



Finance and Administration Issues

« Research Potential (REGPOT) 2009 Calls – Turkey Event »

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FP7 Grant Agreement

- Eligible costs
- Direct costs
- Indirect costs
- Certification
- Reporting
- Payment modalities

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Eligible Costs (1)

– Eligible

- actual*
- during duration of project
- in accordance with its usual accounting and management principles
- recorded in the accounts of beneficiary
- used for the sole purpose of achieving the objectives of the project

– **Non-eligible** (identifiable indirect taxes including VAT...)

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Eligible Costs (2)

- * Average personnel costs accepted if :
 - Consistent with the management principles and accounting practices **AND**
 - they do not significantly differ from actual personnel costs = if identified according to a methodology approved by the Commission (**NEW**)
 - Reliable time recording system necessary

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4. Indirect Costs

Indirect costs: eligible costs which cannot be identified by the beneficiary as being directly attributed to the project

4 Indirect Costs Methods:

- actual indirect costs
- simplified method for actual indirect costs
- flat rate of **20%** of direct costs minus subcontracting and 3rd parties not used on the premises of the beneficiary.
- For Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs unable to identify real indirect costs, may apply for a flat rate of **60%** for **funding schemes with RTD (Non applicable for CSA)**.
- **For CSA payment of indirect costs is limited to 7% of direct costs**

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4. Indirect Costs

*simplified method

- A participant may use a simplified method to calculate its indirect costs if this is in accordance with its usual management and accounting principles.
- For organisations which do not aggregate their indirect costs at a detailed level(centre,department) but can aggregate their indirect costs at the level of the legal entity.
- Why this new approach?: to introduce a way to facilitate the transition from the Additional Cost model (abolished) towards the declaration of actual indirect costs
- How: by using a fair « driver » i.e total productive hours, percentage of personnel costs, ...

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Certification (1)

2 types of certificates:

- certificate on financial statements (CFS) (Form D)- expenditure verification
- certificate on the methodology (Form E) - system verification

Report of factual findings

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Certification (2)

Certificate on financial statements (CFS)

Mandatory for a **beneficiary** when its requested funding for the **project** exceeds **375,000€**

2 exceptions:

- for project of 2 years or less, no intermediate CFS submitted only at the end
- if a certification on the methodology is provided no intermediate CFS only at the end

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Certification (3)

Certificate on the methodology (NEW)

- Aims at certifying the methodology of calculating (average) **personnel costs** and **overheads**
- On a voluntary basis, must be accepted by EC, valid throughout FP7
- Particularly aimed at legal entities with multiple participation

Consequences:

- Waives the obligation of certificates for interim payments (only if certificate on methodology on both personnel and indirect costs)
- Simplified certificate for final payments

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Certification (4)

Advantages of certificates on methodology:

- Use of average costs for direct personnel costs allowed
- No recalculation of individual actual costs for personnel in the certificate on the financial statements for the final payment or during ex-post audit
- Early assessment of compliance to contractual provisions to calculate personnel and indirect costs. Early detection and corrections of possible errors
- Reduced costs for the whole certification system
- EC & Beneficiaries gain significantly in terms of assurance on legality and regularity

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Certification (5)

- Auditors will provide information according to a specific format specified via agreed terms of reference (ToR)
- ToR are annexed to the grant agreement (Annex VII- Forms D & E)
- ToR are derived from common practice in audits and corresponds to international audit standards

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Certification (6)

Who can provide these certificates :

- Qualified auditors under the 8th Directive
- Independent
- Public bodies, secondary and higher education establishments and research organisations may opt for a competent public officer

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Certification (7)

Summary:

- EC contribution $\leq 375.000\text{€}$ No certificate (not even at the end)
- EC contribution $> 375.000\text{€}$ Certificate has to be submitted:
 - CFS every time $> 375.000\text{€}$
 - If certificate on methodology: no interim CFS but at the end

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Certification (8)

Example :

– **RP1** EC contribution= 185.000€

No CFS because $< 375.000€$

– **RP2** EC contribution=

200.000€

CFS has to be submitted (since
 $185.000€ + 200.000€ > 375.000€$)

