

FP6 AUDIT MANUAL

Guidelines to on-the-spot financial audits on FP6 Contracts



15 September 2006

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ANNEXES

Annex 1: FP6 Budget breakdown

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1 - Introduction

This document is intended to provide the basic guidelines to conduct on-the-spot financial audits on beneficiaries participating in indirect RTD actions awarded under the Sixth Framework Contract for Research and Technological Development and Demonstration activities (2002 to 2006), hereafter referred to as FP6.

For the preparation of the present guidelines, all the information available concerning the financial management of FP6 contracts has been taken into account. In particular, the basic legal framework, the model contracts and the different guidelines and interpretations produced by the Commission services for the implementation of the FP6. Similar guidelines and manuals produced for the audit of indirect RTD actions under the Fifth Framework Programme have been taken into account.

These guidelines provide a common knowledge basis to support FP6 financial audits

2 - Scope of the on-the-spot audit of FP6 indirect RTD actions

<p>Audit scope</p> 	<p><i>Scope of the audit</i></p> <p>On-the-spot financial audits of FP6 contracts aim at verifying contractor's compliance with the financial contractual provisions, in view of assessing the legality and regularity of the transaction underlying the implementation of the Community budget.</p> <p>The objective of an on-the-spot financial audit of shared-cost indirect RTD actions is to verify</p> <ul style="list-style-type: none">• that the costs declared to the Commission for the performance of indirect RTD actions are eligible and• that they have been declared in compliance with the legal requirements as defined in each specific contract subject to audit and the general financial framework applicable to the implementation of the Community budget. <p>It is important to stress vis-à-vis the contractor the general concept of the contract: indirect RTD actions awarded under the FP6 are actual costs reimbursement contracts (i.e. the EC is co-financing the total cost of an action as defined in the contract) rather than commercial contracts. As a consequence the budget stated in the contract limits the EC contribution, but does not define what contribution will be paid to the contractor on completion.</p> <p>The legal basis for the financial audit is Article 29 of Annex II to the contract signed between the European Commission and the Contractor. All contractors, as well as the subcontractors and third parties involved, can be subject to a financial audit carried out by the Commission or any outside body nominated by it, as well as by the European Court of Auditors.</p>
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3 - Overview of the Sixth Framework Programme (FP6)

6th Framework Programme 	<p>FP6 is composed of the part covered by the EC Treaty and the Euratom. The EC FP6 is structured around three specific programmes:</p> <ul style="list-style-type: none"> - Integrating and strengthening the European Research Area - Structuring the European Research Area - RTD activities involving the JRC <p>In budgetary terms, the most significant sub-activity under FP6 are the thematic priorities included in the specific programme "Integrating and strengthening the ERA". Annex 1 provides an overview of the different FP6 programmes, activities and subactivities including the indicative budget allocated to each of them.</p>
Research DGs 	<p>FP6 is operated by five different Directorate-Generals (DGs), namely:</p> <ul style="list-style-type: none"> • DG Research (RTD), • DG Information Society & Media (INFSO) • DG Energy & Transport (TREN), • DG Enterprise and Industry (ENTR) and • DG Fisheries and Sea Affairs (FISH).
FP6 Instruments 	<p>FP6 foresees nine types of intervention mechanisms or <u>instruments</u>:</p> <ul style="list-style-type: none"> - '<i>Networks of excellence</i>' (NoE) - '<i>Integrated projects</i>' (IP)

	<ul style="list-style-type: none"> - '<i>Specific targeted research or innovation projects</i>' (STREP/STIP); - '<i>Specific research projects for SMEs</i>', further subdivided into: <ul style="list-style-type: none"> ▪ Collective research projects (COLL), and ▪ Cooperative research projects (COOP); - '<i>Integrated infrastructure initiatives</i>' (I3); - '<i>Coordination actions</i>' (CA); - '<i>Specific support actions</i>' (SSA) - '<i>Actions to promote and develop human resources and mobility</i>', under which further instruments have been developed ⁽¹⁾; and - '<i>Contributions to programmes undertaken by several Member States</i>' (or to the implementation structures created by them) under Article 169 of the EC Treaty (Art. 169 Action) <p>One model contract covers the first eight instruments. Two models based on the standard model have been developed for the actions to promote human resources and mobility. Art 169 action is the subject of a co-decision between Council and Parliament. The model contract used for this action follows the standard Commission grant agreement with the particular aspects as decided by Council and Parliament.</p> <p>Annex 2 provides an overview of all FP6 instruments, cost systems and main contractual provisions</p>
FP6 Contractors 	Contractors can be different types of legal entities , such as governmental organisations, public commercial organisations, private commercial organisations, European Economic Interest Groups (EEIG), private non-profit organisations as well as international organisations and the DG Joint Research Centre (JRC) of the Commission.
FP6 Contracts 	<p><i>Structure of the contract</i></p> <p>The standard structure of FP6 contracts is the following:</p> <ul style="list-style-type: none"> ▪ Core part: stating the basic data including the name of the initial participants, the provisions concerning the payment of the Community contribution and the applicable jurisdiction in case of dispute. This is the part signed by the Commission and the coordinator of the action. Other initial contractors adhere to the contract after signing with the coordinator the Forms A. Note that the core contract is not totally standard since special clauses and options may be introduced on a case by case basis. ▪ Annex I - (referred to as Technical Annex or as Description of the Work): it is a project specific document stating the description of how the action is to be implemented and the allocation of specific tasks to individual participants. On the financial side, it includes the "table of estimated breakdown of costs", indicating the initial estimated breakdown of Community contribution by contractor. It shall clearly state whether the involvement of sub-contractors or resources made available by third parties is foreseen (and in the case of third parties, identify the tasks to be carried out by them).

