



EUROPEAN RESEARCH COUNCIL

## Guide for ERC Grant Holders

### Part II

#### Reference Manual on Financial Management and Administration of the ERC Grants

Starting and advanced grants

Version 1 - 24/06/2008

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EUROPEAN  
COMMISSION  
FP7 Specific Programme  
IDEAS



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## I. FINANCIAL ISSUES

This section intends to clarify the financial provisions of the ERC Model Grant Agreement as contained in the core ERC MGA, and in particular Annex II – General Conditions.

Please note, key subject areas of the ERC Model Grant Agreement are mentioned at the beginning of each section, with a reference to related specific article(s). A box highlights the key points.

**NB: Although most of the financial provisions of the ERC Model Grant Agreement do not differ from those of the standard FP7 Model Grant Agreement, they are extensively addressed here in view of providing a stand-alone reference document to ERC Grant Holders.**

**ERC-specific features are highlighted with a € [ERC] symbol.**

**Similarly, the proposed examples reflect typical ERC configurations rather than those of standard FP7 projects.**

### 1. THE COMMUNITY FINANCIAL CONTRIBUTION

- *Maximum financial contribution – ( Article 5 of ERC MGA)*
- *Community financial contribution – ( Article II.18 of ERC MGA)*

#### Key points:

- **The figure of the Community financial contribution in the Grant Agreement is always a maximum, and in no circumstances can be increased.**
- **The granted contribution cannot exceed the sum of the reported eligible costs.**

The maximum Community financial contribution which appears in article 5 of ERC MGA cannot be exceeded, even if the eligible costs of the project are higher than planned. No additional funding is possible.

The EU contribution includes:

- (a) At the start of the project - **a single pre-financing payment** (Article 6 of ERC MGA)
- (b) During the project - interim payments following each financial management reporting period (for projects with more than one financial management reporting period)
- (c) At the end of the project - the final payment for the last financial management reporting period, plus any adjustment needed.

Community financial contribution calculation principles:

- The Community financial contribution must be calculated by reference to the total costs of the project and payments will be based on the accepted costs reported by the beneficiary.

- The contribution must be determined by applying the upper funding limit indicated in Article II.16 to the actual eligible costs.
- The Community financial contribution must not result in any profit to any beneficiary.
- For each beneficiary, the Community financial contribution must not exceed the eligible costs minus the receipts for the project.
- The total amount of payments by the Community can not exceed, in any circumstances, the maximum amount of the Community financial contribution referred to in Article 5, even if the beneficiary decides to increase the work on the project, or to add new beneficiaries with the approval of the EC.

### Lump sums for International Cooperation Partner Countries (ICPC)

ICPC beneficiaries participating in a multi-beneficiary ERC GA have the option of being reimbursed either on the basis of eligible costs, or on the basis of lump-sums. This decision can be made up to the moment of the GA signature. Once the decision is taken, it will remain for the duration of the GA without the possibility for change. ICPC beneficiaries may opt for a reimbursement based either on lump sum for certain project(s), or on reimbursement of eligible costs for other(s).

Depending on the country, the lump sum contribution for participants from ICPC is defined as follows:

**Table 1: Lump sum contribution per country income group**

Economy of the ICPC*	Contribution (EUR/researcher/year)
low-income	<b>8,000</b>
lower middle income	<b>9,800</b>
upper middle income	<b>20,700</b>

\* A table listing the ICPC economies and their corresponding income level group is available in the FP7 main Financialguidelines: [ftp://ftp.cordis.europa.eu/pub/ftp7/docs/financialguide\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/ftp7/docs/financialguide_en.pdf)

For a legal entity established in an ICPC wishing to make use of the lump sum option, the contribution in a project is based on the amounts indicated in Table 1. These amounts must be multiplied by the total number of person-years for the project requested by the ICPC legal entity. For cases where a person is not working full-time on the project, these amounts must only reflect the portion of his/her working time devoted to the project. This amount covers both the direct and the indirect costs. In other words, the lump sum covers all costs of a participant from an ICPC country, including not only the costs of personnel and travel, but also, equipment, consumables, subcontracts and indirect costs, etc..

*Example:*

*University from ICPC country (low-income) having chosen a lump-sum, in a 3-year multi-beneficiary ERC GA with 6 researchers working on the project full-time and 3 working part-time at 50%*

*Total researcher-years for the project: 3 years x 7.5 researchers = 22.5 researchers.year*

*Funding for the University: 22.5 researcher.year x EUR 8,000 /researcher/year= EUR 180,000 x 1.00 (100% reimbursement rate for a beneficiary in an ERC project) = EUR 180,000*

The payment of the pre-financing for the lump-sums follows the same rules as the standard pre-financing (usually 160% of the average EC funding per reporting period for projects of more than two reporting periods). The interim payment following a reporting period will also follow the general rules and will be made on the basis of the model financial statement as well as the actual time worked by the ICPC beneficiary during the period in question. For the final payment, the same rules apply (including the approval of the final report by the ERC-DIS).

The contribution for the ICPC participants is agreed as part of the budget during the preparation of the ERC GA, based on the lump sums approved by the ERC-DIS. Their work is defined in Annex 1 together with the work of the other participants. Payments will be made based on actual effort involved. Payments are released based on periodic reporting (as for the other beneficiaries) but ICPC beneficiaries only have to report on the time devoted to the project and not on the costs incurred.

As the lump-sums are calculated on the basis of researchers/year, the reports submitted by the ICPC beneficiary will include in the financial statement the number of actual hours worked by the researchers on the project. Consequently, the beneficiary keep a record of the time worked by the researchers on the project (e.g. via timesheets). The ERC-DIS services and the other entities authorised by the GA may carry out audits on the premises of the beneficiary to verify compliance.

As the beneficiaries are paid on the basis of lump-sums, there is no requirement to submit certificates on financial statements, even if the Community financial contribution is above the threshold of EUR 375,000.

For the calculation of the final Community financial contribution, any interest generated by the pre-financing as well as any receipt received by the beneficiary should be taken into account<sup>1</sup>.

For further explanation concerning the payment modalities, please refer to Article II.6 of ERC GA.

For explanation on the calculation of the pre-financing and the 10 % retention, see Article 6 of ERC GA.

## 2. BANK ACCOUNT

- *Maximum financial contribution (Article 5.3 of ERC MGA)*

### **Key point:**

- **The bank account proposed by the beneficiary should allow for clear identification of payments made for project purposes and of the interests yielded by the pre-financing**

It is recommended that the bank account included in the ERC GA (i.e. the bank account of the beneficiary) be used exclusively for handling the project funds. This is because, in order to fulfil its obligations the beneficiary must at any moment be able to identify dates and amounts related to any payment received or made under the ERC GA (Article II.2.). This is necessary for the identification of any interest that must be recovered (or offset), or indeed, for providing proof that there has been no

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<sup>1</sup> For interest yielded by pre-financing, see Article II.19 of the ERC GA. For receipts, see Article II.17 of the GA

interest. Furthermore, the requirement is also important for audit and control purposes (i.e. to enable a reconciliation of accounting records with the actual use of funds).

