



EUROPEAN
COMMISSION

Community Research

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Community Research

- Contract
- Reporting and Deliverables
- Financial Statements
- Eligible Costs and Receipts
- Payment Modalities
- Control and Audits
- Audit Certificates





Managing a project

- **Active monitoring** is essential
- Adequate management structures to deal with an increased level of autonomy and flexibility
- **Recording and identifying costs** in relation to the project
- Protecting, publishing and using the knowledge generated





Contract: Content

- **Core contract** (standard with specifics of project - *negotiated*)
 - timing, financing, reporting details of this project
 - any special clauses specific to this project
- **Annex I** (technical tasks - the “project” - *negotiated*)
 - technical details of this project – specific to it
 - including budget and breakdown, subcontracting, third parties
- **Annex II** **General Conditions** (standard)
(applicable to every instrument)
- **Annex VI - Form C** Financial statement per activity. To be filled periodically by the contractor





Signature and entry into force

- Contractual link of the contractor with the Commission
- **Contract enters into force** upon signature of both coordinator and Commission
- **Project begins** the first day of the month after the Commission signature of the contract (exception: fixed starting date)





Reporting and deliverables

- Periodic reports and final report to be submitted **within 45 days** following the end of each period (12 months)
- Types of report:
 - Activity report
 - Management report
 - Audit certificates
- The Commission undertakes to evaluate reports within 45 days of receipt. The absence of a response within this delay does not imply approval by the Commission





Periodic reports

Activity report:

- ✓ To be submitted after each reporting period as defined by article 6 of the contract
- ✓ Gives an overview of activities carried out during the reporting period, describes the progress in relation to the project objectives, the progress towards the milestones and deliverables set for the period, and any problems encountered and corrective actions taken
- ✓ Includes also the executive summary and the 'Plan for using and disseminating the knowledge'.





Periodic reports

Management Report:

- ✓ To be submitted after each reporting period at the same time as the Periodic activity report
- ✓ Should include the following sections:
 - Front page
 - Section 1: Provide a justification of the major costs incurred and resources deployed by the contractor, linking them to the activities implemented by the contractor and explaining their necessity
 - Section 2: Form C Financial statement per activity for the contractual reporting period, to be completed by the contractor





Final reports

- A final activity report which could be published: covers objectives, results and conclusions.
- A final plan for using and disseminating results.
- A final management report for the full duration of the project consolidating the claimed costs of the contractor taking into account any adjustment made by the Commission.





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Form C

Model of Financial Statement per Activity





This document has been approved by the Commission on 23 October 2003- Decision C(2003)3834 dated 23.10.03

Form C - Model of Financial Statement per Activity for a Specific Support Action
(to be completed by each contractor)

Type of instrument	Specific Support Action	Type of Action (if necessary)	N.A.
Project Title (or Acronym)		Contract n°	
Contractor's Legal Name			
Legal Type			
Contact Person		Telephone	
Telecopy		E-mail	
Cost model used (AC/IFC or FCF)		Indirect costs (Real or Flat Rate of 20% of Direct costs, except subcontracting)	Flat Rate of 20% of Direct Costs, except subcontracting(*)
Period from		To	

(*) Except otherwise agreed in Article 8 [special clauses] of the contract.

1- Resources (Third parties)			
Are there any resources made available on the basis of a prior agreement with third parties identified in Annex I of the contract? (Yes / No)			
If Yes, please provide the following information			
Third Party 1 (Y1)	Legal Name		Cost model used
Third Party 2 (Y2)	Legal Name		Cost model used
Third Party 3 (Y3)	Legal Name		Cost model used
Third Party 4 (Y4)	Legal Name		Cost model used

If necessary add another Form C.

2- Declaration of eligible costs (in €)											
Please complete only the activity covered by the relevant instrument (and type of action) indicated above and as mentioned in Article II.23 and/or in Annexes I and III of the contract.											
If you are a contractor using the additional cost model (AC):											
- indicate only your additional eligible costs, except for Management of the Consortium Activity for which you may indicate your full eligible costs;											
- do not declare eligible direct additional costs specifically covered by contributions from third parties as mentioned in Articles II.20 and II.23.a and b of the contract.											
If you are a contractor using a full cost model (FC/FCF), indicate your full eligible costs.											
The costs declared should distinguish between direct and indirect costs.											
If necessary, adjustments to previous period(s) may be included where appropriate.											

