



# **FINANCIAL & LEGAL ISSUES FP7**

## **Incontact One World**

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# KEYS for a SUCCESSFUL project (1)

**Official contact = coordinator**

**Partners always contact coordinator for question/problem/doubt**

**When necessary coordinator contact EC officers**

**PO = Project Officer (Mrs M. GENOVESE) → for general and technical matters about the project**

**LO = Legal Officer – (to be appointed) → for legal query/matter**

**FO = Financial Officer (Mr T. CALLENS) → for financial query/matter**

- **PO/LO/FO are available**
  - for support
  - for information
  - to find solution to specific cases
  
- **Do not hesitate to ask for EC officer(s) assistance during specific meetings (always good opportunity to discuss situation/problems)**



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## KEYS for a financially SUCCESSFUL project (2)

### For Coordinator

- **DEFINE** AT THE START of the project and FOR ALL PARTNERS a clear financial management and monitoring of costs and funds
- **IMPLEMENT** a common monitoring system (excel, access, ...) in line with FP7 rules and reporting requirements
- **ENSURE** periodic (monthly) financial monitoring
- **CONTACT** EC officers for doubt, questions, advices, ...



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## KEYS for a financially SUCCESSFUL project (3)

### For ALL

- **READ** FP7 financial and contractual rules
- **ADAPT** your administrative management in order to be in total respect with EC rules. When financial monitoring will be done by another staff member or department, check that rules and EC requirements are understood and correctly implemented.
- **CONTROL** the eligibility of any cost before committing it and paying it
- **RECORD and COLLECT** details and justification on a regular basis → direct availability → report easier

### Doubt/question ?

- ▶ Contact your Coordinator who can contact EC Financial Officer



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# Part 1

## FP7 legal basic principles (reminder)



# AMENDMENT

- **RULE**

→ **LEAR should inform EC of any changes in the legal details (status, legal name...). This change is validated by specific unit (URF) and communicated to each LO for action by distinct GA**

- Changes not requiring a contractual amendment

(a) Changes in the legal data of an organisation

- > change of name, change of address, legal status, etc
- > LEAR should inform the URF of any changes
- > GA will be updated by information letter if needed
- > In specific cases amendment could still be needed

(b) Transfer of budget

- > "Beneficiaries are allowed to transfer budget between different activities and between themselves in so far as the work is carried out as foreseen in Annex I"
- > If the transfer has a significant impact on the DoW, an amendment is however needed.



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# AMENDMENT

- For all other cases of modification of the contract and/or activities, please consult EC (PO and LO) for right action
- Always consult amendment guidelines:  
[ftp://ftp.cordis.europa.eu/pub/fp7/docs/amendments-ga\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/amendments-ga_en.pdf)
- (advice) First send us the draft amendment request by email
- Warning: legal changes can **BLOCK** a payment process



# Third Parties

## Carrying out part of the work

### Subcontracts: Tasks in Annex I

- Agreement on business conditions
- Awarded according to best value for money, transparency, equal treatment
- In principle **no 'core tasks'**
- Costs in Form C beneficiary (**no indirect costs charged**)

### 'Third Parties': Tasks in Annex I **Special Clause 10**

- JRU/EEIG/Affiliates/Groupings
- Relationship not limited to GA
  
- Registration in PDM
- Reporting: Own Form C  
CFS (if required)

## Making available resources

### 'Third Parties': Tasks in Annex I

- 'Free of charge' vs 'reimbursed'
- Prior agreement
- Costs incurred in accounts Third Party or beneficiary
- Costs declared in Form C beneficiary

### Special cases: foundations, etc. Tasks in Annex I

- **Administrative management**
- Created/controlled by beneficiary
- Prior agreement
  