	<ul style="list-style-type: none"> ▪ Annex II - General conditions: it is a standard document specifying the conditions under which the contract must be implemented. It covers technical and financial aspects, regulates the protection of knowledge generated by the projects and includes the provisions regarding the Commission's (and the Court's) audit rights. ▪ Annex III - Specific provisions: it is a document introducing specific provisions for NoEs, IPs, I3s and some specific actions as well as for a number of Marie Curie actions. <p>One of the modifications introduced in FP6 is that consortia have the possibility to make arrangements concerning key aspects such as their composition, the allocation and distribution of the Community contribution and provisions relating to access rights. In this line, additional contractors may be introduced in the project (they would adhere using Forms B).</p> <p>The Commission shall conclude a contract with all participants in an indirect action ⁽²⁾. As a result, signing the necessary form A or B is a requirement to participate in the action and to receive funding (note however that the contract enters into force when it is signed by the Commission and by the coordinator).</p> <p>Unless otherwise specified in the call for proposals under which the indirect RTD action was awarded, a consortium agreement must be signed by the participants in the action. This document shall cover aspects concerning the internal implementation arrangements and cannot be in contradiction with the contractual obligations stated in the contract. The audit team should take a copy of this agreement whenever it is available (the Commission services do not systematically receive this document for all instruments).</p> <p><i>Evolution of the consortium</i></p> <p>The consortium may vary its composition on its own initiative. Variations in the consortium composition shall be communicated to the Commission, which may object within six weeks. The selection of additional participants may require the publication of a competitive call and the evaluation of offers received using the same procedures and in the light of the same criteria that governed the selection of the indirect RTD actions concerned. (See section 7 - Verification at beneficiary level of other aspects concerning the management of the project, page 39). [where this is foreseen in Annex I]</p>
<p>Forms of community contribution</p> 	<p><i>Forms of community contribution</i></p> <p>Three forms of community contributions are foreseen under the FP6:</p> <ul style="list-style-type: none"> - <u>grant for integration</u> (applicable to Networks of Excellence): Community financial contribution is paid out on the basis of results, following the execution of a joint programme of activities and on condition that the expenses are greater than the grant itself. - <u>grant to the budget</u> (applicable to IPs, STREPS, STIPS, SSA, CA; COLL, COOP and some Human Resources actions such as RTN), the community contribution is calculated as a percentage of the costs incurred by the participants, adapted according to the type of activity and taking into account the cost model used by the participant concerned. - <u>lump sum payments:</u> Community contribution is paid on the basis of the

	<p>approval of contractually defined work packages or deliverables by the Commission services. This excludes the necessity to carry out a financial audit in order to assess the legality and regularity of the underlying transactions (which is more adequately assessed through the analysis of the scientific achievements of the project as compared to the contractually defined deliverables). An audit certificate is not required either.</p> <p>Under FP6, indirect RTD actions may also be implemented through <u>procurement contracts</u> taking the form of a Specific Support action (SSA). In this case, Community funds are paid on the basis of the price established in the corresponding contracts. [It covers also contributions paid by the Communities as subscription to bodies (membership fees) of which they are members.]</p>
<p>Cost systems</p> 	<p><i>Cost reporting models</i></p> <p>Three different reporting models are foreseen for under the FP6:</p> <ul style="list-style-type: none"> - <u>Full cost reporting model (FC)</u>: participants report actual direct and indirect costs incurred. - <u>Full cost flat rate reporting model (FCF)</u>: participants report actual direct costs incurred while indirect costs are calculated as a fixed percentage of the direct costs (excluding subcontracting). The percentage applied is 20%. - <u>Additional cost model (AC)</u>: participants report eligible additional direct costs actually incurred and indirect costs are calculated as a percentage of these direct costs (excluding sub-contracting). The percentage applied is 20%. This model is intended for participants that do not have an accounting system that allows the share of their direct and indirect costs relating to the project to be distinguished and is compulsory to physical persons and possible to non-commercial or non-profit organisations established either under public law or private law and international organisations. <p>(Note that for AC contractors, not only additional costs reported but all resources employed on the contract shall be taken into account, in view of verifying compliance with the principle of co-financing).</p> <p>A further special cost reporting model exists for participants in instruments involving access to infrastructure.</p> <ul style="list-style-type: none"> - <u>User fee (UF)</u>: a user fee cost model may be used for access to infrastructure activities either in the integrated infrastructure initiatives or in the specific support actions for transnational access. (See Financial Guidelines 2.4.5) <p>Under FP6, the choice of the cost reporting model is conditional to the status of the participants:</p> <ul style="list-style-type: none"> • Commercial (non-SME) organisations: FC only • Commercial SMEs: FC or FCF only • Non-commercial, non-profit organisations (established under either public or private law) and international organisations: FC, FCF or AC

- Physical persons: **AC only** [although the legal form of some SMEs may be that of a natural person in which case FCF (or FC) can be used].