	Type of Activity										
	Research and Technological Development / Innovation (A)		Demonstration (B)		Training (C)		Management of the Consortium (D)		Other Specific Activities (E)		Total (F) = (A)+(B)+(C)+(D)+(E)
	Contractor	Third Parties	Contractor	Third Parties	Contractor	Third Parties	Contractor	Third Parties	Contractor	Third Parties	
Direct costs											
Of which subcontracting											
Indirect costs											
Adjustments to previous period(s)											
Total costs											





3- Declaration of receipts (in €)											
If you are a contractor using the additional cost model (AC), indicate only receipts covered by Article II.23.c of the contract.											
If you are a contractor using a full cost model (FC/FCF), indicate receipts covered by Article II.23 of the contract.											
Type of Activity											
Research and Technological Development / Innovation (A')		Demonstration (B')		Training (C')		Management of the Consortium (D')		Other Specific Activities (E')		Total (F') = (A')+(B')+(C')+(D')+(E')	
Contractor	Third Party(ies)	Contractor	Third Party(ies)	Contractor	Third Party(ies)	Contractor	Third Party(ies)	Contractor	Third Party(ies)	Contractor	Third Party(ies)
Total receipts											

4- Declaration of interest generated by the pre-financing (in €)	
To be completed only by the coordinator.	
Did the pre-financing (advance) you received by the Commission for this period earn interest? (Yes / No)	
If yes, please indicate the amount (in €)	

5- Request of FP6 Financial contribution (in €)	
For this period, the FP6 Community financial contribution requested is equal to (amount in €)	

6- Audit certificates	
According to the contract, does this Financial Statement need an audit certificate (or several in case of Third party(ies)) delivered by independent auditor(s)? (Yes / No)	
If Yes, does this(those) audit certificate(s) cover only this Financial Statement per Activity? (Yes / No)	
If No, what are the periods covered by this(those) audit certificate(s) ? From - To	
What is the total cost of this(those) audit certificate(s) (in €) per independent auditor(s) ?	
Audit certificate of the contractor (X)	
Legal name of the audit firm	Cost of the certificate
Audit certificate(s) of the third party(ies) (Ys) (if necessary)	
Y1 : Legal name of the audit firm	Cost of the certificate
Y2 : Legal name of the audit firm	Cost of the certificate
Y3 : Legal name of the audit firm	Cost of the certificate
Y4 : Legal name of the audit firm	Cost of the certificate
If necessary add another Form C.	
Total (Z) = (X) + (Ys)	
Reminders: The cost of an audit certificate is included in the costs declared under the activity "Management of the Consortium". The required audit certificate(s) is(are) attached to this Financial Statement.	

7- Conversion rates	
Costs incurred in currencies other than EURO shall be reported in EURO. Please mention the conversion rate used (only one choice is possible) – Please note that the same principle applies for receipts.	
Contractor	
- Conversion rate of the date of incurred actual costs? (YES / NO)	
- Conversion rate of the first day of the first month following the period covered by this Financial Statement? (YES/NO)	
Third Party(ies) (if necessary)	
Third Party 1 (Y1)	
- Conversion rate of the date of incurred actual costs? (YES / NO)	
- Conversion rate of the first day of the first month following the period covered by this Financial Statement? (YES/NO)	





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Third Party 2 (Y2)	
- Conversion rate of the date of incurred actual costs? (YES / NO)	
- Conversion rate of the first day of the first month following the period covered by this Financial Statement? (YES/NO)	
Third Party 3 (Y3)	
- Conversion rate of the date of incurred actual costs? (YES / NO)	
- Conversion rate of the first day of the first month following the period covered by this Financial Statement? (YES/NO)	
Third Party 4 (Y4)	
- Conversion rate of the date of incurred actual costs? (YES / NO)	
- Conversion rate of the first day of the first month following the period covered by this Financial Statement? (YES/NO)	

If necessary add another Form C.

8- Contractor's Certificate

We certify that:

- the costs declared above are directly related to the resources used to reach the objectives of the project ;
- the receipts declared above are directly related to the resources used to reach the objectives of the project ;
- the costs declared above fall within the definition of eligible costs specified in Articles II.19, II.20, II.21, II.22 and II.25 of the contract, and, if relevant, in Annex III and Article 9 (special clauses) of the contract ;
- the receipts declared above fall within the definition of receipts specified in Article II.23.1 of the contract ;
- the interest generated by the pre-financing declared above falls within the definition of Article II.27 of the contract ;
- the necessary adjustments, especially to costs reported in previous Financial Statement(s) per Activity, have been incorporated in the above Statement ;
- the above information declared is complete and true ;
- there is full supporting documentation to justify the information hereby declared. It will be made available at the request of the Commission and in the event of an audit by the Commission and/or by the Court of Auditors and/or their authorised representatives.

