

***FP7 key issues
for sound administrative and
financial management***

Not legally Binding



Overview

- FP7 Payments - essentials
- Reporting requirements
- Costs reporting @participant level
- Submission of the periodic report by the coordinator
- Payments by the Commission
- Controls and audits
- Amendments



Payments in FP7- Eligible and non-eligible costs

- Eligible costs
 - Actual
 - Incurred by the beneficiary
 - Incurred during the project
 - Be determined in accordance with its usual accounting and management principles
 - Used for the sole purpose of achieving the objectives of the project
 - Recorded in the accounts of the beneficiary
 - Must be indicated in the estimated overall budget
- Non-eligible costs (identifiable indirect taxes including VAT,...)



Payments in FP7- Indirect cost models – ICM

- For all beneficiaries:
 - either actual overhead or simplified method
 - flat rate of 20% of direct costs minus subcontracting and 3rd parties not used on the premises of the beneficiary
- Non profit Public Bodies, Secondary and Higher Education establishments, Research Organisations and SMEs unable to identify real indirect costs per project, option of flat rate of 60% for **funding schemes with RTD**
- Possibility to improve from a flat rate to a simplified or actual cost model
- For Coordination and Support Actions (CSA): reimbursement of indirect eligible costs limited to 7% of direct costs (not a flat rate)

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Payments in FP7- Reimbursement rates

- **RTD activities:** max **50% funding** of eligible costs
 - except for: Public bodies, Secondary and higher education establishments, Research organisations, SMEs: max **75% funding**
- **Other activities:** max **100% funding**
 - including e.g. consortium management, service activities
- **Connectivity:** max **50% funding**
- **Coordination and support actions:** **100% funding**
 - including e.g. transnational access, networking activities



Payments in FP7- Reimbursement rates

Maximum reimbursement rates of eligible costs	Research and technological development (*)	Support activities	Networking activities	Management of the consortium activities	Other activities
Collaborative project	50% / 75%			100%	100% 50% Connectivity
Coordination and support action		100% 7% indirect	100% 7% indirect		

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- **Third parties carrying part of the work**
 - Subcontracts: tasks have to be indicated in Annex I
 - Awarded according to best value for money
 - External support services may be used for assistance in minor tasks (not to be indicated in Annex I)
 - Specific cases: EEIG, JRU, affiliates carrying out part of the work (mentioned in special clause 10, supported by NEF)
- **Third parties making available resources**
 - “Third parties”: to be indicated in Annex I
 - Costs may be claimed by the beneficiary
 - Resources “free of charge” may be considered as receipts



Reporting principles

- Article II.4 sets the reporting obligations
 - Reporting periods are defined in Article 4 of the core grant agreement
- Article II.5 sets the approval of reports and deliverables, time-limit for payments
 - the Commission shall pay interest on the late payments
- Article II.23: The Commission may initiate a technical audit or review at any time during the implementation of the project to assess the work carried out under the project
- Art. II.18.3: The Community contribution cannot give rise to any profit for any beneficiary



Reporting requirements

- During the project
 - Periodic report (within 60 days of the end of each reporting period defined in Article 4) including the last reporting period
 - Deliverables identified in Annex I
- End of the project (within 60 days)
 - Publishable summary report, conclusions and socio-economic impact, covering wider societal implications and a plan on use and dissemination of results
- After receiving the final EC payment
 - Report on the distribution of the EC financial contribution between beneficiaries



Cost reporting @participant level

- Form C (see Annex VI –specific form/instrument)
 - Costs
 - Direct costs
 - Indirect costs
 - Receipts
 - Interests
 - Certificate on the methodology
 - Certificate on the financial statement
 - Beneficiary's declaration on its honour
- The individual Form C is also used for
 - 3rd parties under SC10
 - Adjustments to previous periods