Each participant must apply the model chosen in all contracts under the FP6.

Community contribution

Level of Community financial contribution and type of activities

The level of community financial contribution depends on the type of instrument, the cost reporting model and the type of activity concerned. For the same contract and contractor, different percentages of funding may be applied depending on the type of activity carried out ⁽³⁾. The contract defines five types of project activities, which are:

- Management activities
- Research and technological development or innovation activities
- Demonstration activities
- Training activities
- Other specific support activities (subject to a detailed description in the contractual documents, they could cover one or several of the activities previously outlined)

Not all types of activity may be carried out under the different FP6 instruments. In addition to this, the level of Community support to each of the activities also changes from one to another instrument. The following table provides an overview of the activities allowed for each of the actions and the applicable reimbursement rates:


Maximum reimbursement rates of eligible costs	Research and technological development or innovation activities	Demonstration activities	Training activities	Management of the consortium activities	Other specific activities (*)
Network of excellence				100% (up to 7% of the contribution) (AC : eligible direct costs)	100%
Integrated project	FC/FCF : 50% AC : 100%	FC/FCF : 35% AC : 100%	100%	100% (up to 7% of the contribution) (AC : eligible direct costs)	
Specific targeted research or innovation project	FC/FCF : 50% AC : 100%	FC/FCF : 35% AC : 100%		100% (up to 7% of the contribution) (AC : eligible direct costs)	
Specific research project for SMEs	FC/FCF : 50% AC : 100%		100% (for collective research only)	100% (up to 7% of the contribution) (AC : eligible direct costs)	
Integrated infrastructures initiative	FC/FCF : 50% AC : 100%	FC/FCF : 35% AC : 100%		100% (up to 7% of the contribution) (AC : eligible direct costs)	100%
Coordination action			100% (FC indirect costs : flat rate(**))	100% (up to 7% of the contribution) (AC : eligible direct costs) (FC indirect costs : flat rate(**))	100% (FC indirect costs : flat rate(**))
Specific support action				100% (up to 7% of the contribution) (AC : eligible direct costs) (FC indirect costs : flat rate(**))	100% (FC indirect costs : flat rate(**))


(*) Other specific activities means:

- for Network of Excellence : Joint Programme of Activities, except management of the consortium activities.
- for Integrated infrastructures initiative: any "specific activity" covered by Annex I, including transnational access to infrastructures
- for Coordination Action: Coordination activities, except management of the consortium activities
- for Specific support action: any "specific activity" covered by Annex I, including transnational access to infrastructures

(**) Flat rate for FC indirect costs : 20% of all their eligible direct costs minus the eligible direct costs of sub-contracts.


Source: Annex II to model contract for FP6 indirect RTD actions

<p>Technical and financial reports</p> 	<p><i>Key reporting documents</i></p> <p>According to the contractual provisions, the following documents shall be submitted to the Commission within 45 days following the end of each of the reporting periods:</p> <ul style="list-style-type: none"> - periodic activity report ⁽⁴⁾ - periodic management report ⁽⁵⁾ - report on the distribution of the Community financial contribution (except for the last period for which this is to be submitted 60 days after receipt of the final tranche of the community financial contribution to the consortium) <p>In addition, additional periodic reports are specifically foreseen for certain instruments ⁽⁶⁾.</p> <p>As far as the declaration of eligible costs is concerned, the key document to be taken into account for the preparation of the audit is the Form C "Financial Statement by Activity", which is part of the periodic management report that contractors must submit to the Commission in line with Article 7 of Annex II to the contract. Form C is specific to the type of instrument concerned by the indirect RTD action funded, although all different models contain the following general information:</p> <ol style="list-style-type: none"> 0) <u>General identification</u> of the contract, the type of instrument (and action if applicable), the contractor including contact details, the cost model used, the calculation method for indirect costs and the period covered by the Form C. 1) Identification of <u>resources provided by third parties</u> 2) Declaration of <u>eligible costs incurred</u> (classified into direct and indirect, and classified by type of activity). 3) Declaration of <u>project receipts</u> 4) Declaration of <u>interest</u> generated by pre-financing (only for coordinators) 5) <u>Request</u> of FP6 financial contribution 6) Information concerning the <u>audit certificates</u> (whether the contract requires that Form C to be accompanied by an audit certificate, the number of periods covered by the certificate, the cost of the certificate, auditor's identification) 7) Declaration of <u>conversion rates</u> applied to report costs (and receipts) in euro. 8) <u>Contractor's certificate</u> (on the correctness of the information provided, dated and signed by the person responsible for the work and the duly authorized financial officer). <p>It must be noted however that <u>the information provided in the Form C is insufficient to assure an adequate planning and preparation of the audit on-</u></p>