Contractor's Stamp	Name of the Person responsible for the work	Name of the duly authorised Financial Officer
	Date	Date
	Signature	Signature





Eligible costs (1)

**(Art. II.19 of Annex II to the
contract: General Conditions)**

Unlike former Framework Programmes, no eligible cost categories are established. The usual accounting principles of the contractor are the basis for determining their costs.

Therefore, the definition of the eligible costs is based on:

- the exclusion of any costs identified in the list of non-eligible costs ; and
- cumulative conditions of eligibility of the remaining costs.





Eligible costs (2)

1. Eligible Costs must be :

- ⇒ A) actual, economic and necessary for the project
- ⇒ B) determined in accordance with the usual accounting principles of the contractor
- ⇒ C) incurred during the duration of the project (exception: costs of final reports)
- ⇒ D) recorded in the accounts of the contractor (or third parties)
- ⇒ E) and must exclude indirect taxes, duties, interests, costs reimbursed in respect of another Community project, and not give rise to profit

2. Total costs identified both in the A.3.1 form and Annex I





Eligible costs (3)

A) Eligible Costs must be **actual, economic and necessary for the project:**

- ⇒ **Actual:** - real and not estimated, budgeted or imputed
 - recorded in the accounts or tax documents and be identifiable and controllable
 - during the lifetime of the project (except: cost for final report)
- ⇒ **Economic:** - refers to standard of 'good housekeeping'
 - can be linked to efficiency, cost effectiveness in relation with the normal behaviour of the contractor
- ⇒ **Necessary:** - necessary for carrying out the project and directly linked to the subject matter and scope foreseen in it.
 - must be present in the budget included in the contract and the description of work





Eligible costs (4)

B) Determined in accordance with the usual accounting principles of the contractor :

- ⇒ No definition of eligible cost categories. The contractor must apply its usual definition of types of eligible costs.
- ⇒ Participants have the freedom to use their usual accounting principles, it does not mean that they have the freedom to create specific accounting principles for FP6 indirect actions.





Eligible costs (5)

Eligible Costs are :

- ⇒ Direct eligible costs (including subcontracting costs):
 - * Costs directly related to the project, which can be clearly identified and justified by the accounting rules and principles of the contractor.
- ⇒ Indirect eligible costs:
 - * Costs not directly related to the project, not defined as direct costs. They are determined in accordance with the accounting principles of the contractor and are in direct relationship with the direct eligible costs of the project.





Eligible costs (6)

Subcontracts:

- ⇒ Subcontracting costs are Direct eligible costs
- ⇒ Must be offered to the best bid in compliance with the national legislation of the contractor concerned
- ⇒ Must ensure conditions of transparency and equal treatment
 - Contractors should be able to prove that:
 - criteria and conditions of submission and selection are clear and identical for any legal entity offering a bid
 - there is no possibility of conflict of interest in the selection of the proposal.
- ⇒ Must be based on the best value for money
 - not necessary the lowest price
 - Criteria defining 'quality' must be clear and coherent.





Non-Eligible costs

Non-Eligible Costs are :

- ⇒ any identifiable indirect taxes, including VAT or duties
- ⇒ interest owed
- ⇒ provisions for possible future losses or changes
- ⇒ exchange losses
- ⇒ costs declared, incurred or reimbursed in respect of another Community project
- ⇒ debt and debt service charges
- ⇒ excessive expenditure
- ⇒ any costs which does not meet the conditions of eligible costs





RECEIPTS

Financial transfer or contributions in kind from third parties:

- ✓ Are **not** considered as receipts if the cost is reimbursed to the third party
- ✓ Are **not** considered as receipts if their use is at the discretion of the contractor
- ✓ Are considered as receipts of the project if the third party has provided them specifically to be used in the project
- ✓ Where used for the project the contractor is required to inform the third party of this use in accordance with the national legislation or practice in force





Financial provisions EC financial contribution

- ✓ The Community financial contribution cannot give rise to any profit
- ✓ The final amount of the Community financial contribution will take into account any receipts of the project.
- ✓ Community financial contribution $<$ or $=$ the eligible cost – the receipts for the project
- ✓ Contractors subject to the provision of the state aid framework on the accumulation of public funding must ensure that they comply with its provisions





Payment modalities

- Community financial contribution is a maximum amount
- High degree of **flexibility** in the management of the EC financial contribution
- System of **periodic advance payments** (pre-financing) covering a reporting period plus the first six months of the following reporting period (normally 80% of the estimated EC contribution)
- Further payments based on the approval of the periodic reports
- Interest yielded by pre-financing provided by the Commission