In any case, if an existing account/sub-account is used, the accounting methods of the beneficiary must make it possible to comply with the above requirements. In specific cases, especially in the field of security related research, a special clause can be put in the ERC GA in order to make use of a specific bank account / sub-bank account an obligation to the beneficiary.

### 3. PRE-FINANCING

- *Maximum financial contribution (Article 5 of ERC MGA)*
- *Payment modalities (Article II.6 of ERC MGA)*

#### **Key point:**

- **The pre-financing provided at the beginning of the project remains the property of the Community, and therefore interests shall be declared by the beneficiary and will be deducted from the maximum contribution.**

There is **only one** pre-financing payment (advance payment) during the life of the project. It will be transferred to the beneficiary at the beginning of the project and in any case within 45 days of the entry into force of the Grant Agreement (unless a special clause stipulates otherwise).

*NB:* In case of projects with more than one beneficiary, the principal beneficiary receives the payment in the name of all beneficiaries and is in charge of distributing the relevant amount to them according to the ERC GA (only to those who have signed and returned the accession form (Annex III ERC MGA)). The principal beneficiary should be able to determine at any time the amount paid to each beneficiary (and inform the ERC-DIS when required).

**The pre-financing remains the property of the Communities until the last payment.**

The purpose of pre-financing is to make it possible for beneficiaries to have a positive cash-flow during (most of) the project. It will be defined during the preparation of the ERC GA, but as a general rule, for projects with duration of more than two reporting periods, it should be equivalent **to 160% of the average EU funding per period**. The amount of the pre-financing may vary however, depending on specific circumstances of the individual project.

#### *Examples:*

- § *A project with a heavy initial investment (reason to increase the pre-financing)*
- § *A project with few activities or financial expenditure for the first period (reason to decrease the pre-financing).*

In any case, the single pre-financing has the following two limits:

- the contribution to the Guarantee Fund (see below) (5% of the total Community financial contribution for the project) will be part of the pre-financing calculation; however, it will not be paid into the account of the beneficiary, it will be transferred in the name of the beneficiary directly from the ERC-DIS to the Fund at the time of the payment of the pre-financing.
- a 10% retention of the total Community financial contribution will always be kept by the ERC-DIS until the date of the last payment.

For projects with one or two financial reporting periods, the amount of the pre-financing could be between 60-80% of the total Community financial contribution, unless the specific circumstances of the project require otherwise. (e.g. very heavy initial capital investment, etc.). Whatever the amount, the limits mentioned in the previous paragraph also apply here.

#### 4. CONTRIBUTION TO THE GUARANTEE FUND

- *Pre-financing (Article 6 of ERC MGA)*
- *Guarantee fund (Article II.20 of ERC MGA)*

##### **Key points:**

- **At the beginning of the project, 5% of the maximum contribution will be withheld from the pre-financing and transferred on behalf of the beneficiary to a Guarantee Fund.**
- **This fund aims to cover financial risks and specifically non-reimbursement of amounts due by a beneficiary; these risks will be primarily covered by the interests generated by the fund;**
- **At the end of the project, the beneficiary will usually recover its contribution to the Guarantee Fund. however, in some cases up to 1% of this contribution can also be used to cover potential losses;**

The Guarantee Fund is a mutual benefit instrument establishing solidarity among participants in indirect actions. It replaces the financial collective responsibility between participants in the 6th Framework programme.

Its prime objective is to cover the financial risks incurred by the Community and the participants during the implementation of the indirect actions of FP7. It is a kind of insurance mechanism by the beneficiaries to guarantee the financial losses of the projects.

The Fund is the property of the beneficiaries. Each beneficiary will contribute to the Guarantee Fund (in every case with Community financial contribution). This contribution, corresponding to 5% of the maximum Community financial contribution in the project, will be subtracted from the pre-financing amount and transferred by the ERC-DIS, in the name of the beneficiaries, into the Guarantee Fund. However, legally speaking, beneficiaries have received the full pre-financing.

The beneficiaries' contributions to the Fund will be paid by the ERC-DIS on their behalf into a Bank Account. The interest generated by the contributions will cover the risks incurred by the non reimbursement of amounts due by the beneficiaries.

At the end of a project, the beneficiaries will recover their contribution. However, if at the time of final payment, the fund is in a situation where the interest has been insufficient to cover the losses, a deduction will be made from the amount to be returned. The calculation method applicable to obtain the deduction is foreseen in Article II.21 of ERC GA and will never exceed 1% of the Community financial contribution. This potential deduction does not concern public bodies or legal entities whose participation is guaranteed by a Member State or an Associated Country and higher and secondary education establishments.

At the end of a project, the contribution to be returned to the beneficiary, could be assigned, to the payment of any debt due to the Community by the said beneficiary under any obligation irrespective of its origin.

*Examples:*

§ *Project running over 4 financial management reporting periods with EUR 1,000,000 Community financial contribution*

- *Average Community financial contribution per reporting period: EUR 1,000,000 / 4 = EUR 250,000*
- *Pre-financing (usually 160% of EUR 250,000) mentioned in Article 6= EUR 400,000*
- *Contribution to Guarantee Fund: 5% of total EU funding: 1,000,000 x 5% = EUR 50,000*
- *Net amount transferred to the beneficiary<sup>2</sup> : EUR 400,000 – EUR 50,000 = EUR 350,000*

It is important to remember that the basis for the calculation of the single pre-financing for projects of more than two reporting periods is the average EC funding per reporting period; this is the result of dividing the total Community financial contribution for the project by the number of financial management reporting periods.

*Example of calculation of the index fund:*

$$\text{Fund index} = (C + I + B) / C$$

*C= contributions to the guarantee fund of all on-going projects when establishing the index*

*I = cumulated interest generated by the Fund*

*B = Balance of the operations (recoveries to the profit of the fund - transfers from the fund & recoveries on the fund)*

*Calculation of the fund index on 31 January 2009.*

*Total contributions: EUR 1 000,000,000*

*Cumulated interest: EUR 50,000,000*

*If Balance: 50,000,000 – 300,000,000 = - 250,000,000*

*Then Fund index = (1,000,000,000 + 50,000,000 – 250,000,000) / 1,000,000,000 = 0,80*

*The fund index = 0,80 and will be applied during the final payment made in February 2009*

*Example of calculation of the amount to be reimbursed at the final payment:*

*Maximum community financial contribution: 100,000*

*Contribution to the fund: 5,000*

*If Final Community financial contribution at the end of the project: 90,000*

*- For public bodies or legal entities whose participation is guaranteed by a Member State or an Associated Country or higher and secondary education establishments*

*Contribution to be reimbursed = initial contribution to the fund = 5,000*

*- For other legal entities not mentioned above*

*Contribution to be returned = initial contribution to the fund x 0,80 = 4000*

*In any case, the deduction must not exceed 1% of the final Community financial contribution:*

*90,000 x 0,01 = 900*

*Then: Contribution to be returned = 5,000 – 900 = 4,100.*

<sup>2</sup> Unless the Joint Research Centre (JRC) is one of the beneficiaries in a multi beneficiary project, in which case its funding will also be subtracted and paid directly to it.

