

Participating in the 7th Framework Programme
- Maximise your chances of success

Negotiations, preparation of the Grant Agreement, financial aspects

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Framework Programme

Contract negotiations

- Negotiations with the Commission
- Negotiation on Annex 1
- Grant Preparation Forms
- Financial Viability and Capability
- Preparation of contracts

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Contract negotiations – scope of negotiations

- Technical content of project / individual workpackages (most important aspect: proposal part B becomes Annex I to the Grant agreement)
- Project start date (date to be fixed by consortium or depending on date of grant agreement signature) and duration
- Budget (no room to negotiate)
- Reporting periods

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Contract negotiations – relevant documentation

- Overall legal basis:
 - Standard Model Grant Agreement
 - Consortium agreement
- Administrative forms: Grant Preparation Forms
- Financial rules: Guide to Financial Issues
http://ftp.cordis.europa.eu/pub/fp7/docs/financialguide_en.pdf
- IPR issues: Guide to Intellectual Property Rights for FP7 Projects
- Negotiation procedure: Negotiation Guidance Notes
- Available on: http://cordis.europa.eu/fp7/find-doc_en.html

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Contract negotiations – time-frame

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Contract negotiations - procedure

- Invitation to contract negotiations:
 - Max. funding available
 - Name and contact details of project officer
 - Deadline for the submission of the first version of Annex I and the „Grant Preparation Forms“ (GPFs)
 - Date for negotiation meeting in Brussels or Luxembourg if requested
 - Possibly deadline for the finalisation of contract negotiations

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Contract negotiation – start

Contract negotiations

To dos before the first negotiation meeting (between the consortium partners)

- Define roles of all partners and coordination structure
- Agree on start date
- Clarify need for subcontracts and inclusion of new beneficiaries at a later stage
- Elaborate draft consortium agreement and other agreements that might be needed during implementation
- Clarify method for cost calculation of all beneficiaries (coordinator should provide background information to the consortium)
- Provide partners with relevant financial and legal information (depending on COM requirements as laid down in the guidelines)

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Checklist – Start of negotiations

Contract negotiations

To dos before the first negotiation meeting (consortium – Commission via the coordinator)

- Compile first draft of Annex I (including Annexes if any)
- Compile first draft of GPFs
- Send Annex I and GPFs to project officer

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Checklist – negotiation meeting

Contract negotiations

- Discussion of draft Annex I based on:
 - Comments stated in ESR
 - Questions arising in connection with the guidelines
 - Questions relating to individual parts of Annex I
- Clarification of financial and legal aspects:
 - Financial basis and cost calculation methods of individual partners
 - Additional documentation to be provided
 - Details of Grant Preparation Forms
 - Questions relating to subcontracts etc.
- Project start date and reporting periods
- Information on subsequent deadlines and schedule (updates of Annex I and GPFs; more meetings)

←→COM sends meeting minutes to coordinator

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Negotiations – COM statements on DoW
- example

2. DESCRIPTION OF WORK (DOW OR ANNEX I)

The Commission PO underlined:

- The Annex I is not a copy and paste of the proposal part B.
- The Annex I should focus on describing the work to be done.
- The Annex I should be as concise, as little verbose and as little redundant as possible.
- The Annex I should contain quantifiable progress measures and evaluation schemes.
- The deliverables/ milestones described in the Annex I should provide clear progress indicators in synchronisation with the milestones and the review processes.
- The availability (and expertise) of the relevant key personnel should be established.
- The draft version provided on 29/08/2007 is a good attempt to address issues raised in the negotiation mandate and follows the Annex I contractual structure.