Payment modalities to reimburse eligible costs

➤ Cumulative conditions:

- ✓ Reimbursement of eligible costs claimed by contractors
- ✓ Maximum reimbursement rates of eligible costs per type of activity
- ✓ In accordance with the cost reporting models used by each contractor
- ✓ Approval of requested periodic reports
- ✓ Submission of an audit certificate
- ✓ Taking into account any interest or equivalent benefits yielded by the pre-financing of the project
- ✓ Taking into account the receipts of the project
- ✓ Within the limit of public funding





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Community Research

Contract Preparation Forms



EUROPEAN COMMISSION

6th Framework Programme for
Research, Technological
Development and Demonstration

**Specific Targeted
Research or Innovation
Project**

A3.1

Proposal Number ¹	Proposal Acronym ²
------------------------------	-------------------------------

Financial information – whole duration of the project								
Partici- pant n°	Organi- sation short name	Cost model used	Estimated eligible costs and requested EC contribution (whole duration of the project)	Costs and EC contribution per type of activities ⁴¹			Total (4)=(1)+(2)+ (3)	Total receipts ⁴¹
				RTD ⁴² or Innovation- related ⁴⁴ activities (1)	Demonstration activities ⁴³ (2)	Consortium Management activities ⁴⁵ (3)		
			Eligible costs	Direct costs (a)				
			of which subcontracting					
			Indirect costs (b)					
			Total eligible costs (a)+(b)					
			Requested EC contribution					
			Eligible costs	Direct costs (a)				
			of which subcontracting					
			Indirect costs (b)					
			Total eligible costs (a)+(b)					
			Requested EC contribution					
			Eligible costs	Direct costs (a)				
			of which subcontracting					
			Indirect costs (b)					
			Total eligible costs (a)+(b)					
			Requested EC contribution					
			Eligible costs	Direct costs (a)				
			of which subcontracting					
			Indirect costs (b)					
			Total eligible costs (a)+(b)					
			Requested EC contribution					
TOTAL ⁴⁶			Eligible costs					
			Requested EC contribution					

Please use as many copies of form A3.1 as necessary for the number of participants

Form A3.1 page

of





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Contract Preparation Forms



EUROPEAN COMMISSION
6th Framework Programme for
Research, Technological
Development and Demonstration

**Specific Targeted
Research or Innovation
Project**

A3.2

Proposal Number ¹		Proposal Acronym ²	
------------------------------	--	-------------------------------	--

Estimated breakdown of the EC contribution per reporting period

Reporting Periods	Start month	End month	Estimated Grant to the Budget	
			Total	In which first six months
Reporting Period 1	1			
Reporting Period 2				
Reporting Period 3				
Reporting Period 4				
Reporting Period 5				
Reporting Period 6				
Reporting Period 7				





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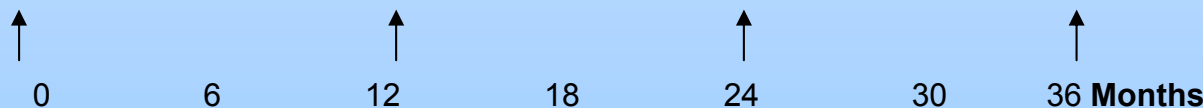
Payments and reporting schedule for an SSA (example of a 3 year contract)

Activity report
Reported costs

Activity report	Detailed work plan
Reported costs	Adjusted advance

Activity report	Detailed work plan
Reported costs	Adjusted advance

Detailed work plan
Initial advance





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I. Control and audits

II. Audit certificates





I. Controls and Audits

- Ex-ante controls
- Reports
- Audit certificates
- Monitoring by Commission with external experts
- Scientific, technological and financial audits





Auditors

- Audits may be carried out by:
 - The Commission
 - * by its own departments (including OLAF)
 - * by any of its duly authorised representatives
 - The European Court of Auditors
 - * by its own departments (including OLAF)
 - * by any of its duly authorised representatives





Consequences of an audit

- Any amounts due to the Commission as a result of the findings of an audit may be the subject of a recovery





II. Audit certificates

- Differences between an audit certificate and the Commission's financial audit
 - An audit certificate is a **certification of the costs claimed** under the project.
 - Not to be confused with a **financial audit**, which the European Commission may still launch at any time during the life of the contract and up to 5 five years after the end of the project.
 - The European Commission has the right to conduct its **own audits**, either by using its own services or the services of any external auditor authorised by it.
 - The submission of an **audit certificate** does not waive such right of the European Commission.