	<p><u>the-spot</u>. For this reason, it is important that audit team requests the audited organisation to provide in advance a detailed breakdown of the costs declared in the Form C. This breakdown should be prepared according to the cost categories normally used by the contractor and include sufficient detail as to allow tracing cost items to the contractor's accounting system.</p> <p>Another relevant document as financial audits at the beneficiary level are concerned is the report on the distribution of the Community contribution (for the audit of project coordinators).</p>
<p>Project accounting</p> 	<p>The accounting procedures used in the recording of costs and receipts shall respect the accounting rules of the State in which the contractor is established as well as permit the direct reconciliation between the costs and receipts incurred for the implementation of the project and the overall statement of accounts relating to the overall business activity of the contractor (Article 19.1.d of Annex II to the contract).</p>

4 - Indirect RTD activities under FP6: Eligibility of costs

4.1 - Definition of eligible and non-eligible costs

<p>The contract</p> 	<p><i>Definition of eligible costs</i></p> <p>Costs declared by FP6 participants to the Commission must be exclusive of any identifiable indirect taxes, duties and interest and may not give rise to profit, and must comply with the following conditions ⁽⁷⁾:</p> <ul style="list-style-type: none"> a) <u>Actual</u>, <u>economic</u> and <u>necessary</u> for the project. By way of derogation, the contract may lay down average rates of EC financial participation by type of expenditure or pre-set lump sum, as well as value by activity which shall approximate to the expenses envisaged. b) Determined in accordance with the <u>usual accounting principles</u> of the individual participant. c) <u>Recorded</u> in the accounts of the participants. d) For contributions from third parties, they shall relate to an agreement existing <u>prior</u> to the project and to activities <u>clearly identified</u> in Annex I to the contract. e) <u>Identified</u> in the contractor's accounting system (specific condition for direct costs). f) <u>Directly attributable</u> to the project (specific condition for direct costs). g) <u>Incurred</u> during the duration of the project except for the costs incurred in drawing up the final reports, which may be incurred during the period of up to 45 days after the end of the project or the date of termination whichever is earlier.
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Definition of non-eligible costs

As for previous Framework Programmes, the model contract includes a list of non-eligible costs that shall not be taken into account as project costs:

- any identifiable indirect taxes, including VAT or duties;
- interest owed;
- provisions for possible future losses or charges;
- exchange losses;
- costs declared, incurred or reimbursed in respect of another Community project;
- costs related to return on capital;
- debt and debt service charges ⁽⁸⁾;
- excessive or reckless expenditure;
- any cost which does not meet conditions established in Article II.19.1

The items of expenditure mentioned above must be excluded from any calculation concerning eligible costs, in particular as regards the eligible indirect costs charged to the contract by contractors operating under the **FC** model.


Receipts from the project

Project receipts shall be deducted from eligible project costs when calculating the amount of Community contribution. Project receipts can be:

- financial transfers from third parties made specifically to co-finance the project or a resource allocated to the project if they are not reimbursed by the contractor to the third party (transfers made to be used at the management's discretion are excluded from consideration as project receipt),
- resources made available by third parties (that constitute an eligible cost if they comply with Article 19.1.e) when these constitute 'contributions in kind' made specifically for their use in the project if they are not reimbursed by the contractor to the third party (contributions made for their use at the management's discretion are excluded from consideration as project receipt), and
- income generated by the project (interests, sale of assets financed by the project, etc.) with the exception of income generated by the use of the knowledge generated by the project.

At the time of the submission of the **last financial statement** the final amount of the Community financial contribution will take into account any receipts of the project received by each contractor. For each contractor, the Community financial contribution cannot exceed the eligible costs minus the receipts for the project.



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4.2 - Direct costs - Personnel

Time recording

The Contract



There is **no specific contractual requirement** concerning the participant's obligation to keep a record of the hours spent by its staff on the funded project.

Nevertheless, personnel costs declared to the Commission must fulfil the general eligibility requirements established in Article 19.1 of Annex II to the contract. In particular, they must be identified in the contractor's accounting system and directly attributable to the project.