## 5. SPECIFIC PERFORMANCE OBLIGATION OF THE BENEFICIARY

*Can a financially weak legal entity be beneficiary of a project?*

For a beneficiary (or a principal beneficiary in multi-beneficiary project) which is not a public body, higher and secondary education establishment or whose participation is not specifically guaranteed for the project by a Member State or Associate country, the ERC-DIS will analyse "ex-ante" its financial viability to become beneficiary. In a multi-beneficiary project, the ERC-DIS will also analyse the financial viability of any other beneficiary receiving an estimated Community financial contribution of more than EUR 500,000.

The ERC-DIS will not request additional guarantees or securities from them, and therefore an entity with a weak or insufficient financial viability cannot be beneficiary (or principal beneficiary in a multi-beneficiary project) and should be replaced.

**However, this legal entity could still be beneficiary (or principal beneficiary in a multi-beneficiary project) if, on a voluntary basis, it provides the ERC-DIS with a guarantee which can be considered equivalent to a guarantee by a Member State or an Associated Country.**

For information on the rules on the legal and financial viability of beneficiaries, please check the following document: "Rules to ensure consistent verification of the existence and legal status of participants, as well as their operational and financial capacities":

[ftp://ftp.cordis.europa.eu/pub/fp7/docs/rules-verif\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/rules-verif_en.pdf)

## 6. REPORT CERTIFICATES

- Please refer to the "Reporting" Appendix to the present Guide for Article II.4.1, II.4.2, II.4.3, II.4.4, II.4.6, II.4.7, II.4.8
- Certificate on the financial statements and certificate on the methodology (Article II.4.5.)

### Key point:

- **Once reaching the threshold of 375.000€ in cumulated amount, costs claims must be supported by certificates on financial statements**

These certificates must be submitted following the templates provided in Annexes V a) and b) of the ERC GA. The use of these templates is compulsory. If the auditor feels however, that one or several of the questions do not correspond to the accounting system used, being used, he/she should explain this difference in detail in the form and request an exception. In this case, the ERC-DIS will consider the explanation based upon the facts provided by the auditor, and decide on its validity.

### 6.1. Certificate on the financial statements (CFS)

A Certificate on CFS is mandatory for every claim (interim or final) in the form of reimbursement of costs whenever the amount of the Community financial contribution is equal or superior to EUR 375,000 (cumulative total of all previous payments for the same project for which a CFS has not yet been submitted<sup>3</sup> . Once a

<sup>3</sup> For projects of 2 years or less, only one CFS is due at the end of the project and if the total contribution claimed is = EUR 375.000

CFS is submitted, the threshold of EUR 375,000 applies again for subsequent Community financial contributions but the count starts from 0.

Bear in mind that although the threshold is established on the basis of the Community financial contribution, the CFS must certify all eligible costs.

*Example: A project with duration of 5 years and 4 financial periods (3 x 18 months + 6 months):*

Claim No.	Eligible costs	Community financial contribution	Cumulative amount for which a CFS has not been submitted	CFS required	
1	EUR 280,000	EUR 280,000	EUR 280,000	NO	
2	EUR 260,000	EUR 260,000	EUR 540,000	YES	*
3	EUR 380,000	EUR 380,000	EUR 380,000	YES	**
4	EUR 80,000	EUR 80,000	EUR 80,000	NO	***

\* Cumulative Community financial contribution = EUR 280,000 + EUR 260,000 = EUR 540,000. A CFS has to be provided because cumulative amount > 375,000. After the submission of CFS, the calculation of the cumulative amount re-starts from 0 for period 3.

\*\* Cumulative Community financial contribution = EUR 380,000. A CFS has to be provided because the cumulative amount > 375,000. After the submission of the CFS, the calculation of the cumulative amount re-starts from 0 for period 5.

\*\*\* Community financial contribution for period 4 = EUR 80,000 < EUR 375,000 therefore no need for CFS for the last reporting period

## 6.2. Certificate on the Methodology

The CFS is a certificate that is submitted after the costs are incurred and claimed.

As an additional option, under FP7, the ERC GA allows beneficiaries submit a certificate on the methodology which they will use **for the identification of personnel and indirect costs (not for other costs)**, prior to the costs being claimed. **This certificate should be submitted by the Commission and once approved, this certificate allows the Commission services to have reasonable assurance on the reliability of the beneficiaries' costing methodology for the preparation of cost** claims with regard to both personnel (either actual or average), and indirect costs (other than flat rates), and the related control systems. As a consequence, those beneficiaries are granted certain derogations in the periodicity of submission of CFS (detailed below). The procedures to introduce a request and to submit the certificate on the methodology are described in: [ftp://ftp.cordis.europa.eu/pub/fp7/docs/guidelines-audit-certification\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/guidelines-audit-certification_en.pdf)

The following stages can be identified:

### 1. Request to use this certificate by the beneficiary

The submission of a certificate on the methodology is subject to the following conditions:

- The submission of this type of certificate is entirely optional (i.e. not mandatory) for those beneficiaries falling within the criteria set by the Commission.
- The certificate is intended for beneficiaries with participating in multiple Grant Agreements or contracts (the threshold is determined at the sole discretion of the Commission). In a first stage<sup>4</sup>, this option will be open to beneficiaries

<sup>4</sup> These criteria may be adapted by the Commission on the basis of the analysis of the results of the first stage

who have participated in at least 8 contracts under FP6 with an Community financial contribution for each of them equal to or greater than EUR 375.000.

- A beneficiary that has been found guilty of making false declarations, or has failed to meet its obligations under this Grant Agreement, or found to have overstated amounts can be excluded from the Methodology Certification. This may also be the case for the beneficiaries whose methodology has been subject to repetitive changes.
- Beneficiaries who intend to opt for Methodology Certification and consider they meet the criteria may introduce a "request" to the Commission. This request can be introduced only by electronic mail to the following mailbox:

<mailto:RTD-FP7-Cost-Methodology-Certification@ec.europa.eu>

## 2. Acceptance or rejection of the request by the Commission services according to established criteria

The Commission has 30 calendar days to accept or reject the request. In case the request is not accepted, a decision with explanation will be communicated to the beneficiary concerned. The absence of a response within 30 days of receipt of the request cannot be considered as acceptance. This time limit may be extended if some clarification or additional information is needed.