Auditors entitled to deliver audit certificates

- Either External auditors
- Or, for a public body, a public competent officer, provided he meets the cumulative following professional requirements:
 - Be independent from the contractor
 - Qualified to carry out statutory audits of accounting documents





External auditors

Independence from the contractor

- be independent from the audited contractor
- the audit to be carried out without direction or interference of any kind from the contractor concerned

In case of Public bodies:

- competent public officer shall not be involved in the processing of the *financial statement per Activity (Form C)*
- If the auditor is not quite independent from the contractor concerned, his independence must be declared/ established by the relevant *national authorities*.





External auditors

Qualified to carry out statutory audits of accounting documents:

→ in accordance with the 8th Council Directive 84/253/EEC of 10 April, 1984, 223 or similar national regulations.

→ **Public bodies** having opted for a competent public officer who must prove that relevant national authorities have established the legal capacity of that competent public officer to carry out audits of the public body





External auditors

- As a **third party** to the contract, the external auditor has a contractual relationship only with the contractor. He does not have a contractual relationship with the Commission, and the Commission will not intervene in any dispute between the auditor and the contractor concerned.
- However, as a **subcontract** covered by the management activity, the other contractual obligations relating to subcontracting apply (except for the choice of the auditor).
- **A list of independent auditors** and information about audits in Member States and candidate countries can be found at the following internet address:
www.fee.be/members/countries.htm





General purpose of an audit certificate

- If an audit certificate is not provided, a financial statement approved by the Commission (Form C) can not lead to the re-qualification of the relevant part of the pre-financing as a settled payment.





Example

Pre financing for a project: 1,000,000 €

After first reporting period: 750,000 € is justified

If an audit certificate is provided

Pre-financing of 250,000 € and a settled payment
of 750,000 €

If no audit certificate is provided

Pre-financing of 1,000,000 € of which 750,000 € is
already accepted as eligible costs but are waiting for
an audit certificate to be declared as final)





Scope and content of an audit certificate

The aim is to obtain reasonable assurance that the cost reported are complying with the cumulative contract conditions such as:

- They are **actual and answer to the contractor's economic environment** ;
- They are determined **in accordance with the usual accounting principles** of the contractor ;
- They have been incurred **during the periods covered by the Financial Statement (s) per Activity** concerned by the audit certificate except for the costs of the last audit certificate, which will necessarily be incurred in afterwards ;
- They are **recorded in the contractor's accounts** at the date of the establishment of this audit certificate and they are exclusive of any non-eligible costs ;
- They are determined according to the **relevant cost reporting** model, for which the contractor is eligible (for example FCF, AC etc.) ;
- They fulfil the definition of eligible costs, except for the verification by the European Commission Scientific Officer that the **costs are necessary** for the contractor (as this presupposes scientific/technical skills which auditors are not expected to have).





Format and language of the audit certificate

An audit certificate should be issued **in one of the official languages of the European Union**. The audit certificate should be in the same language used for all other reports as foreseen by Article 7 of the contract. Where it is not, the external auditor must attach a translation in that language.

To assist contractors with any potential translation burden, a **model audit certificate template is provided in English, in Annex 7 to the FP6 Financial Guidelines**. Contractors are requested to follow this model audit certificate template as closely as possible.

The audit certificate **must be signed, stamped and dated** by the external auditor or competent public officer.





An audit certificate is a bi-partite engagement

- The European Commission does not intervene in the **relationship between contractor and auditor** ;
- It is the **contractor's responsibility** to ensure that its costs are certified by a qualified auditor who has no apparent conflict of interest with the organisation under audit ;
- An audit certificate is delivered by the external auditor (or the competent public officer) **to the attention of the contractor** (not to the attention of the European Commission).





Reimbursement of the price of an audit certificate

- The price of an audit certificate, excluding VAT, is a direct eligible cost under the “Management of the consortium activities” and is reimbursed at 100%, regardless of the cost reimbursement model adopted by the contractor.





Guidelines

to provide further clarifications:

- ⇒ **Financial guidelines**
- ⇒ **Negotiation guidelines**
- ⇒ **Reporting guidelines**
- ⇒ **Audit certificates guidelines**
- ⇒ **Amendment guidelines**





For more information

- Legal framework within FP6 (Model contract and related issues:)
 - http://europa.eu.int/comm/research/fp6/working-groups/model-contract/index_en.html
 - **or** <http://fp6.cordis.lu/fp6/home.cfm>
- Helpdesk
 - RTD-A03-Question-juridiques@cec.eu.int
- General information on FP6
 - http://europa.eu.int/comm/research/fp6/index_en.html
 - <http://www.cordis.lu/nmp/find-doc.htm#coorguide>





Thank you for your attention

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