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Personnel costs under the Full cost (FC) or the Full cost flat rate (FCF) reporting models



<p>The Contract</p> 	<p>There is no specific contractual requirement concerning the eligibility of personnel costs under indirect RTD actions funded by the Community under FP6. Therefore, the general eligibility requirements established in Articles 19.1 and 20.1 of Annex II to the contract apply.</p> <p>In particular, eligible personnel costs shall be:</p> <ul style="list-style-type: none"> - <u>actual</u>, <u>economic</u> and <u>necessary</u>; - incurred during the <u>duration</u> of the project; - determined using the <u>usual accounting principles</u> of the contractor; - <u>identified</u> in the contractor's accounting system and <u>directly attributable</u> to the project (see section on time records).
	[REDACTED]

[illegible]

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Personnel costs under the Additional cost reporting model (AC)

<p>The Contract</p> 	<p>In addition to the requirements mentioned in the previous section, the contract states that direct costs of personnel for contractors operating under the AC model shall be limited to the actual costs of the personnel assigned to the project where the contractor has concluded with the personnel (Article 20.2 of Annex II to the contract):</p> <ul style="list-style-type: none"> • a temporary contract for working on Community RTD projects, or • a temporary contract for completing a doctorate, or • a contract which depends, in full or in part, upon external funding additional to the normal recurring funding of the contractor
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Personnel costs related to owner-managers



The Contract	As indicated earlier, in the absence of specific contractual requirement concerning the eligibility of personnel costs under indirect RTD actions, the general eligibility requirements established in Articles 19.1, 20.1 and 24.2 of
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	<p>Annex II to the contract apply. These two articles establish in particular that costs shall be <u>actual</u>, <u>economic</u> and <u>necessary</u>, determined using the <u>usual accounting principles</u> of the contractor, exclude <u>excessive</u> or <u>reckless</u> expenditure and cannot give raise to <u>any profit</u>.</p>
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Productive hours calculation


<p>The Contract</p>	<p>There are no specific contractual guidelines regarding productive hours in the contract.</p>
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	<p>The actual cost principle and normal accounting practices and policies of the participant apply, and professional judgement is necessary to evaluate standard productive hours' calculations, whenever these are applied by the contractor.</p>
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Hourly rates


<p>The Contract</p> 	<p>The general eligibility requirements (Articles 19.1 and 20.1 of Annex II to the contract) state that eligible personnel costs shall be actual. As a consequence, the actual costs of the hours worked on the project may be charged and reimbursed by the Commission (subject to the conditions mentioned above).</p>
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<div data-bbox="244 322 400 351" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="272 369 373 510" data-label="Image"></div>	<div data-bbox="448 322 1445 459" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 472 885 510" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="517 524 1377 719" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 732 1445 801" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 815 1445 884" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 898 1445 967" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 981 748 1019" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1032 769 1070" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1084 1272 1122" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1135 1445 1205" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1218 1445 1288" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1301 1445 1413" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1426 1445 1496" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1509 1445 1621" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1635 1445 1704" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1718 930 1756" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1769 1445 1879" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1892 1445 1962" data-label="Text"><p>[REDACTED]</p></div> <div data-bbox="448 1975 1445 2036" data-label="Text"><p>[REDACTED]</p></div>
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	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>
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4.3 - Direct costs - Durable equipment

<p>The Contract</p> 	<p>There is no specific contractual requirement concerning the eligibility of durable equipment costs under FP6. Therefore, the general eligibility requirements established in Articles 19.1 and 20.1 of Annex II to the contract apply.</p> <p>In particular, eligible durable equipment costs shall be:</p> <ul style="list-style-type: none"> - <u>actual</u>, <u>economic</u> and <u>necessary</u>; - incurred during the <u>duration</u> of the project; - determined using the <u>usual accounting principles</u> of the contractor; - <u>identified</u> in the contractor's accounting system and <u>directly attributable</u> to the project.
	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>



	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
<p>[REDACTED]</p> <p></p>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

4.4 - Direct costs - travel and subsistence

<p>The Contract</p> 	<p>There is no specific contractual requirement concerning the eligibility of travel & subsistence costs under FP6. Therefore, the general eligibility requirements established in Articles 19.1 and 20.1 of Annex II to the contract apply.</p> <p>In particular, eligible travel and subsistence costs shall be:</p> <ul style="list-style-type: none">- <u>actual</u>, <u>economic</u> and <u>necessary</u>;- incurred during the <u>duration</u> of the project;- determined using the <u>usual accounting principles</u> of the contractor;- <u>identified</u> in the contractor's accounting system and <u>directly attributable</u> to the project.
	<p>[Redacted content]</p>


	<p>[REDACTED]</p> <p>[REDACTED]</p>
<p>[REDACTED]</p> 	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

4.5 - Direct costs - Subcontracting and third party resources

<p>The Contract</p> 	<p>Contractors shall ensure that the work to be performed can be carried out by them. The contract foresees two cases when tasks assigned to the contractor under the project may be executed by other entities:</p> <ul style="list-style-type: none"> - task carried out using resources made available by third parties on the basis of an agreement prior to the resources being made available, and - sub-contracting <p>In both cases, the execution of project tasks by entities not forming part of the consortium constitute an exception to the general eligibility requirement concerning the contractor's technical capacity to carry out the indirect RTD action⁽⁹⁾</p>
	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>