## 3. Submission of the certificate on the methodology

- Once the request has been accepted, the certificate must be submitted in the form of a report prepared and certified by an external auditor (or competent public officer for public bodies and secondary, higher education establishments and research organisations<sup>5</sup>) in the form outlined in the ERC GA (Annex VII b) to ERC GA).

The certificate can be submitted at any time during the implementation of FP7 and at the earliest on the start date of the project of the first GA signed by this beneficiary under FP7. This certificate can be submitted **only** by electronic mail to the following mailbox:

[RTD-FP7-Cost-Methodology-Certification@ec.europa.eu](mailto:RTD-FP7-Cost-Methodology-Certification@ec.europa.eu)

## 4. Acceptance or rejection of the certificate by the Commission services

The Commission will usually accept or reject the certificate within 60 calendar days. The absence of a response within the 60 days of receipt of the request cannot be considered as an acceptance. This period can be longer if any clarification or additional information is needed. The consequences of the acceptance and use of the certificate on the methodology are as follows:

- The requirement to provide an intermediate CFS for interim payment claims (even if cumulatively the Community financial contribution is equal or superior to EUR 375,000 will be waived from the date of the notification of the acceptance of the certificate by the Commission.

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<sup>5</sup> Cf. Article II.4 of ERC GA

- A beneficiary should only submit a CFS for the final payment, if cumulatively its Community financial contribution is equal or superior to EUR 375,000. This CFS will cover the eligible costs for the total Community financial contribution. However, for personnel and indirect costs, the auditors should only focus on checking compliance with the certified methodology and systems, omitting individual calculations. A detailed description of the audit procedures to be carried out by the auditors is provided in the "Guidance notes for audit certifications".
  - Once the certificate is accepted, it stays valid for all subsequent financial statements submitted by the same beneficiary under the Seventh Framework Programme, unless the beneficiary's methodology changes or if an audit or other control performed by the Commission services or on its behalf demonstrates that the methodology certified can no longer be maintained in its present form. In these cases, the beneficiary should submit another certificate on the methodology. Until the acceptance of this new certificate, the requirement to provide intermediate CFS would not be waived. The beneficiary should declare any change in its methodology. A beneficiary that has been found guilty of making false declarations or has failed to meet its obligations under this Grant Agreement will be liable to financial penalties according to Article II. 25 of ERC GA.
- Consequences of rejection by the Commission:
    - In case the certificate can not be accepted, a decision with explanation will be communicated to the beneficiary. The beneficiary will be invited to submit another certificate on the methodology which is compliant with the requirements of the Commission. Until the acceptance of the certificate on the methodology, the requirement to provide intermediate certificates on the financial statements remains.

*Example:*

*A beneficiary who has obtained a Certificate on the Methodology and who is participating in a project with three reporting periods*

<i>Claim No.</i>	<i>Eligible costs</i>	<i>Community financial contribution</i>	<i>Cumulative amount for which a CFS has not been submitted</i>	<i>CFS required</i>	
<i>1</i>	<i>EUR 190,000</i>	<i>EUR 190,000</i>	<i>EUR 190,000</i>	<i>NO</i>	
<i>2</i>	<i>EUR 205,000</i>	<i>EUR 205,000</i>	<i>EUR 395,000</i>	<i>NO</i>	<i>(1)</i>
<i>3</i>	<i>EUR 250,000</i>	<i>EUR 250,000</i>	<i>EUR 645,000</i>	<i>YES</i>	
<i>Total</i>	<i>EUR 645,000</i>	<i>EUR 645,000</i> <i>Contribution to personnel &amp; overheads: EUR 500,000</i>  <i>Contribution to other costs: EUR 145,000</i>	<i>EUR 645,000</i>		

*(1) Cumulative amount above EUR 375,000 threshold. However, as a certificate on the methodology approved by the EC services exists, there is no need to provide a CFS on interim payments*

### 6.3. Certificate on average personnel costs

A beneficiary may opt to declare average personnel costs. For this purpose, a **certificate on the methodology to calculate the average personnel costs**, ("certificate on average personnel costs") must be submitted to the Commission services for approval. This methodology must be consistent with the beneficiary's management principles and usual accounting practices. Averages calculated according to the methodology are not expected to differ significantly from actual personnel costs. Such certificates on average personnel costs will have the following characteristics:

- When a beneficiary opts to declare average personnel costs, this certificate is mandatory, unless another certificate on the methodology (cf. n°2) has already been provided. In this case, the certificate on the methodology replaces the certificate on average personnel costs. For this reason, beneficiaries who use average personnel costs and fulfil the eligibility conditions to submit a certificate on the methodology should consider the latter, rather than submitting a certificate on average personnel costs.
- The following is a summary of the steps involved in the submission of certificates:

(Detailed information is provided in:

[ftp://ftp.cordis.europa.eu/pub/ftp7/docs/guidelines-audit-certification\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/ftp7/docs/guidelines-audit-certification_en.pdf)):

#### 1. Submission of the certificate on average personnel costs

- The certificate must be submitted in the form of a report prepared and certified by an independent external auditor (or by a competent public officer for public bodies, secondary and higher education establishments and research organisations<sup>6</sup>) in accordance with the section relating to personnel costs of ANNEX V- B Form – Terms of reference for the certificate on the methodology.
- The certificate can be submitted at any time during the implementation of FP7 but at the earliest after the start date of the project of the first Grant Agreement signed by this beneficiary under FP7. This certificate can be sent only by electronic mail to the following mailbox:

[RTD-FP7-Average-Personnel-Rate-Certification@ec.europa.eu](mailto:RTD-FP7-Average-Personnel-Rate-Certification@ec.europa.eu)

#### 2. Acceptance or rejection of the certificate by the Commission services

- The Commission will usually accept or reject the certificate within 60 calendar days. However, absence of a response within 60 days of receipt of the request cannot be considered as an acceptance. This period can be longer, if additional information is needed.
- Consequences of acceptance and use of the certificate on the average personnel costs:

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<sup>6</sup> Cf. Article II.4 of ERC GA

- The beneficiary is allowed to declare average personnel costs.
  - Once the certificate is accepted, it is valid for all subsequent financial statements from the same beneficiary submitted under FP7, unless the beneficiary's methodology changes, or if an audit or other control performed by Commission services, or on their behalf, demonstrates that the certification can no longer be acceptable as it stands. In these cases, the beneficiary should submit another certificate on the average personnel costs. Until acceptance of this new certificate, the beneficiary cannot charge average personnel costs. The beneficiary should declare any change in its methodology. A beneficiary guilty of making false declarations or was found to have failed to meet obligations under this Grant Agreement will be liable to financial penalties, according Article II. 25 of ERC GA.
  - It does not waive the obligation to provide an intermediate CFS (whenever the EUR 375,000 threshold is reached), unless this is part of the certificate on the methodology.
  - Average personnel costs charged by this beneficiary according to the methodology are not expected to differ significantly from actual personnel costs.
  - The auditors will only focus on checking compliance with the certified methodology and systems, and will not review individual calculations.
- Consequences of rejection by the Commission:
    - In case the certificate is rejected, a decision with an explanation will be communicated to the beneficiary. The beneficiary will be invited to submit another Certificate on the Methodology which is compliant with Commission requirements. Until the Certificate on Average Personnel costs is accepted, the beneficiary cannot charge average personnel costs.