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Checklist – Project start date

Contract negotiations

The start date of project can be defined by the consortium (also retroactively)

- If you agree on a retroactive start date, which is independent of the signature of the Grant agreement, keep in mind that:
 - hiring of personnel will take some time
 - Many institutions require the Grant Agreement to be signed, before any related working contracts can be signed
 - There will be no pre-financing before the Grant Agreement is signed

→ This can lead to delays in starting the project work

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Legal Financial Viability check

Contract negotiations

- Check is carried out at the beginning of the contract negotiations
- Commission rules on the verification of existence, legal status and financial capacity of participants to be adopted
- Legal validation of all participants
- Information if legal data is needed: http://ec.europa.eu/budget/execution/legal_entities_en.htm
- Information if financial data is needed: ftp://ftp.cordis.europa.eu/pub/fp7/docs/rules-verif_en.pdf

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Legal Financial Viability check

LFV Lite Legal Financial Viability check: partners information

Contact negotiations

Call number FP7-CT-2007-1 Objective 03.1-1.1

Participant Legal Name	Role	OK	Legal Data Needed	Financial Data Needed
1	CO	✓		
2	CR	✓		
3	CR	✓		
4	CR	✓		
5	CR	✓		
6	CR	✓		
7	CR	✓		
8	CR	✓		

If your organisation has been flagged in the column 'Legal Data Needed', you are requested to download the forms relevant to your country and type of organisation from the following URL: http://ec.europa.eu/budget/erwin/erwin/erwin_legal_entity_en.htm. Fill them, and submit them to your Project Officer, as detailed in the invitation to negotiate.

If your organisation has been flagged in the column 'Financial Data Needed', you are requested to submit the documents defined in the section "3.4. Requested data and documents" in the document "Rules on verification of existence, legal status, operational and financial capacity" available at CORDIS: http://ec.europa.eu/budget/erwin/erwin_financial_en.pdf

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Grant Preparation Forms (GPF) - overview

Contact negotiations

- A1 – Project summary **Coordinator**
- A2.1 – Who we are: legal entity data
- A2.2 – Who we are: type of organisation
- A2.3 – Authorised representatives
- A2.4 – How to contact us
- A2.5 – Our commitment
- A2.6 – Data protection & coordination role **Coordinator**
- A3.1 – What it costs - Budget per partner **All partners**
- A3.2 – What it costs - Overall budget **Automatic**
- A4 – Bank account: details of coordinating institution **Coordinator**
- A5 – Reporting periods: Budget per reporting period **Coordinator**

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Grant Preparation Forms (GPF) - editors

Contact negotiations

- Use of two different electronic tools for projects resulting from the first calls in FP7:
 - NEF
 - GPF editor (very similar to CPF editor used under FP6)
- NEF will be the standard tool in the future in combination with EPSS
- GPF editor was used by the ICT unit for the first call only
- So far NEF displays shortcomings (no export/import function), whereas the GPF editor works smoothly
- Minor deviations in level of detail of requested information

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Grant Preparation Forms (GPF) - procedure

Contact negotiations

- Project officer sends pre-filled GPF file or login data to coordinator
- Coordinator is responsible for the collection of partner information
- Processing of data depends on tool:
 - GPF editor: Automated import of administrative data; manual input of financial data
 - NEF: both administrative and financial to be inserted manually
- As soon as the admin information is correct and complete and the budget distribution is considered final, all partners sign their A2.5 forms; the coordinator signs also A4 and A2.6 forms
- The coordinator sends the documentation to the Commission

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Grant Preparation Forms (GPF)

Contact negotiations

The screenshot shows a web browser window displaying the GPF application. The page title is '202147 - NeuroStim'. It features a navigation menu on the left with options like 'General Information', 'Participating Partners', 'Coordinator', and 'Project'. The main content area displays project details, including a table with columns for 'Country', 'Start Date', 'End Date', 'Status', and 'Budget'. The 'Status' column shows 'Active' for several entries. Below the table, there are sections for 'Project', 'Coordinator', and 'Participating Partners' with links to various forms and documents.

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Grant Preparation Forms (GPF) – A1

Contact negotiations

The screenshot shows the 'General Information' form in the GPF application. The form includes fields for 'Project Name', 'Start Date', 'End Date', 'Coordinator', and 'Participating Partners'. There are also sections for 'Description' and 'Justification'. The 'Start Date' field is highlighted, and a dropdown menu is visible, showing options for 'The first day of the month after the signature by the Commission' and 'The effective starting date certified by the coordinator beneficiary'. The 'Description' field contains text about the project's objectives and funding details.