	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

4.6 - Direct costs - consumables

<p>The Contract</p> 	<p>There is no specific contractual requirement concerning the eligibility of consumable costs under FP6. Therefore, the general eligibility requirements established in Articles 19.1 and 20.1 of Annex II to the contract apply.</p> <p>In particular, eligible consumable costs shall be:</p> <ul style="list-style-type: none"> - <u>actual</u>, <u>economic</u> and <u>necessary</u>; - incurred during the <u>duration</u> of the project; - determined using the <u>usual accounting principles</u> of the contractor; - <u>identified</u> in the contractor's accounting system and <u>directly attributable</u> to the project.
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<div data-bbox="244 322 400 349" data-label="Text">[REDACTED]</div> 	<div data-bbox="448 322 1445 490" data-label="Text">[REDACTED]</div> <div data-bbox="448 555 1445 904" data-label="Text">[REDACTED]</div>
<div data-bbox="233 927 411 954" data-label="Text">[REDACTED]</div> 	<div data-bbox="448 927 1398 1263" data-label="Text">[REDACTED]</div>


4.7 - Direct costs - Protection of knowledge

<div data-bbox="244 1420 400 1447" data-label="Text">The Contract</div> 	<div data-bbox="448 1420 1445 1617" data-label="Text"> <p>Article 33.1 of Annex II to the contract states that "where knowledge is capable of industrial or commercial application, its owner [usually the contractor carrying out the work leading to that knowledge, see art. 32 of Annex II] shall provide for its adequate and effective protection, [...] including details of such protection in the <i>plan for using and disseminating knowledge</i>".</p> </div>
<div data-bbox="244 1639 400 1666" data-label="Text">[REDACTED]</div> 	<div data-bbox="448 1639 1445 2038" data-label="Text">[REDACTED]</div>



	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
<p>[REDACTED]</p> 	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

4.9 - Indirect costs


<p>The Contract</p> 	<p>Indirect costs are those costs that meet the general eligibility requirements established by Article 19 of Annex II to the contract but that cannot be identified as being directly attributable to the project.</p> <p>The calculation of the eligible indirect costs depend on the cost reimbursement system under which the contractor participates in the funded action (Article 22 of Annex II to the contract):</p> <ul style="list-style-type: none"> - under the <u>additional cost model</u> (AC) participants report eligible indirect costs as a percentage (20%) of their total additional direct costs attributable to the project (excluding sub-contracting) (It must be noted that this model is intended for participants that do not have an accounting system that allows the share of their direct and indirect costs relating to the project to be distinguished) - under the <u>full cost flat rate reporting model</u> (FCF): participants calculate eligible indirect costs as a percentage of the total direct costs attributable to the project (excluding subcontracting). The percentage applied is 20%. - under the <u>full cost reporting model</u> (FC): participants report actual direct and indirect costs incurred. <p>The choice of the cost reporting model is conditioned by the legal status of the participants.</p>
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	<p>Contractors participating in the action under the FC model can charge overheads to the project to the extent that they represent a fair apportionment of the overall overheads of the organisation (Article 21 of Annex II). In particular, eligible indirect costs taken into account for the calculation shall be:</p> <ul style="list-style-type: none"> - <u>actual, economic and necessary</u>; - incurred during the <u>duration</u> of the project; - determined using the <u>usual accounting principles</u> of the contractor; - <u>identified and justified</u> by the contractor's accounting system. <p>Note also that the EC contribution to FC contractors participating in Coordination Actions (CA) and Specific Support Actions (SSA) is limited to 20% of direct costs (excluding subcontracting), instead of actual costs (Article 25 of Annex II to the contract). Although actual costs should be declared.</p>
	<div data-bbox="448 891 1444 1093" style="background-color: black; height: 90px; width: 100%;"></div> <div data-bbox="448 1108 1444 1209" style="background-color: black; height: 45px; width: 100%;"></div> <div data-bbox="448 1227 1444 1462" style="background-color: black; height: 105px; width: 100%;"></div> <div data-bbox="448 1480 1444 1816" style="background-color: black; height: 150px; width: 100%;"></div> <div data-bbox="448 1832 1444 1933" style="background-color: black; height: 45px; width: 100%;"></div> <div data-bbox="507 1951 1444 2051" style="background-color: black; height: 45px; width: 100%;"></div>