## Comparison between certificates:

	<b>Certificate on Financial Statements (CFS)</b>	<b>Certificate on the Methodology</b>	<b>Certificate on Average Personnel costs</b>
<b>Basis</b>	<b>Article II.4</b>	<b>Article II.4</b>	<b>Article II.4</b>
<b>Who</b>	Mandatory for all beneficiaries based on conditions set up in the ERC GA	Optional and foreseen for a limited number of beneficiaries based on <u>criteria to be defined by the Commission</u>	Mandatory for beneficiaries using Average Personnel Costs unless a Certificate on the Methodology is provided. In this case, the Certificate on the Methodology replaces the Certificate on Average Personnel costs
<b>Condition</b>	<p>If total contribution &lt; 375,000 €, no certificate</p> <p><b>For projects &gt; 2 years:</b> Interim and/or final payment Each time that the cumulated Community financial contribution not yet certified = 375.000 €</p> <p><b>For projects = 2 years:</b> If total contribution = €375,000 Only one CFS at the final payment.</p> <p><b>Exception:</b> When Certificate on the Methodology is accepted by the Commission, CFS not required for interim payment.</p>	For beneficiaries participating in multiple Grant Agreements/contracts	<p>The method has to be consistent with the management principles and usual accounting practices of the beneficiary</p> <p>The average costs cannot differ significantly from actual personnel costs.</p>
<b>Scope</b>	The project and reporting periods concerned. It covers all eligible costs not yet certified	By default, all the beneficiary's projects throughout FP7	By default, all the beneficiary's projects throughout FP7
<b>Timing</b>	<p><b>For projects &lt;= 2 years:</b> at the final payment</p> <p><b>For projects &gt; 2 years:</b> When criteria are met</p>	At any time of the implementation of FP7 but at the earliest on the start date of the first project signed under FP7	At any time of the implementation of FP7 but at the earliest on the start date of the first Grant Agreement signed under FP7
<b>Form</b>	Detailed description verified as factual by external auditor or competent public officer Independent report on factual findings (Annex V form A)	Independent report on factual findings (Annex V Form B)	Independent report on factual findings (relevant part of form B)
<b>Advantages</b>	<b>Applying the CFS will increase the certainty on the eligibility of costs for the beneficiary</b>	<p>When a Certificate on the Methodology is accepted by the Commission, no CFS required for interim payments</p> <p>If the Methodology is accepted, no risk of rectification after audit if the method is applied correctly</p>	<p>If the Methodology is accepted, the average costs are deemed not to differ significantly from actual costs.</p> <p>If the Methodology is accepted, no risk of rectification after audit if the method is applied</p>

## 7. APPROVAL OF REPORTS – TIME LIMIT FOR PAYMENTS (THIS SECTION CONTAINS è [ERC] SPECIFIC FEATURES)

- *Approval of reports, deliverables and time-limit for payments (Article II.5 of ERC MGA)*

### Key points:

- **Scientific periods and financial periods may not coincide in ERC projects**
- **Payments are made upon approval of financial management reports and within 105 days from their reception; this time-limit may be suspended in case of a request for additional information.**
- **Under certain circumstances, payments may be suspended.**
- **The consequences of the non-approval of a scientific report may be the termination of the grant agreement or additional conditions to be fulfilled before the next payment can be done.**

è [ERC] According to the specific conditions set out in article 4 of the core Grant Agreement, scientific reporting periods and financial management periods may be of different durations.

At the end of each **financial management reporting period**, the ERC-DIS will evaluate and approve financial management reports and disburse the corresponding payments within 105 days of their receipt.

The ERC-DIS may suspend the time limit in accordance with art II.5.3.c of ERC GA. In particular, the time limit may be suspended if any report due at the end of the financial management reporting period is not supplied, or is not complete or if additional information is requested. This also applies to any scientific report due at the end of the scientific reporting period, or prior to the financial management reporting period.

The ERC-DIS may suspend the payment or part of it at any time subject to conditions listed in article II.5.3.d of the ERC GA

At the end of each **scientific reporting period**, the ERC-DIS will evaluate and approve the scientific report(s). When the end of a scientific reporting period does not coincide with the end of a financial management reporting period, and in case the scientific report is rejected or conditionally approved, the financial consequences will be as follows:

- if the scientific report is approved conditionally: At the end of the next financial management period, the payment will be subject to verification that the conditions are properly fulfilled;
- the scientific report is rejected and a revised version of the report is requested: At the end of next financial management period the payment will be subject to verification that a revised report has been submitted and approved;
- the scientific report is rejected and the ERC-DIS starts the procedure for terminating the Grant Agreement: Final reports submitted within the framework of the termination will be due for the end of next financial management period.

## 8. PAYMENTS MODALITIES (THIS SECTION CONTAINS è [ERC] SPECIFIC FEATURES)

- *Payment modalities (Article II.6 of ERC MGA)*

### Key points:

- **There are three types of payments: initial (in form of a pre-financing), interim (at the end of each interim financial period) and final (end of project)**

è [ERC] The following types of payments are foreseen:

### 8.1. - Initial payment in the form of pre-financing (point 3 of this guide).

### 8.2. Interim payments following the approval of periodic financial management reports

After approval of the periodic financial management reports, interim payments follow and are calculated on the basis of the accepted eligible costs and the corresponding reimbursement rate, as indicated in Article II.16 of ERC GA. The amounts paid for interim payments correspond to the accepted Community financial contribution. However, the total amount of interim payments + pre-financing is limited to 90% of the maximum Community financial contribution. As mentioned in the examples below, this may imply that in some cases payment for the interim financial management periods may be reduced in order to respect this limit.

*Example:*

*Maximum Community financial contribution to the project: EUR 1,000,000*

*Pre-financing: EUR 400,000*

*Costs accepted for the 1st reporting period: EUR 280,000*

*Interest generate (by the pre-financing of EUR 400,000) = EUR 5,000*

*Interim payment following the 1st reporting period: EUR 280,000 – EUR 5,000 = EUR 275,000*

### 8.3. Final payment following the approval of final report

The final payment will be transferred after the approval of the final reports and it consists of the difference between the calculated Community financial contribution (on the basis of the eligible costs) minus the amounts already paid.