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Grant Preparation Forms (GPF) - Entry

Contract negotiations

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Contract negotiations – best practice for coordinators

Contract negotiations

- Revise Annex I carefully and make sure that your partners have understood and accepted the contents (scheduling of deliverables, budget plan...)
- Establish a good relationship to your project officer from the very start (stay in contact, ask questions)
- Use the negotiation meeting in order to clarify unclear or open issues – important decisions should be documented in the meeting minutes (these are provided by the COM)
- Use the contract negotiations for teambuilding in the consortium – develop and consolidate work flows and relationships
- Make sure your partners are aware of all relevant rules (general participation rules, IPR, cost calculation...)

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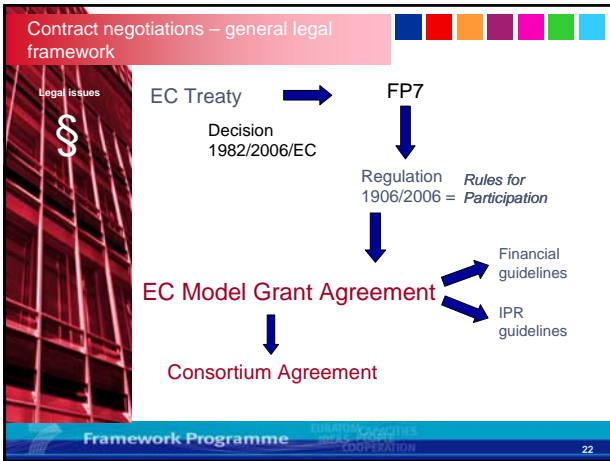
Contract negotiations best practice for partners

Contract negotiations

- Check the different versions of Annex I thoroughly and make sure that your share of work and budget share are correct
- Submit any requested information and documentation to the coordinator within the specified time-frame and in good quality
- Make sure that your role in the consortium is clear and adequate – if not, clarify with the coordinator and other partners concerned
- Set up an internal budget plan covering the whole project period, possibly with the help of your financial department
- Make yourself familiar with the rules of participation – ask questions to the coordinator

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- Contract negotiations – preparation of contracts
- Model Grant Agreement
 - Concluded between Commission and Coordinator
 - Beneficiaries accede to the Grant Agreement by signing Form A
 - Only project-related parts of the Grant Agreement can be negotiated (e.g. start date)
 - Consortium agreement
 - Between the beneficiaries of a consortium
 - Recommended for all projects, compulsory for many areas
 - Signed usually before signature of the Grant Agreement or shortly afterwards (depending on Commission requirements)
 - in general: the sooner, the better
 - Consortium partners agree on individual provisions
- Legal Issues §
- Framework Programme
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- Model Grant Agreement - integral parts
- The core text of the model grant agreement
 - Annex I - Description of Work
 - Annex II - General conditions
 - Annex III - Special conditions, per funding scheme
 - Annex IV - Form A – Accession of beneficiaries to the grant agreement
 - Annex V - Form B – Request for accession of a new beneficiary to the grant agreement
 - Annex VI - Form C – Financial statement (declaration of costs) per funding scheme
 - Annex VII - Form D – Terms of reference for the certificate on the financial statements - report of the auditor (external or internal) on the certification of the costs (audit certificate)
 - Form E - Terms of reference for the certificate on the methodology;
- Legal Issues §
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Model Grant Agreement – reference documentation

Legal Issues §

- Annex II – General Conditions
 - Contains detailed provisions relating to the implementation of projects (eligibility of costs, reporting, payment schedule)
 - Answers many questions partners usually have during the implementation of a project!
 - The Commission is also bound by the provisions
- Annex I – Technical Annex
 - Work programme of the project, which is developed on the basis of proposal part B during the contract negotiations
 - The consortium commits itself to the contents and has to fulfil the described tasks accordingly (Deliverables)
 - A well-structured and sound TA is the basis for a successful project implementation

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Model Grant Agreement – accession form

Legal Issues §

- Partners have to accede to the Grant Agreement according to the following provisions:

Article 1 – Accession to the grant agreement of the other beneficiaries

1. The coordinator shall endeavour to ensure that each legal entity identified below accedes to this grant agreement as a beneficiary, assuming the rights and obligations established by the grant agreement with effect from the date on which the grant agreement enters into force, by signing Form A in three originals, countersigned by the coordinator.