5 - Exchange rates



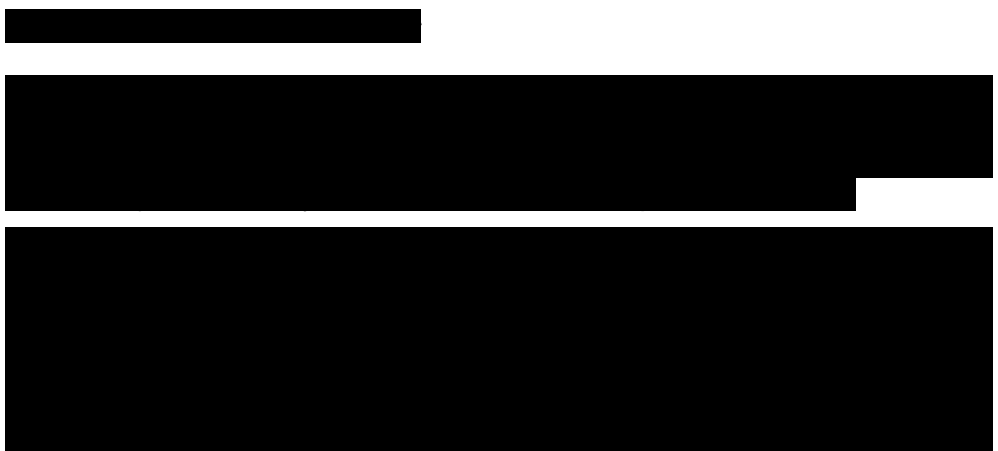
<p>The Contract</p> 	<p>Footnote 7 in Article 7.2.b.ii of Annex II to the contract establishes that "costs incurred in currencies other than the Euro shall be reported in Euro on the basis of the conversion rate that would have applied on the date that the actual costs were incurred <u>or</u> the rate applicable on the first day of the month following the end of reporting period."</p> <p>The basis for the conversion rate used shall be indicated in Form C when reporting costs incurred. External auditors are requested to certify that the exchange rate applied for the conversion is in line with the contractual provisions.</p>
	<p>[REDACTED]</p> <p>http://www.ecb.int/stats/eurofxref/</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

6 - VAT and other indirect taxes

<p>The Contract</p> 	<p>Any identifiable indirect tax (including value added tax - VAT) is non-eligible according to the contract (Article 19.2.a of Annex II to the contract)</p>
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7 - Verification at beneficiary level of other aspects concerning the management of the project

<p>The Contract</p> 	<p><i>Payment of the Community contribution by the Commission</i></p> <p>The Community's financial contribution shall be paid by the Commission within 45 days running from the date of (Art. 8.2 main part of the contract):</p> <ul style="list-style-type: none"> the entry into force of the contract (date of signature by the coordinator and the Commission) or the date the Commission is informed of the accession of the minimum number of participants fulfilling the participation requirements established by the rules for participation, or the date the Commission is informed of the accession of all the participants; Commission approval (or deemed approval) of both interim and final non-financial reports specified in Article 7 of Annex II to the contract. <p>The payment of the Community contribution to the project coordinator discharges the Commission from its obligation to make this payment to the rest of the contractors. The distribution shall be transferred by the coordinator without unjustified delay (Article 8.1 of the main part of the contract). Delays may be agreed by the consortium in their consortium agreement.</p> <p>The coordinator shall keep accounts making it possible to determine at any time the portion of Community contribution paid to each of the contractors (Article 3.3.d of Annex II to the contract).</p>
	

	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
<p>[REDACTED]</p> <p></p>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>

	<p>contractor</p> <ul style="list-style-type: none"> that they can be <u>identified</u> by the contractor in accordance with its accounting system (direct costs only) that they can be <u>directly attributable</u> to the project (direct costs only) that the exchange rates applied for the declaration of costs and project receipts, are correct.
HOW?	<p><i>How shall audit certificates be prepared?</i></p> <p>There is no binding rule in this respect. Nevertheless, the Commission has recently produced some guidance notes intended for both contractors and auditors.</p> <p><u>Contractors</u> are advised to:</p> <ul style="list-style-type: none"> - contract auditors well before the Form C is due - inform auditors on the requirements concerning audit certificates - provide them with a set of documents containing the necessary information for the certification - take into account the results of the audit work before submitting form C, addressing in particular issues concerning discrepancies in factual data or detailed calculations <p><u>External auditors</u> are advised to establish an audit plan/strategy for the preparation of the audit certificate, including the following steps:</p> <ul style="list-style-type: none"> - ensure availability and access to key documents - establish applicable cost reporting model - review costs claimed - verify conversion rates - verify accounting procedures - verify any adjustment to previous cost claims - complete and sign the audit certificate and submit it to the contractor
WHEN?	<p><i>When shall audit certificates be provided?</i></p> <p>Within 45 days after the end of the reporting period:</p> <ul style="list-style-type: none"> - for those periods specifically indicated in the contract (Article 7.2 of the main text), except for any contractor exempted by the provisions of special clause 39 if it is in the contract - for contractor requesting FP6 financial contribution equal or above EUR 750 000 - for NoE and IPs, for every reporting period unless special clause 32 or 39 are in the contract <p><i>Which FP6 instruments are concerned by audit certificates?</i></p> <p>All instruments except some actions to promote human resources, SSAs</p>