The total payment is however limited to the maximum Community financial contribution as defined in Article 5 of ERC GA. If the total amount already paid is higher than the accepted Community financial contribution, the ERC-DIS will recover the difference. Also, at this stage the ERC-DIS will order the Fund to release the amount of the Guarantee Fund according to the provisions of Article II.21 of ERC GA.

*Example 1:*

*Project duration: 5 years*

*Maximum Community financial contribution: EUR 1,000,000*

*Ceiling: EUR 900,000 (10% retention)*

*Cumulative payments*

Period 0	Pre-financing	400,000		400,000
Period1	Accepted Costs:	280, 000	Interim payment P1: 280,000	680,000
Period2	Accepted Costs:	260,000	Interim payment P2: 220,000	900,000 (to respect ceiling)
Period3	Accepted Costs:	380,000	Interim payment P3: 0	900,000 (to respect ceiling)
Period4	Accepted Costs:	80,000	Final Payment 100,000	1,000,000

## 9. CONVERSION RATES

- *Payment modalities – Conversion rates (Article II.6.4 of ERC MGA)*

### Key point:

- **Cost must be reported in EUR and conversions from other currencies shall follow specific rules**

Costs must be reported in EUR. Beneficiaries with accounts in currencies other than EUR must report in EUR on the basis of the applicable exchange rate, as:

- on the date that the actual costs were incurred, or
- on the rate applicable on the first day of the month following the end of the reporting period.

For both options, the daily exchange rates are fixed by the European Central Bank (ECB) and may be obtained at the following internet address: <http://www.ecb.int/stats/eurofxref/>, or on the rate of the first day of the month following the reporting period, in the relevant OJ of the European Union. For the days where no daily exchange rates have been published, (for instance Saturday, Sunday and New Year's Day) you should take the rate on the next day of publication. The use of other sources for exchange rates (other than the ECB) is admissible only where no other solution is possible (i.e. when ECB does not include the daily exchange rates for a particular currency).

Beneficiaries with accounts in EUR must convert costs incurred in other currencies (e.g. for travel expenses or equipment purchased outside the Euro zone) according to their usual accounting practice.

## 10. SUBCONTRACTING

- *Subcontracting (Article II.7 of ERC MGA)*

### Key points:

- **Subcontracting shall be an exception and restricted to provision of services**
- **Subcontracted tasks must be described in the Annex I (Description of Work) to the Grant Agreement**

### 10.1. Definitions

The general rule is that beneficiaries must implement the indirect action and must have the necessary resources. However, it is accepted that when the GA provides for such services specifically and as an exception, certain parts of the work may be subcontracted.

A subcontractor is a kind of third party, i.e. a legal entity which is not a beneficiary of the ERC GA, and is not signatory to it. It appears in the project because one of the beneficiaries calls on its services to carry out part of the work, usually for specialised jobs that it can not carry out itself or because it is more efficient to use the services of a specialised organisation (e.g. setting up a website for the project).

The subcontractor is defined by certain characteristics:

- The agreement is based on "business conditions"; this means that the subcontractor charges a price, which usually includes a profit for the subcontractor. This makes it different from other third parties' contributions where the third party charges only for the costs of the activity.
- The subcontractor works without the direct supervision of the beneficiary and is not hierarchically subordinate to the beneficiary (unlike an employee). The working place of the subcontractor, its accounting rules and internal organisation are also different.
- The subcontractor carries out parts of the work itself, whereas other third parties (with some exceptions) only make their resources to a beneficiary available on the basis of a previous agreement and in order to support a beneficiary by providing resources.
- The subcontractor's motivation is financial, not the research work itself. It is a third party whose interest in the project is only the profit that the commercial transaction will bring. A subcontractor is paid in full for its contribution made to a project by the beneficiary with whom it has a subcontract. As a consequence subcontractors do not have any IPR rights on the foreground of the project.
- The responsibility vis-à-vis the EC for the work subcontracted lies fully with the beneficiary. The work that a subcontractor carries out under the project belongs to the beneficiary in the ERC GA. A subcontractor has no rights or obligations vis-à-vis the ERC-DIS or the other beneficiaries, as it is a third party. However, the beneficiary must ensure that the subcontractor can be audited by the ERC-DIS or the Court of Auditors.

**Accordingly, in a multi-beneficiary project, subcontracting between beneficiaries in the same GA is not accepted.** All participants, by definition, contribute to and are interested in the project, and where one participant needs the services of another in order to perform its part of the work, it is the second participant who should declare and charge the costs for that work.

## **10.2. Tasks which can be subcontracted and conditions**

Subcontracting may concern only certain parts of the project, as the implementation of the project lies with the participants. Therefore, the subcontracted parts in principle should not be "core" parts of the project work. In cases where it is proposed to subcontract substantial/core parts of the work, this question should be carefully discussed with and approved in advance by the ERC-DIS and those tasks should be identified in Annex I of the ERC GA. Usually in such cases, the intended subcontractor could instead become a beneficiary, or the beneficiary should find

another beneficiary able to perform that part of the work, in the case of a multi-beneficiary project.

*What is a "core" part of the work?*

Usually subcontracts **do not concern the research work itself**, but tasks or activities needed in order to carry out the research, auxiliary to the main object of the project. Subcontracts may involve large amounts of money, even though they have nothing to do with the core parts of the project. Their purpose might be just to facilitate/make possible the research work. In any case, it is recommended that the specific case be discussed with the ERC-DIS.

*Examples:*

- § *Beneficiary A needs to dig a 300-metre deep trench in order to carry out some experiments. A subcontract to engage an organisation with the adequate equipment to carry out the task is required. This may consume 50% of the total project cost - however it is justified.*
- § *Beneficiary B needs to collect data and interrogate databases in different countries, in order to decide the best place to install a pilot plant. A company specialised in electronic data collection is subcontracted for that task.*

Coordination tasks of the principal beneficiary for a multi-beneficiary project such as the distribution of funds, the review of reports and others tasks mentioned under Article II.2.3 to ERC GA cannot be subcontracted. Other project management activities could be subcontracted under the conditions established for subcontracting.

As mentioned above, the beneficiary remains responsible for all its rights and obligations under the ERC GA, including the tasks carried out by a subcontractor. The beneficiary must ensure that the intellectual property that may be generated by a subcontractor reverts to the beneficiary so that it can meet its obligations towards the other beneficiaries in the ERC GA. Any bilateral agreement between subcontractor and beneficiary should include this, as well as the respect of the obligations mentioned in Articles II.10, II.11, II.12, II.13 and II.22 of ERC GA which concern, among others, obligations related to information and communication of data, and financial audits and controls.

*Details to be included in Annex I of the Grant Agreement and selection of subcontractors*

The need for a subcontract must be detailed and justified in Annex I of the ERC GA, following the principles mentioned above and taking into account the specific characteristics of the project. It is **the work (the tasks)** to be performed by a subcontractor that has to be identified in Annex I of the ERC GA. The identity of the subcontractors does not need to be indicated in Annex I of the ERC GA. However, if the identity of the subcontractor is indicated, the beneficiaries are nevertheless bound to demonstrate that the selection of the subcontractor complied with the principles described below.