- Make sure that only the mentioned signatories sign the Accession forms!
- Don't forget to stamp the three originals

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Model Grant Agreement – accession form

Legal Issues §

FP7 GRANT AGREEMENT
ANNEX IV - FORM A – ACCESSION OF BENEFICIARIES TO THE GRANT AGREEMENT

(to be filled in by each beneficiary identified in Article 1.3 of the grant agreement)

(full name and legal form of the beneficiary), represented for the purpose hereof by (name of legal representative) (function) (and/or name of legal representative (function)) or her/his authorised representative, established in (full address city/state/province/country) (person legally authorised to act on behalf of the legal entity) acting as its legal authorised representative, hereby consents to become beneficiary ("Beneficiary no. 5" to grant agreement No. ... (relating to project title)) concluded between the Commission of the European Communities and (name of the coordinator and legal form acronym established in (full address city/state/province/country)) and accepts in accordance with the provisions of all aforementioned grant agreement all the rights and obligations of a beneficiary.

Done in 3 copies, of which one shall be kept by the coordinator and one by (name of the Beneficiary), the third being sent to the Commission by the coordinator in accordance with Article 1.1 and 1.2 and Article 9 of the grant agreement.

Name of Legal Entity (full name of the beneficiary)
Name of legal representative (written out in full)
Signature of legal representative(s):

Date:
Stamp of the organisation

Name of Legal Entity (full name of the coordinator)
Name of legal representative (written out in full)
Signature of legal representative(s):

Date:
Stamp of the organisation

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Consortium agreement - general

Legal Issues §

- Additional agreement which details the more general rules of the EC Grant Agreement
- The conclusion of a CA is compulsory for the majority of collaborative projects
- Legal basis:
 - Grant Agreement (+ Annexes)
 - Rules of participation
- CA must not be contradictory to the provisions of the Grant Agreement
- There is no mandatory model provided by the Commission, but only a checklist:
 - http://cordis.europa.eu/fp7/find-doc_en.html
- The coordinator of a project is supposed to provide a draft agreement and to coordinate the negotiation and signature of the agreement

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Consortium agreement – available models

Legal Issues §

- Different sector interest groups of industry, academia and research organisations have developed several models (based on FP6 models):
 - DESCA by academia, research organisations and interest groups of industry
 - <http://www.earto.org/DESCA/descahome.htm>
 - IPCA by ICT and Telecom industries (EICTA)
 - EU-Car by the automotive industries
 - IMG by the aerospace industries

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Consortium agreement – contents

Legal Issues §

DESCA model

Preamble	1
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Section 3: Entry into force, duration and termination	1
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[Attachment 1: Background included]	2
[Attachment 2: Background excluded]	2
[Attachment 3: Accession document]	2
[Attachment 4: Initial list of members and other contact persons]	2
[Attachment 5: List of Third Parties] List of Third Parties to which transfer of Foreground possible without prior notice to the other Beneficiaries	3
[Attachment 6: Agreement for the Transfer of Material]	3

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Consortium agreement – tips for coordinators

Contract negotiations

- Use the document as an instrument to shape and control your project
- Level of detail should be appropriate, i.e. over-regulation vs. loopholes
- The interests and rights of both universities and companies should be taken into account in an adequate manner
- Agree on the model to be used at an early stage and adapt the management structure to your project
- Be careful when modifying the model used – changes in individual provisions may lead to inconsistencies
- Mark changes in the draft

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Consortium agreement – tips for partners

Contract negotiations

- Scientific project leaders should read the consortium agreement, as individual provisions may be acceptable from a legal point of view, but potentially lead to organisational problems
- Scientific project leaders should forward the consortium agreement drafts to their legal departments immediately.

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Some relevant legal aspects

Legal issues


Important legal aspects of an EU project:

- IPR issues
- Liability

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IPR issues – when to deal with them?