– **RP3 (last)** EC contribution= 250.000

No CFS because $< 375.000€$

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Certification (9)

Example if certificate on methodology :

–Year 1 EC contribution= 185.000€

No CFS because $< 375.000€$

–Year 2 EC contribution=

200.000€ ($185.000€ + 200.000€ > 375.000€$)

no intermediate CFS since certificate on methodology

–Year 3 EC contribution= 250.000€

CFS for the whole duration

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Reporting (1)

- **Periodic reports** to be submitted by coordinator **60 days** after end of period (RP):
 - overview of progress of the work, including a publishable summary report,
 - use of the resources and
 - Financial Statement (Form C) + Summary
- **Final reports** to be submitted by coordinator **60 days** after end of project:
 - publishable summary report, conclusions and socioeconomic impact,
 - covering wider societal implications and a plan on use and dissemination of foreground.

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Reporting (2)

- Commission has 105 days (60 + 45) to evaluate and execute the corresponding payment:
 - No tacit approval of reports
 - Automatic payment of interests (NEW)
- After reception Commission may:
 - Approve
 - Suspend the time-limit requesting revision/completion
 - Reject them giving justification, possible termination
 - Suspend the payment

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Reporting (3)

- After receiving final EC payment (within 30 days)
 - Report on the distribution of EC financial contribution between beneficiaries



Payment modalities

General FP7 rules

- One **pre-financing** (upon entry into force) for the whole duration (including contribution to the FP7 Participants Guarantee Fund (PGF))
- **Interim payments** based on financial statements (EC contribution = amounts justified & accepted * funding rate)
- **Retention** (10%)
- **Final payment**

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Payment modalities (2)

Rules established by Unit B-04 (REGIONS & REGPOT)

– Prefinancing principles

- Established in order to ensure the **necessary cash-flow for beneficiaries**
- B-04 Rules:
 - Reporting Period equal to 18 months
 - Projects with 1 or 2 reporting periods: **90%** of the EC maximum financial contribution (**no interim payment !**)
 - Projects with 3 or more reporting periods : 175% of the average EC contribution per reporting period, within the limit of 90% of the EC maximum financial contribution

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Payment modalities (3)

Rules established by Unit B-04 (REGIONS & REGPOT)

	REGPOT-2007-1	REGPOT-2007-2	REGPOT-2007-3	REGPOT-2007-4
Call Coordinator	<i>Maria KAYAMANIDOU</i>	<i>Stefan WEIERS</i>	<i>Maria KAYAMANIDOU</i>	<i>Anna REMOND-NIEWIAROWSKA</i>
Average EC Contribution (in €)	1.020.638,78 €	121.197,92 €	726.122,41 €	492.553,10 €
Average of prefinancing (in €)	627.433,66 €	109.078,13 €	449.480,49 €	215.491,98 €
% of prefinancing / EC contribution	61%	90%	62%	44%

	REGIONS-2007-1	REGIONS-2007-2	REGIONS-2007-3
Call Coordinator	<i>Brigitte FELLAHI-BROGNAUX</i>	<i>Ciaran DEARLE</i>	<i>Anna REMOND-NIEWIAROWSKA</i>
Average EC Contribution (in €)	797.916,15 €	201.906,00 €	399.782,81 €
Average of prefinancing (in €)	636.551,84 €	181.715,40 €	174.904,98 €
% of prefinancing / EC contribution	80%	90%	44%

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REGIONS/REGPOT Payment modalities (4)

EXAMPLE: Project duration 3 years, EC funding 3 Mio€ = 2 RP (2 x 18 months)

- **Pre-financing (90%)** = 2.7 Mio€ of which 0,15Mio€ to the PGF =>2.55 Mio€ to CO/consortium
- Report after RP1: 1.3 Mio€ accepted ; **but NO interim PAYMENT !**
- **RP2: Final payment** 1,7Mio€ accepted, 0,3Mio€ paid (retention 10%)+0,15 Mio€ of the Fund paid back

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Thank you for your attention !

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