The description of the tasks to be subcontracted should include a financial estimation of the costs. It is also important to have regard to the procedure to be used for the selection of the subcontractor, which should be proportionate to the size of the subcontract.

Article II.7.2 of ERC GA requires beneficiaries to ensure that transparent bidding procedures are used before selecting a subcontractor.

"Any *subcontract*, the costs of which are to be claimed as an eligible cost, must be awarded to the bid offering best value for money (best price-quality ratio), under conditions of transparency and equal treatment."

The procedure to be applied for the award of subcontracts depends on the status of the beneficiary, i.e. whether the beneficiary is a public or a private entity:

- Public entities must follow the procurement principles established by their national authorities. For subcontracts exceeding certain amounts, the directive on public procurement of services applies and the publication of a call for tenders is mandatory. **However, they should in any case comply with the terms of the ERC GA.**
- Private legal entities should follow the rules which they usually apply for the selection of procurement contracts, in any case respecting the terms of the ERC GA. The publication of a call for tenders is normally not necessary for private legal entities, but they must at least require submission of several quotes (usually a minimum of three), unless it has an established framework contract for the provision of those services. There should be a proportional relationship between the size in terms of work and cost of the tasks to be subcontracted on the one hand and the degree of publicity and formality of the selection process on the other.

The **procedure must ensure conditions of transparency and equal treatment**. At the request of the ERC-DIS and especially in the event of an audit, beneficiaries must be able to demonstrate that they have respected the conditions of transparency and equal treatment. Beneficiaries must be able to prove that:

- the criteria and conditions of submission and selection are clear and identical for any legal entity making a bid;
- there is no conflict of interest in the selection of the offers;
- the selection must be based on the best value for money given the quality of the service proposed (best price-quality ratio). It is not necessary to select the lowest price, though price is an essential aspect.
- the criteria defining "quality" must be clear and coherent according to the purpose of the task to subcontract, in order to provide a good analysis of the ratio price/quality.

### *Framework Contracts*

Many companies have framework contracts with a third party to carry out routine or repetitive tasks. They have been established before the beginning of the project, and are the usual practice of the beneficiaries for a given type of task. These framework contracts can be used to carry out tasks necessary for implementing the EC project provided they have been established on the basis of the principles of best value for money and transparency mentioned above.

### *Minor tasks*

Minor tasks correspond to minor services, which are not project tasks identified as such in the Annex I but are needed for implementation of the project (quite different

from, for instance, analysing samples or building a pilot plant). They do not have to be specifically identified in Annex I of the ERC GA, as by definition their importance is minor (the amounts involved are also normally small). However, the selection procedure mentioned above also applies to these subcontracts.

### **The criteria to decide whether a subcontract concerns minor tasks are qualitative and not quantitative**

*Examples:*

- § *Organisation of the rooms and catering for a meeting*
- § *Printing of material, leaflets, etc.*

Subcontracting costs are direct costs. They have to be identified by beneficiaries in the financial statement form (Annex IV to ERC GA).

## **11. SUSPENSION OF THE PROJECT**

- *Suspension of the project (Article II.18 of ERC MGA)*

### **Key points:**

- **A project may be suspended pending the solution of specific problems**
- **During a suspension, no costs incurred can be eligible**

Under the conditions mentioned in Article II.8 of ERC GA, the ERC-DIS may suspend the whole project or parts of the project. Suspending a project has the effect of interrupting the execution of a project in order to fix specific problems or to re-establish an operational status. Once the reasons for the suspensions are no longer present, the project can – upon the receipt of a written confirmation by the ERC-DIS service in charge – continue at the stage reached before the suspension.

During the period of suspension, no costs can be charged to the project for carrying out any part of the project that has been suspended. If the ERC-DIS services in charge end the suspension and allow the project to continue, the remaining project budget can be used under the given rules. If the suspension leads into a termination of the ERC GA, no further costs can be charged to the project except for costs described under Article II.36 (or Article II.38 for multi-beneficiary projects) of ERC GA.

## **12. ELIGIBLE COSTS**

- *Eligible costs (Article II.14 of ERC MGA)*

### **Key points:**

- **In order to be eligible, costs must be actual, incurred for the sole purpose of achieving the project objective and during the related period, determined according to the usual management and accounting practices of the beneficiary and indicated in the Annex I of the Grant Agreement**
- **Identifiable indirect taxes are not eligible costs**
- **Cost incurred by third parties may be eligible under certain conditions**

## 12.1. Principle and eligibility criteria

The maximum EC grant is based on an estimation of eligible costs prepared by the beneficiary(ies) and agreed with the ERC-DIS(see Article 5 of ERC GA), to which the reimbursement rate is applied.

Estimation of eligible costs of the project must be shown in detail in the provisional budget included in the Grant Preparation Forms (GPF) and subsequently in the technical Annex (Annex I of the ERC GA).

In order to be considered for reimbursement, costs incurred by the beneficiaries in the course of the project, must satisfy the eligibility criteria laid down by ERC GA. It must be stressed that subject to these criteria, it is always the ERC-DIS which takes the final decision on the nature and amount of the costs to be considered eligible, either when analysing proposals for the establishment of the estimated budget to be annexed to the ERC GA or when examining financial statements for the purposes of determining the Community financial contribution.

Eligible and non-eligible direct and indirect costs

**Direct eligible costs** are those which support all the research, management, training and dissemination activities necessary for the conduct of the project, such as:

- Personnel Costs
- Equipment Costs
- Consumables
- Travel and Subsistence Costs
- Publication Costs (page charges and related fees for publication of results)

**Indirect eligible costs** are those which cannot be identified as directly attributable to the project, but which are incurred in direct relationship with the project's direct eligible costs, such as:

- Costs related to general administration and management;
- Costs of office or laboratory space, including rent or depreciation of buildings and equipment, and related expenditure such as water, heating, electricity,
- Maintenance, insurance and safety costs;
- Communication expenses, network connection charges, postal charges and office
- Supplies;
- Common office equipment such as PC's, laptops, office software;
- Miscellaneous recurring consumables.

**Non-eligible costs**, in particular:

- Any identifiable indirect taxes, including VAT or duties;
- Interest owed;
- Provisions for possible future losses or charges;

- Exchange losses;
- Costs declared, incurred or reimbursed in respect of another Community project;
- Costs related to return on capital;
- Debt and debt service charges;
- Excessive or reckless expenditure;

Can not be reimbursed through the ERC grant.

To be considered eligible costs must be:

- **actual (Article II.14.1.a) of ERC GA)**

Costs must be actually incurred (actual costs). That means that they must be real and not estimated, budgeted or imputed.