WHICH?	<p>concerning lump sum payments and SSAs awarded through public procurement.</p> <p>The specific instruments concerned are:</p> <ul style="list-style-type: none"> - Networks of excellence (NoE) - Integrated projects (IP) - Specific targeted research or innovation projects (STREP or STIP) - Collective and Cooperative projects (COLL or COOP); - Integrated infrastructure initiatives (I3) - Coordination actions (CA) - Specific support actions (SSA) not based on lump sum payments of payment of contractual price - Research Training Networks (RTN) (under Human Resource Actions) - Marie Curie actions that require audit certificates - Contributions to programmes undertaken by several Member States' (or to the implementation structures created by them) under Article 169 of the EC Treaty (Art. 169 Action)
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If the audit certificate has been provided by an external auditor or a competent public officer from an organisation other than the contractor, it is also considered as a subcontract. According to Annex II.29 of the model contract, contractors shall ensure that the rights of the Commission and the Court of Auditors to carry out audits are extended to the right to carry out any such audit or control on any subcontractor or third party whose costs are reimbursed in full or in part by the community financial contribution. This would allow the Commission and its representatives to audit also a certifier and relevant supporting documents.

Audit teams are required to analyse the results of the audit work carried out in the context of the financial audit on-the-spot of FP6 contracts and determine whether these results are compatible with the certificate supporting the declaration of costs.

If an audit certificate is required but not provided or even provided by a non qualified organisation or individual, this is a reportable matter, but not one for automatic disallowance of incurred and claimed costs. In case that a certifier is a non qualified organisation or individual, cost of an audit certificate should be disallowed.

The Commission has published Audit Certificate Guidance Notes for contractors and certifying entities on Cordis website.

¹ Marie Curie Research Training networks (RTN);
Marie Curie Early Stage Host Fellowships;
Marie Curie Host Fellowship for the transfer of Knowledge (further sub-divided into "Industry" and "Development" (TOK);
Marie Curie Conferences; Training courses;
Marie Curie Intra-European Fellowships;
Marie Curie Outgoing Fellowship;
Marie Curie Incoming Fellowship (sub-divided into "incoming phase" and "Reintegration phase");
Marie Curie Excellence Grants;

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- Marie Curie Marie Curie Chairs;
Marie Curie European and International reintegration Grants, and
Marie Curie Marie-Curie Awards
- 2 Article 12.2 of the rules for participation (Council Regulation No 2321/2002).
- 3 For instance, the rate of funding applied to for management costs is always 100%, regardless the cost reporting model applied by the contractor.
- 4 The periodic activity report includes six parts:
- a publishable executive summary
 - Section 1, concerning project objectives and major achievements during the period;
 - Section 2, concerning the workpackage progress of the period;
 - Section 3, concerning consortium management (although changes in consortium membership must be the object of a contract amendment)
 - Section 4, concerning other issues such as information on ethical issues, competitive calls, etc..
 - An annex: concerning a plan for using and disseminating knowledge.
- 5 The periodic management report includes three sections:
- Section 1: the justification of major cost items and resources;
 - Section 2: the standard Form C (financial statement per activity) for the instrument, together with the audit certificate where applicable, and
 - Section 3: a summary financial report.
- 6 For Networks of Excellence, an annual update of the joint programme of activities (to be reviewed by external experts on behalf of the Commission);
for Integrated Projects, an annual update of the implementation plan (to be reviewed by external experts on behalf of the Commission);
for Integrated Infrastructures Initiatives, an annual update of the initial database report and a section in the periodic activity reports reporting on the access activity (these reports are to be reviewed by external experts on behalf of the Commission);
for Marie Curie Research Training Networks, an annual update of the database report and a mid-term review report;
for Marie Curie Fellowships (except Transfer of Knowledge) and Reintegration Grants, a periodic and final activity reports, signed by the scientist in charge indicated in Annex I and by the researcher;
for Marie Curie Excellence Grants, a mid-term review report and periodic and final activity reports, signed by the team leader;
for Marie Curie Chairs, periodic and final reports, signed by the chair holder.
- 7 Article 14.2 of the Regulation No/2321/2002 concerning the Rules for participation in FP6, as well as articles 19 and 20 of the Annex II to the model contract (add reference to Human Resources).
- 8 Note that an exception applies to:
- SMEs (Art. 19.5 of the Annex II to the contract), that may claim under RTD, innovation or demonstration activities the costs of any premium it must pay for a loan guarantee, provided that the proportion on the loan that is guaranteed does not exceed 80% of the loan and that the other eligibility requirements are met
 - cost of financial guarantees requested by the Commission, that may be included under the management costs (Art. 2.4 of the Annex II to the contract).
- 9 Article 8.1 of Regulation (EC) No. 2321/2002, concerning the rules for participation in FP6, states that "participants shall have the knowledge and technical competence to carry out the the indirect action, and at least at the time of the proposal, have the potential resources needed to carry out the action. These resources are understood as the human resources, the infrastructure, the financial resources and the intangible property and resources made available by a third party on the basis of a prior commitment"
- 10 Art. 14 of Regulation (EC) 2321/2002 concerning the rules for the participation of undertakings, research centres and universities in, and for the dissemination of research results for, the implementation of the FP6 (EC).