Form C - Costs

- Costs
 - Direct costs
 - Personnel. Persons
 - Must be directly hired
 - Work on the sole technical supervision and responsibility of the beneficiary
 - Be remunerated in accordance with the normal practices of the beneficiary
 - Subcontracting
 - May only cover the execution of a limited part of the work
 - Recourse must be duly justified in Annex I
 - Recourse to subcontracts may not affect rights and obligations of the beneficiaries regarding background and foreground
 - Annex I must indicate the tasks to be subcontracted and an estimation of the costs
 - Other direct costs (travel, durable equipment, consumables, ...)
 - Indirect costs – depending on Indirect Cost Model (ICM)
- Maximum Community contribution
- Requested Community contribution

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Form C – Personnel

- Only the cost of the actual hours worked by the persons directly carrying out work under the project. Hence need for a reliable time recording for reconciliation of:
 - Total hours where personnel works on several projects during the same period AND
 - Activity because of different reimbursement rates
- Beneficiaries may opt to declare average personnel costs (see update of the Guide to Financial Issues – version 02/04/2009)
 - Productive hours
 - Overtime
 - Consultants, physical persons not receiving a salary and bonus payments,
 - ...



Form C – Receipts

- Receipts may arise from:
 - Resources made available by third parties by means of financial transfers or contributions in kind which are free of charge
 - Shall be considered a receipt if contributed specifically to be used on the projects
 - It is not a receipt if the use is at the discretion of the beneficiary's management
 - Incomes generated by the project
 - Shall be considered a receipt when generated by actions undertaken in carrying out the project and from the sale of assets purchased under the grant agreement
 - It is not a receipt when generated from the use of foreground resulting from the project
- To be declared at each reporting period by each participant
- To be accounted for at the end of the project (no-profit!)



Form C – Interests

- Pre-financing remains the property of the Commission until the final payment
- The Commission shall recover from the coordinator, for each reporting, the amount of interest generated when such pre-financing exceeds the amount fixed in the Financial Regulation (>50 K€)
 - The provision only applies to the share of pre-financing not distributed or distributed late by the coordinator to the other beneficiaries
 - The share of pre-financing the coordinator uses to implement the project is treated in the same way as the pre-financing distributed to the other beneficiaries



Submission of periodic report by the coordinator

- Reports and other deliverables to be submitted to the Commission by electronic means
- Originals of signed financial statements, certificates and self declaration of the coordinator shall be sent to the Commission by post



Submission of the periodic report by the coordinator

- Periodic Report Template
 - Self-declaration
 - Publishable summary
 - Project objectives for the period
 - Work progress and achievements during the period
 - Deliverables and milestones tables
 - Project management
 - Explanation on the use of resources
 - Financial statements – Forms C and summary financial report
 - Certificates



Payment modalities

- The Commission has 105 days to evaluate and execute the corresponding payment
 - No tacit approval of reports
 - EC will pay interests on late payments
- After reception of reports the Commission may:
 - Approve the reports and deliverables, in whole or in part or make the approval subject to certain conditions
 - Reject giving justification, if appropriate start the procedure for termination
 - Suspend the time-limit requesting revision/completion
 - Suspend the payment



Payment modalities

- Principles of non-profit and co-financing (cost > funding)
- Pre-financing payment
 - Single pre-financing at the beginning of the project
 - 5% of total Community funding paid as a contribution to the guarantee fund
- Interim payments
 - Corresponding to the costs accepted for the period
 - Payments until the 10% retention is reached
- Final payment
 - Including the reimbursement of the 5% contribution from the guarantee fund
 - Take into account the declaration of receipts at participant level



Payment modalities

Example

- Project duration 36 months
 - 3 periods, EU funding 3 M€
- Pre-financing
 - Average EU funding/period = $3\text{M€}/3 = 1\text{M€}$, usually 160% = 1.6 M€
 - - 0,15Mio€ to guarantee fund
- 1st Interim payment
 - suppose 1M€ accepted – payment 1M€
- 2nd Interim payment
 - suppose 1M€ accepted – payment 0.1M€ (retention 10%!)
- Final payment
 - 0.3M€ (provided all conditions are met)



