	Durable equipment	Consumables	Computing	Overhead Costs	Other Costs	Total by RTD performer
TOTAL								

7. Financial statements – Form C and Summary financial report

Please submit a separate financial statement from each beneficiary (if Special Clause 10 applies to your Grant Agreement, please include a separate financial statement from each third party as well) together with a summary financial report which consolidates the claimed Community contribution of all the beneficiaries in an aggregate form, based on the information provided in Form C (Annex VI) by each beneficiary.

When applicable, certificates on financial statements shall be submitted by the concerned beneficiaries according to Article II.4.4 of the Grant Agreement.

IMPORTANT:

Form C varies with the funding scheme used. Please make sure that you use the correct form corresponding to your project. Templates for Form C are provided in Annex VI of the Grant Agreement. An example for collaborative projects is enclosed hereafter. A Web-based online tool for completing and submitting the forms C is under preparation. If you have to submit forms C before the tool becomes available, please ask your Commission project officer for an Excel version of the form.

If some beneficiaries in security research have two different rates of funding (part of the funding may reach 75% in reference with Article 33.1 of the EC rules for participation - REGULATION (EC) No 1906/2006) then two separate financial statements should be filled by the concerned beneficiaries and two lines should be entered for these beneficiaries in the summary financial report.

8. Certificates

List of Certificates which are due for this period in accordance with Article II.4.4 of the Grant Agreement:

Beneficiary	Organisation short name	Certificate on the financial statements provided? yes / no	Any useful comment, in particular if a certificate is not provided
1		Yes	
2		no	
		no	Expenditure threshold not reached
Etc.			

A copy of each duly signed certificate on the financial statements (Form C) or on the methodology should be included in this section, according to the table above (signed originals to be sent in parallel by post).

Appendix 4 –TIME-SHEETS TEMPLATE

TIME-SHEET					
YEAR:	2010				
NAME:			WEEK:		
INSTITUTE					
in hours	Monday	Tuesday	Wednesday	Thursday	Friday
RTD Activities	01	02	03	04	05
Research					
Project xxx					
Project zzz					
Project yyy					
Management					
Project xxx					
Project zzz					
Project yyy					
Other Activities					
Project xxx					
Project zzz					
Project yyy					
Absences					
Annual Leave					
Special Leave					
Illness					
Total Absences:					
Total time:					
Signed:					
Approved by:					