Before project start	During project implementation	After project end
<ul style="list-style-type: none"> Defining project-related know-how Defining IP-protected areas Negotiating a CA Proposal preparation, incl. PUDK – Plan for the Use and Dissemination of Foreground 	<ul style="list-style-type: none"> Strategy for protection & management of foreground Granting of access rights 	<ul style="list-style-type: none"> Dissemination & Exploitation of results Protection of generated IP

At all stages! →

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IPR issues – definitions



Background	Foreground
<p>Information, databases, copyright and related IPR that is held by participants prior to joining the grant agreement</p> <p>Information & IPR which is needed for carrying out the indirect action or for using the results of the indirect action</p> <p>Remains the property of the owner</p>	<p>All results, information, material, knowledge generated in EC-funded project</p> <p>Includes unprotected know-how (e.g. confidential material)</p> <p>Foreground is owned by the participant who generated it</p> <p>Sole Ownership</p> <p>Important: Keep laboratory notebooks to prove ownership</p> <p>Clarification of whether or not the employees' invention will become applicable</p>

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IPR issues – Basic Access rights in FP7



Access rights to background	
Purpose	Conditions
For implementing the project	Royalty-free Unless otherwise agreed Before acceding to the grant agreement
For use purposes (exploitation + further research)	Either royalty-free, or on fair and reasonable conditions to be agreed

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IPR issues – Basic Access rights in FP7

Access rights to foreground

Purpose	Conditions
For implementing the project	Royalty-free
For use purposes (exploitation + further research)	Either royalty-free, or on fair and reasonable conditions to be agreed

©

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Liability – general rules & guarantee fund

Legal Issues

- In FP7 beneficiaries have only technical liability
- Financial liability - Guarantee fund: Commission retains certain amount for non-recoverable debts caused by beneficiaries
 - Participant contribution of 5% is retained for ALL projects
 - Upon completion of the projects the money is returned to the participants – depending on the performance of all projects
- No more bank guarantee requests by the Commission!
- The interest generated from the guarantee fund is used to cover debts

⇒ If the interest generated is not sufficient to cover the debts, 1% of the EC contribution from participants other than public bodies will be retained

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Liability –guarantee fund

Legal Issues

EC retains 5% of the EC contribution from all consortia

5% of funding retained is returned to all entities

Project complete

Sufficient Interest generated

Guarantee fund

Interest

Cover defaulting partners

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Liability –guarantee fund

Legal Issues

EC retains 5% of the EC contribution from all consortia

- 5% of funding retained is returned to all public bodies
- 4% to companies
- Up to 1% is used to cover debts

Project complete

Insufficient Interest generated

Guarantee fund

Interest

Cover defaulting partners

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Financial Regulations – recap and update

Financial Regulations

Contents

- Basic principles
- Eligible costs / Reimbursement rates
- Full cost calculation / overhead calculation
- Other funding schemes
- Payments
- Auditing
- Financial management

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Financial Regulations – basic principles

Financial Regulations


- Co-financing principle
- Introduction of Full Cost Accounting for all participating institutions/annulment of cost models :
 - Each participant can charge all of their direct and indirect costs to the project (including permanent staff)
 - Indirect costs: choice between actual indirect costs and lump-sum
 - Research activities at universities will no longer be funded at 100%
- Forms of financial aid:
 - Reimbursement of eligible costs (preferred)
 - Lump-sum amounts
 - Flat-rate financing

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Abolition of the Additional Cost (AC) model

Financial Regulations



- AC model was considered as interim solution already in FP6
- Was based on the hypothesis that the so-called additional costs correspond to +/- 50% of the direct eligible project costs, *
- Caused inequality between participants and concealed the actual costs of R&D activities *

→ Commission was forced by EU subsidy regulations to abolish this kind of funding scheme

* Dr. Sebastian Winkler - DG Research/ EC, German Workshop on FP7, Bonn, 19.11.07

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Allocation of costs for activities

Financial Regulations




- Determine reimbursement rates !
- RTD – Research and technological development
- Management
 - Costs for audit certificates
 - Management of legal, ethical, administrative and financial aspects at the consortium level
 - Calls for additional participants
 - The scientific-technical coordination of the project is usually classified as RTD activity
- Other activities
 - Training
 - Networking
 - Dissemination activities (including publications)
- Demonstration activities – Proof of the commercial feasibility of new technologies, e.g. tests of prototypes that are close to market introduction