- Costs incurred in accounts Third Party
- Costs declared in Form C beneficiary



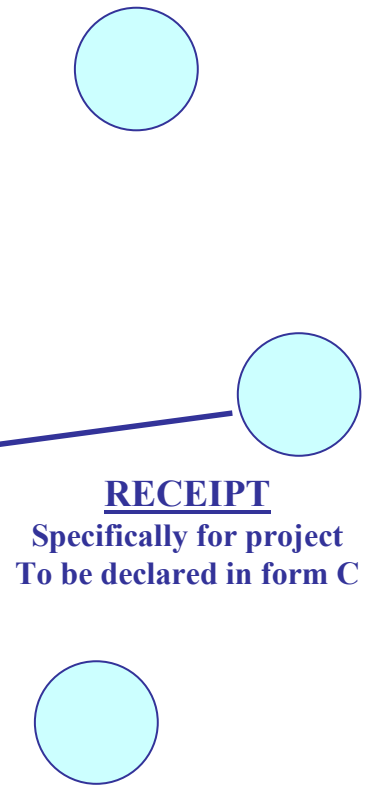
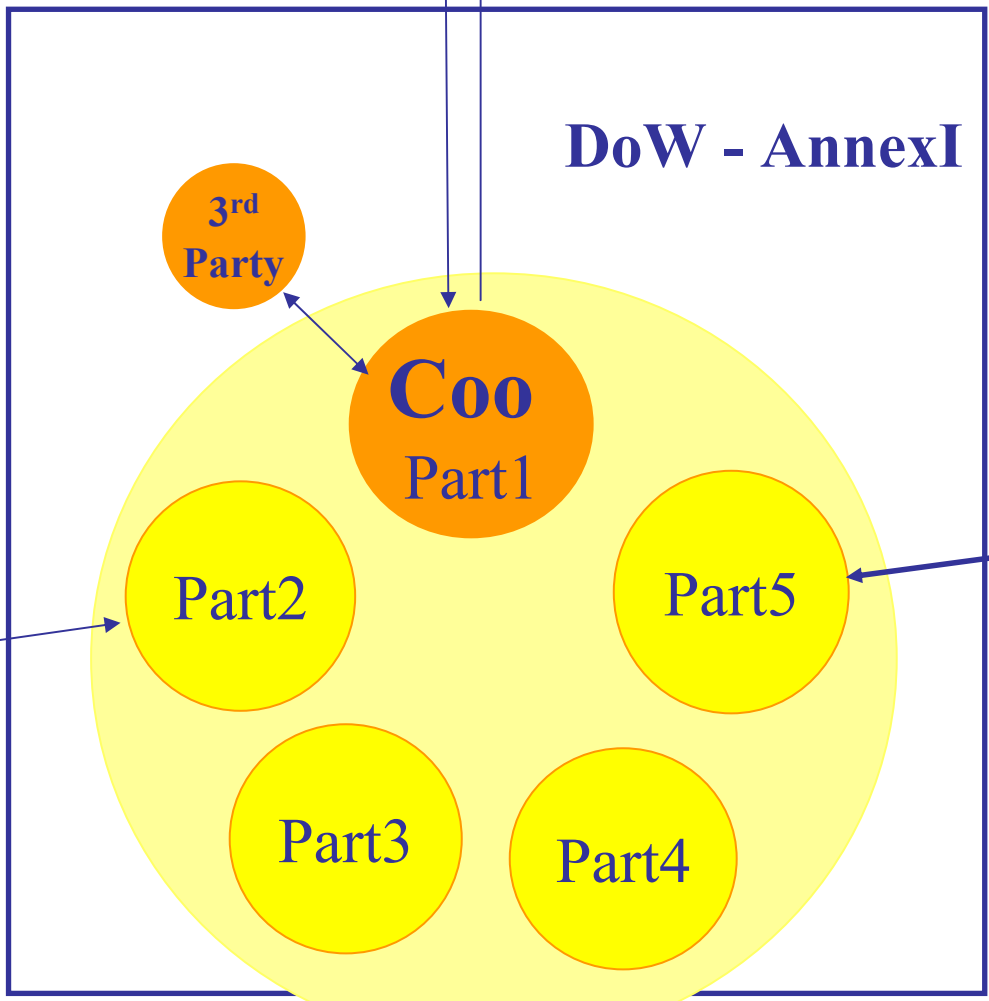
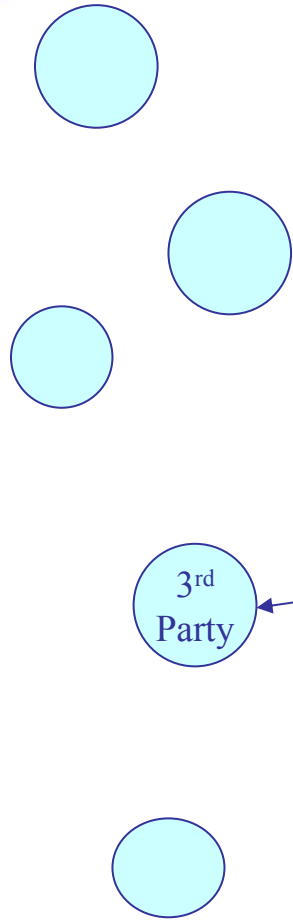
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# Third parties Receipts