Controls and audits

- Financial audits and controls (see Art. II.22)
 - At any time during the implementation of the project and up to five years after the end of the project by external auditors or by the Commission services including OLAF
 - The European Court of Auditors has the same rights as the Commission
- Technical audits and reviews (see Art. II.23)
 - At any time during the implementation of the project and up to five years after the end of the project. The Commission may be assisted by external scientific or technological experts



Controls and audits

- Liquidated damages (see Art. II.24)
 - A beneficiary that is found to have overstated any amount and which has therefore received an unjustified financial contribution from the Commission shall be liable to pay damages
 - ***Liquidated damages = unjustified Community financial contribution x (overstated amount/total Community financial contribution claimed)***
- Financial penalties (see Art. II.25)



What is an amendment? Definition

An amendment to a GA is a legal act modifying the commitments initially accepted by the parties and which may create **new rights** or impose **new obligations** on them, or modify significant parts of the GA



Procedure

Introduction of the request

- In principle, the coordinator on behalf of the consortium
- Only when change of coordinator without its agreement:
 - all other beneficiaries
 - 1 beneficiary on behalf of the others
- or the Commission



Procedure

Valid request

A request from the **coordinator** is valid when:

- It is submitted by mail to the address in Article 8(1)
- It is dated and signed by the legal representative of the coordinator on behalf of the consortium
- The supporting documents are included in the request
- It is introduced in due time

Invalid requests will be rejected by the Commission



Procedure

Approval and rejection

- **Approval (or rejection) within 45 days of receipt**
- If no reaction: **tacit rejection**
- Addition or termination of a beneficiary: **tacit approval**

Except:

1. Termination of a member of the consortium without its agreement
2. Appointment of a new coordinator
3. The request for addition or removal of a beneficiary is sent together with other non-related amendment requests
→ explicit approval necessary



Procedure

Entry into force and date of effect

- Entry into force: date of last signature
- Date of effect: date from which the action or effects described in the amendment start to apply
- Article II.37.4: amendments shall take effect on the date agreed by the parties or the date of the Commission's approval



- Changes not depending on agreement of parties
 - no need for amendment
 - one single information letter from beneficiary to Commission (LEAR → URF)
 - notification from Commission to coordinators of all projects concerned



Cases of information letters:

1. Universal transfer of rights and obligations
2. Change of name and legal details of a beneficiary
3. Changes in the accounting system of the beneficiaries, in legal status under FP7 rules and mistakes in indirect costs calculation



FP7 Amendment or Information Letters ?

Different possible cases

Amendments

- Removal of entities from Article 1.1 due to non accession
- Modification of annex 1
- Addition/termination of one or more beneficiaries
- Change of coordinator
- Partial transfer of rights and obligations
- Modification of project title or acronym
- Modification of duration and/or start date
- Modification of reporting periods
- Change of Community financial contribution
- Reimbursement as a lump sum to ICPC participants
- Change of banking details of the coordinator
- Change of the pre-financing and/or contribution to the guarantee fund
- Addition, removal or modification of special clauses
- Change to Commission's or coordinator's contact details
- Amendment requested for reinstatement of the work after suspension of the project

Information Letters

- Universal transfer of rights and obligations
- Change of name and legal details of a beneficiary
- Changes in the accounting system of the beneficiaries
- Changes of legal status of the beneficiaries affecting the indirect costs calculation and/or the maximum reimbursement rate
- Mistakes in indirect cost calculation

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The "Amendments Guide for FP7 Grant Agreements" is published on CORDIS under the following link:

ftp://ftp.cordis.europa.eu/pub/ftp7/docs/amendments-ga_en.pdf

And the « Guide to Financial Issues »:

ftp://ftp.cordis.europa.eu/pub/ftp7/docs/financialguide_en.pdf



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Thank you for your attention !