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Reimbursement rates

Financial Regulations



	Research and technological development or innovation activities	Demonstration activities	Training activities ERC-Ideas	Management activities	Coordination and support actions
Non profit public bodies; higher education establishments; research organisations	75%	50%	100%	100%	100%
SME	75%	50%	100%	100%	100%
Large companies and other organisations	50%	50%	100%	100%	100%

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Eligible costs

Financial Regulations

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Eligible costs	Ineligible costs
<p>The following costs are deemed eligible:</p> <ul style="list-style-type: none"> Actual Incurred during the project Determined according to usual accounting and management practices, consistent with the principles of efficiency and effectiveness Directly linked to the objectives of the project and the execution of the work as defined in the grant agreement Recorded in the accounts of the beneficiary and verifiable 	<p>The following costs are deemed ineligible:</p> <ul style="list-style-type: none"> Identifiable indirect taxes including VAT (except. airport taxes) Debts or interest from debts Exchange losses and other losses Costs declared, incurred or reimbursed with respect to another Community project Debt service charges Excessive or reckless expenditures

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Eligible costs - explanations

Financial Regulations

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- „actual costs“ – actually incurred, no estimations, budgeted or average costs
 - Exception: Average costs for personnel*
- „incurred during the project“ – Costs which are generated before the start date or after the end date of the project are not eligible
 - Exception: depreciation costs for equipment purchased before the start of the project*
 - Costs for the set-up of the final report (until 60 days after the end of the project)*
- „determined according to usual accounting practices of the participant“ – no regulations specially „invented“ for EU-projects
- „economic and used for the sole purpose of achieving the objectives of the project“ – necessary for the project implementation and justifiable on the basis of the workplan

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Types of costs

Financial Regulations

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- Differentiation between **Direct Costs** and **Indirect Costs (Overhead)**
- Direct costs: all documented financial expenditures that can be directly linked to the project, for example:
 - Personnel costs
 - Travel costs/attending conferences/organising project meetings
 - Consumables (software, among others)
 - Equipment/investments
 - Printing costs for project brochures, etc.
 - Patent research
 - Subcontracts
 - Organisation of workshops

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Types of costs – indirect costs

Financial Regulations

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- Expenditures that are not directly attributable to the work in the project but are necessary to support it (e.g. rent, power and heating, telephone and copying costs, etc.)
- Reimbursement options
 - Actual indirect costs (or Simplified method)
 - Lump-sum - 20% of all direct costs excluding subcontracting (available for all participants)

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Special Transitional Flatrate

Financial Regulations

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- an interim solution for higher education institutions, research organisations and SME which are unable to define with certainty their indirect costs
- 60% of all indirect costs (except costs for subcontracting)
- This percentage is only valid for projects resulting from calls dated before 2009. For calls from 2010 a reduced percentage will be fixed by the EC (probably 40%)

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Implementation of analytical accounting / full cost calculation *

Financial Regulations

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- No single definition from the academic point of view. As far as FP7 rules are concerned, at least these two elements must be present:
 - The system can identify and group their indirect costs (pool of costs) in accordance with the eligibility criteria (e.g. exclude non-eligible costs)
 - A fair and reliable cost driver to allocate indirect cost from the 'pool of costs' into the different projects.
- Whatever the method of calculation is, it must be in accordance with normal accounting practices and should be extracted from or reconciled with the official accounts
- Current situation in Croatia: ongoing discussion among Science Managers

* taken from a presentation of Jennifer Mary Kursan - Legal & Finance NCP for Croatia

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Definition of actual indirect costs – Simplified Method

Financial Regulations

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- Participants can apply „simplified method“ to calculate its indirect costs (in accordance with its usual accounting and management practices).
- Provided above all for participants without full analytical accounting system
- Is meant to facilitate transition towards full cost calculation.
- Simplified ≠ simple...
 - Accounting system allows to identify and group the indirect costs in accordance with the eligibility criteria (e.g. exclude non-eligible costs)
 - A fair and reliable cost driver is used for allocation of indirect cost
- „Simplified“ implies (inter alia) that calculation of indirect costs is done on institution level (instead of each department/ faculty)

→ The exact requirements for this method are not fully clear yet

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Other funding schemes - Coordination and Support Actions