## EC

### DoW - Annex I





# Conversion rate

- **ONLY 2 options possible**
  - Exchange rate of the date when actual costs occurred
  - Exchange rate of the 1st day of the month following the end of the reporting period  
(for euro zone countries, confirmation all costs recorded in euro is also mandatory)
- **Single CONTRACTUAL source of information**  
ECB (+ EU Official Journal) - Alternatively National Banks - Alternatively Info-euro

**NEVER a commercial bank or web site or credit card exchange rate!!**



# Bank Account - Interests

- All financial transaction must be **identifiable** at all levels
- **Interests** generated by the prefinancing on the Coordinator's account must be **identifiable** and declared in the form C (deducted from the EC grant)
- Strong advise to use **one specific bank account** (if possible in euros) for the project



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# Part 2

## FP7 financial basic principles (reminder)



# Payment modalities (1)

- One **pre-financing** (after signature of the contract) for the whole duration)
- **Interim payments** based on contractual periodic financial statements and reports (EC contribution = amounts justified & accepted \* funding rate <100 % for Incontact One World)
- **Retention** (10%) at the end of period before final period (<> 20 % in PC6)
- **Final payment**



# Payment modalities (2)

**243834 – Incontact One World – 4 years duration (2 x 18 months + 1 x 12 months)**

- **EC grant : 2,000,000.00 € (1)**
- **Pre financing: 1,066,666.00 €**  
 - 100,000.00 € (\*) → **Guarantee fund – 5 % of the EC grant**  
 -----  
**966,666.00 € (2) (already paid to Coordinator on 22/12/2009 & 15/1/2010)**

- **End of periods 1 and 2 → MAXIMUM payment possible**

$$\begin{array}{r}
 2,000,000.00 \text{ € (1)} \\
 - 1,066,666.00 \text{ € (2)} \\
 \hline
 933,334.00 \text{ € (3)} \\
 - 200,000.00 \text{ € ((4) = (1) x 10 \% \text{ retention})} \\
 \hline
 733,334.00 \text{ € ((5) = (3) - (4))}
 \end{array}$$

- **End of (final) period 3 → MAXIMUM payment possible (if budget achieved + all costs accepted and certified)**

$$\begin{array}{r}
 200,000.00 \text{ € (4)} \\
 + 100,000.00 \text{ € (*)} \\
 \hline
 300,000.00 \text{ €}
 \end{array}$$

**! if final real eligible costs < theoretical budget plan, payment adapted !**





# Eligible Costs (1)

## – Eligible costs must be:

- actual (see special case for personnel costs (average))
- incurred by the beneficiary during duration of project
- in accordance with the beneficiary's usual accounting and management principles (sound financial management)
- recorded in the accounts of beneficiary (during the period of reference excepted for specific costs related to the production of the final report (60 days after the end of the project))
- dedicated to the sole purpose of achieving the objectives of the project
- planned in the provisional (or amended) budget or agreed on by PO/FO

- **Non-eligible** are identifiable indirect taxes including VAT, exchange losses, not depreciated value of durable equipment, ...

## Doubt/question ?

▶ Contact Coordinator who can contact EC Financial Officer



# Eligible Costs (2)

Eligible costs are classified in specific FP7 headings :

- staff,
- travel,
- durable equipment (! **Depreciation** !),
- subcontracting,
- consumables,
- certificates costs, all these being direct costs, averaged)
- indirect costs

**ALL DIRECT COSTS  
DECLARED MUST  
ALWAYS BE REAL**  
(not rounded, not

**Very important !**

**Organise your financial monitoring on this basis !**

Doubt/question ?

▶ Contact your Coordinator who can contact EC Financial Officer



# Indirect Costs

Each beneficiary has a specific ICM

	RTD Schemes	CSA Schemes
<b>Real Indirect Costs</b> (if analytical accounting system)	Real Indirect Costs	<b>Real Indirect costs</b> (to be declared <u>with justification and method calculation</u> )
<b>Simplified Method</b> (if accounting system allows to identify all indirect costs)	Real Indirect Costs	<b>Real Indirect costs</b> (to be declared <u>with justification and method calculation</u> )
<b>Provisional flat rate</b>	60%	<b>20%</b>
<b>Standard flat rate</b>	20%	<b>20 %</b> (to be declared - single exception to actual/real costs declaration)
<b>Maximum reimbursement Indirect Costs</b> CSA Scheme		<b>7 % (applied by EC during calculation of payment)</b>