Financial Regulations

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- No funding for R&D activities
- Conferences, series of workshops, studies
- Eligible costs can be funded at 100% by the EC
- Indirect costs (OV) can only claimed as a lump-sum of 7% of all direct costs (except subcontracting)

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Other funding schemes – People Programme - MarieCurie-Networks

Financial Regulations

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- Eligible expenses for the activities carried out by the young researchers
 - Monthly allowances (living and mobility)
 - Annual travel allowance
 - Career exploratory allowance (one-off)
 - Contribution to cover the costs related to the activities of the researchers, e.g. lab costs (managed by the host institution)
- Eligible expenses for the activities carried out by the host institution
 - Flat-rate for training and networking activities
 - Flat-rate for the organisation of international workshops, conferences or similar events
 - Reimbursement of costs for management activities (up to 7% of the total funding budget)
- Max. 10% overhead on direct costs

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Payments – Cash flow

Financial Management

- Pre-financing:
 - 45 days after the entry into force of the grant agreement, as soon as a certain number of partners have acceded to the agreement
 - Amount should correspond to 160% of the average EU-funding per reporting period, can also be discussed during contract negotiations
 - Is fixed in Art. 6 of the grant agreement
- Interim payments, based on the amount of accepted costs of the past reporting period
- Before the end of the project pre-financing and interim payment taken together must not exceed 90% of the total max. funding for the project („ceiling“)
- Final payment: after acceptance of final report / at least 15% of total funding (10% retention due to ceiling + 5% contribution to guarantee fund)

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Payments – Cash flow - Example

Financial Management

Funding: EUR 3,000,000 / Project duration: 3 Years

Max. Payments during project (90%)	2.700.000
Pre-financing (theoretical)	1.600.000
Contribution to guarantee fund (5%)	150.000
Pre-financing (actual)	1.450.000
Funding accepted by EC for the 1st reporting period	900.000
→ 1st Interim payment	900.000
Funding accepted by EC for the 2nd reporting period	900.000
2nd Interim payment (considering „ceiling“) (2.700.000 – (1.600.000 + 900.000))	200.000
Funding accepted by EC for the 3rd reporting period	1.200.000
→ Final payment (3.000.000 - (1.600.000 + 900.000 + 200.000))	300.000
Return guarantee fund	150.000

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Auditing – certification of financial reports

Financial Management

- „Certificate on the financial statements (CFS)“ – see Annex VII to the grant agreement
- Certifies the eligibility of submitted costs
- Created by an external auditor or internal auditing unit
- Is required only for funding to the amount of at least €375,000 that has yet to be certified
- Total funding equalling less than €375,000 must be not certified!
- Projects lasting 2 years or less only require an audit certificate at the end of the project (if total funding equals €375,000 or more)
- Individual regulations may be agreed upon for single projects and will be discussed during contract negotiations

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Auditing – EC policy

Financial Management

- Complementing the certification of submitted costs EC can also initiate external audits
- Number of these audits will increase in FP7 (from 10% to 40% of the funding budget paid out)
- Who will be audited?
 - Large organisations (participants receiving the largest amounts of grants)
 - Other institutions, selected at random, according to representative factors
 - some potentially high-risk organisations (selected on a risk-based sample, based on indications and/or suspicions from the Commission's Project Officers).
- 400 audits are planned for 2008 (mostly FP6 project)
- Additionally, also the European Court of Auditors can initiate audits and will do so more often in the future
- see http://cordis.europa.eu/audit-certification/home_en.html

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Financial management – some practical advice for project partners

Financial Management

- Project account/ budget records for the project should always be up to date
- Time records have to correspond to personnel costs booked on the project, and they should be
 - updated up monthly,
 - organised centrally for the department.
- Transferring budget between cost categories, project partners and reporting periods is possible!
- In case major budget shifts are required inform the coordinator and provide him/her with updated budget plan and justifications
- In case of doubts with regard to eligibility of costs, ask the coordinator or the EC project officer (via the coordinator)
- Get them to provide you with a written confirmation of the eligibility of these costs and keep that with your budget documentation

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Thanks For Your Attention!

Further Information

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