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# Part 3

## FP7 new features



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# Guarantee Fund

- **No financial collective responsibility**
- **All beneficiaries contribute to the Fund to insure against financial losses of the project**
- **The Fund belongs to all beneficiaries of Grant Agreements under FP7**
- **The contribution equals 5% of the EC financial contribution foreseen for each participant**
- **Financial interest generated by the Fund will serve to cover financial risk**
- **In principle the amount contributed to the Fund will be reimbursed at the end of the action\***
- **Verification of financial viability only in some specific cases**

\*Up to 1% of the EC contribution due to the beneficiary can be deducted (except for public bodies, legal entities guaranteed by MS/associated states, higher and education establishments)



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# Certification (1)

2 types of certificates:

- **certificate on financial statements (CFS)** (Form D)- expenditure verification (only for EC grant higher than 375,000 € - not applicable for this project)
- **certificate on the methodology** (Form E) - system verification (Personnel & Indirect costs)

N.B.: The submission of any certificate does not waive the right of the Commission to carry out its own audits (Article II.22 of the FP7 model grant agreement)



# Certification (2)

- Compulsory Terms Of Reference (ToR) and format  
(see documents available on Cordis)
- Certificate on the methodology (CoM)
  - **Optional specifically for legal entities with multiple participation**
  - **Purpose: to certify methodology of calculating (average or not) personnel costs and indirect costs.**  
Without accepted CoM, no contractual possibility to claim average personnel costs
  - **Scope: once accepted, CoM valid for all subsequent financial statements submitted by the beneficiary for any FP7 project**
  - **Timing: at any time of the implementation of FP7 (but not before 1st FP7 project signature)**



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# Part 4

## FP7 Audit and Control



# EC Audit

- FP7 larger autonomy (no CFS) ... **BUT**  
'at any time during the development of the project and up to 5 years after the end of the project, EC may arrange for audit to be carried out by external services or EC services themselves'
- **EC policy** → **increased number of audits on the spot**
  - Periodic Audit batch **by sampling** (already 3 FP7 INCO contracts selected)
  - **Audit on request** by EC officer (PO/FO) if
    - lack of cooperation and/or transparency
    - doubt about actuality of costs declared
  - Possibility of extension of audit results to all GA with the same beneficiary (**extrapolation**)



# Sanctions

- Recovery procedures (**possible offset by EC (centrally) on other projects from the beneficiary**)
- **Liquidated damages (if costs overstatement) strictly applied by DGRTD = unjustified *Community financial contribution* x (overstated amount/total *Community financial contribution* claimed)**
- Financial penalties (if false declarations)  
Between 2% and 10% of the EC contribution



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# Part 5

## Reporting



# Reporting (1)

## Submission

- **Periodic reports** to be submitted by coordinator **60 days** after end date of each intermediary period (also last period – including original form C):
- **Final reports** to be submitted by coordinator **60 days** after end date of project (including original form C)

## Approval

- **105 days (evaluation and payment)**
  - **No tacit approval of reports**
  - (NEW) Automatic payment of interests in case of late EC payment (except for public bodies of EU MS)
- **After reception** Commission may:
  - Approve
  - **Suspend '105 days term' in case of request revision/completion/correction by EC officers**
  - Reject full or part of the costs giving justification (also possible termination if important problem)

Doubt/question ?

▶ Contact your Coordinator who can contact EC Officer (PO or FO depending of the nature of the query)



## Reporting (2) - *Practical tips*

- **Purpose of the report** → provide EC officers with **clear, precise and extended information for approval** of activities and costs.
- **Financial part** (section 5) → **reflect of the quality of the financial management** implemented.
- **VERY IMPORTANT:** concerning **nature of costs, details expected** are:

- **staff** (amounts, name, function, status (additional or permanent), working time spent on which WP, monthly salary)
- **travel** (amounts, participants, dates, destination, purpose/link with project)
- **equipment** (nature, net price, depreciation rate, % use, amount claimed, purpose/link with project),
- **consumables** (amounts, nature and list of main components)
- **subcontracting** (amounts, nature, name of subcontractor, tasks, EC agreement)
- **other costs** (only for costs not covered by other FP7 headings of costs, precise details about the nature of each cost)
- **indirect costs** (for ICM not flat rate exact method of calculation and nature of the costs covered)



# Reporting (3) - *Practical tips*

- **RTD-INCO financial analysis policy** → at least once during the project, each partner will be requested to provide extended details as indicated above. All partners will be controled during the project life.  
→ To avoid delay, additional work and delay, advice that each partner provide EC directly with all details

- **Template available upon request and/or sent in informal reminder produced by RTD INCO Financial Unit**

- **!!! Possible rejection of costs !!!** in case of:
  - late answer or lack of answer to EC request
  - incorrect or incomplete information submitted
  - lack of supporting document justifying a specific case (for example depreciation of durable equipment)
  - difference between costs claimed and costs detailed
  - incorrect legal representative signature
  - incorrect ICM used (indirect costs ineligible)



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# Reporting (3) – Form C

- **Submission Report on line via Web based application via ECAS (including form C via FORCE)**
  - **Get access to ECAS and register as a new user to ECAS**
  - Obtain access to a specific project

## **Any problem ?**

- **Consult guidelines available on Cordis and/or from PO/FO**
- **Contact**
  - **EC FP7 Helpdesk**
  - **PO and/or FO**

- Use EC template only when existing
- No HAND written indication accepted on original documents



# Reporting (4a) Form C (example)

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Indirect Cost Method: Simple Transition Flat Rate

ICM Flat rate: 60

Costs/lump sum/flat-rate/scale of unit (in €)

Eligible costs (in €)	Type of activities				Total (E)=(A)+(B) (C)+(D)
	RTD (A)	Demonstration (B)	Management (C)	Other (D)	
Personnel costs	1000.00		1000.00		2000.00
Subcontracting	200.00				200.00
Other direct costs	1000.00				1000.00
Indirect costs	1200.00				1200.00
Lump sums / flat-rate / scale of unit declared					0.00
<b>Total</b>	<b>3400.00</b>		<b>1000.00</b>		<b>4400.00</b>
<b>Maximum EC Contribution</b>	2550.00	0.00	1600.00	0.00	<b>4150.00</b>
<b>Requested EC contribution</b>					<b>4150.00</b>

**To be filled in**

**in current release, calculated automatically if ICM is a flat rate**

**Calculated automatically**



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# Reporting (4b) *Form C (example)*

**2. Declaration of Receipts (in €)**  
Did you receive any financial transfers or contributions in kind, free of charge from third parties?  
Or did the project generate any income which could be considered a receipt according to Art.II.17 of the grant agreement?   
If yes, please mention the amount (in €)

**3. Declaration of interest generated by the pre-financing (in €) (To be completed only by the coordinator)**  
Did the pre-financing you received generate any interest according to Art. II.18?   
If yes, please mention the amount (in €)

**4. Certificate on the methodology**  
Do you declare average personnel costs according to Art. II.14.1?   
Is there a certificate on the methodology provided by an independent auditor and accepted by the Commission according to Art. II.4.4?   
Name of the auditor  Cost of the certificate (in €), if charged under this project

**5. Certificate on the financial statements**  
Is there a certificate on the financial statements provided by an independent auditor attached to this financial statement according to Art. II.4.4?   
Name of the auditor  Cost of the certificate (in €)

**6. Beneficiary's declaration on their honour ?**  
Name of the person authorised to sign this Financial Statement  Date

**Signatory form C = legal representative indicated in GA (or amendment)  
(if not → specific justification to join to form C (see also role of LEAR))**



# Reporting (5) *Frequent Problems*

- **Details (especially financial figures and details) not available or not in line with EC requirements**  
→ **Solution** = from the project's **start date**, consider the **level of details expected by EC in reporting** and implement this in your internal organisation.
- **Costs ineligible**  
→ **Solution** = **BEFORE committed any expense, check the eligibility of the cost.** If necessary contact Coordinator who can contact FO.
- **Costs not declared in correct FP7 categories of costs**  
→ **Solution** = from the beginning use and **respect FP7 categories** costs in your financial management and monitoring
- **Delay in submission**  
→ **Solution** = **ANTICIPATE deadlines** ! Prepare all details for yearly meetings, discuss issues with Coordinator, organise internally with your accounting department if relevant, etc



## Reporting (6) - *Practical tips*

- **Always include as much as possible details, figures, information, justification... 'Too much is better than too less'**
- **'incorrect' or 'incomplete' reporting documents**
  - report not accepted
    - additional information process
      - additional work for Coordinator AND partners
        - approbation term 105 days suspended
          - all payment process delayed
- **Delay of payment could jeopardise activities**



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# Information

- **Find a document →**

[http://cordis.europa.eu/fp7/find-doc\\_en.html](http://cordis.europa.eu/fp7/find-doc_en.html)

- **FP7 Helpdesk →**

<http://ec.europa.eu/research/enquiries>



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# Thank you for your attention