Where actual costs are not available at the time of establishment of the certificate on the financial statements, the closest possible estimate can be declared as actual if this is in conformity with the accounting principles of the beneficiary. This must be mentioned in the financial statement. Any necessary adjustments to these claims must be reported in the financial statement for the subsequent reporting period. For the last period the costs should be submitted based on the information available at the moment of preparing the financial statement

Specific case of average personnel costs

Only actual costs are in principle eligible for cost reimbursement.

Beneficiaries may opt to declare average personnel costs if consistent with the management principles and usual accounting practices and if based on a certified methodology approved by the Commission as described in Section 2 of Part A (Article II.4 of ERC GA). These costs are deemed not to significantly differ from actual personnel costs.

Such a certificate needs to be issued in accordance with the provisions laid down in Article II.4 of ERC GA and the relevant part of Annex V to ERC GA.

A beneficiary could opt to declare real costs for non-permanent staff and provide a certificate of average costs for permanent personnel. This should be explained in the methodology submitted to the Commission. For more information please refer to Article II.4.5.

- incurred by the beneficiary (Article II.14.1.b) of ERC GA)

Supporting documents proving the payment of the costs by the beneficiaries must be kept for all costs and for up to five years after the end of the project.

- incurred during the duration of the project, with the exception of costs relating to final reports and certificates on financial statements (Article II.14.1.c) of ERC GA)

Only costs generated during the lifetime of the project can be eligible. As a result the period during which the project starts determines the period of eligibility of the corresponding costs (Article 2 of the ERC GA – Duration and start date of the project). The ERC GA foresees an exception for costs incurred in relation to final reports and reports corresponding to the last period as well as certificates on the financial statements when requested at the last period and final reviews if applicable. These costs may be incurred during the period of up to 60 days after the end of the project or the date of termination, whichever is earlier.

It may be that some costs have not been paid when the request for the final payment is sent, in particular because the beneficiary is waiting for the final payment of the grant in order to be able to pay this expenditure. This situation is acceptable if it is certain that a debt exists (invoice or equivalent) for services or goods actually supplied during the lifetime of the project and the final cost is known; the ERC-DIS is entitled to check whether payment was actually made by asking for supporting documents to be produced when the payment has been made or during an ex post audit carried out later.

*Are depreciation costs for equipment used for the project but bought before the start of the project eligible?*

If the equipment is not yet fully depreciated according to the usual accounting practices or principles of the beneficiary, then the remaining depreciation (according to the amount of use, in percentage and time) can be eligible under the project.

*Example:*

*Equipment bought in January 2005, has a depreciation period of 48 months according to the beneficiary accounting practices. If a GA is signed in January 2007 (when 24 months of depreciation have already passed), and the equipment is used for this ERC GA, the beneficiary can declare the depreciation costs incurred under the project for the remaining 24 months.*

Costs related to preparing and submitting the proposal can never be charged to the project.

- Determined according to the usual accounting and management principles and practices of the beneficiary identifiable and verifiable (Article II.14.1.d) of ERC GA)

Costs must be determined according to the applicable accounting rules of the country where the beneficiary is established and "*according to the usual accounting and management principles and practices of the beneficiary*".

This also means that they should not create specific accounting principles for FP7 projects. If in their usual accounting principles a particular cost is always considered as an indirect cost they should also consider it as such in an FP7 indirect action.

Costs which cannot be justified are considered not eligible, as a matter of principle. The Grant Agreement states that "*the beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents*".

The purpose of this provision is to give some assurance about the source of the costs and receipts declared, which must come directly from the beneficiary's accounts and be backed up by appropriate supporting documents. However, as the ERC GA only provides for a flat rate for indirect costs, by definition these indirect costs do not need to be backed up by accounting documents (see Article II.15.2 of ERC GA)

More explanations on justification and recording of costs are given in Article II.15 of ERC GA.

- used for the sole purpose of achieving the objectives of the project and its expected results, in a manner consistent with the principles of economy, efficiency and effectiveness (Article II.14.1.e) of ERC GA)

These costs must be essential for the performance of the project and would not have been incurred if the project had not taken place.

The concept of correctly matching estimated costs and expected achievements is a fundamental criterion: the beneficiary must be able to justify the resources used to attain the objectives set. The Community grant must not be diverted to finance other projects.

**The principles of economy, efficiency and effectiveness:** refers to the standard of "good housekeeping" in spending public money effectively. Economy can be understood as minimising the costs of resources used for an activity (input), having regard to the appropriate quality and can be linked to efficiency, which is the relationship between the outputs, in terms of resources used to produce them. Effectiveness is concerned with measuring the extent to which the objectives have been achieved and the relationship between the intended impact and the actual impact of an activity. Cost effectiveness means the relationship between project costs and outcomes, expressed as costs per unit of outcome achieved.

Costs must be reasonable and comply with the principles of sound financial management, with the objectives of the project and with the formal aspects of the reporting of this expenditure, including the follow-up of the budget in terms of budget allocation and schedule of the cost.

- recorded in the accounts of the beneficiary and, in the case of any contribution from third parties, they must be recorded in the accounts of the third parties (Article II.14.1.f) of the ERC GA)
- have been indicated in the estimated overall budget annexed to ERC GA – Annex I (Article II.14.1.g) of the ERC GA)

When the maximum EC financial contribution is determined, the eligible costs will appear in the estimated budget. It is possible, without an additional agreement, to authorise certain transfers of costs between eligible cost items in the estimated

budget within the overall amount of eligible costs, in the conditions mentioned in Article 5.2 of ERC GA.

Financial information included in the Annex I (including the estimated breakdown of budget) is an estimate and therefore its modification will not necessary require an amendment to the grant agreement. However, the financial management reports will address and justify as appropriate any significant deviation from this estimate.

For multi-beneficiary projects:

The table showing the breakdown of funds included in Annex I (Description of Work) to ERC GA is an estimate. The transfer of budget between beneficiaries is allowed without the need for an amendment of the ERC GA. However, a condition for this is that the work is still carried out as foreseen in Annex I of the ERC GA. The principal beneficiary should verify this on a case-by-case basis, but in practical terms, principal beneficiaries (and beneficiaries via the principal beneficiary) are encouraged, where a transfer may affect the "Description of Work" (most cases), to check this (i.e. by e-mail) with the Financial Officer in the ERC-DIS. Such an e-mail (or other written) communication would avoid later disagreement on the interpretation of this condition.

**An amendment to the GA is necessary in all cases where the budget transfer arises from a significant change in Annex I. A significant change refers to a change that affects the technical work as foreseen in Annex I of the ERC GA, such as the subcontracting of a task that was initially meant to be carried out by a beneficiary. In case of doubt, it is recommended to consult the relevant Financial Officer within the ERC-DIS.**

For beneficiaries from International Cooperation Partner Countries<sup>7</sup> (ICPC) it is foreseen that they may opt to receive the Community financial contribution in the form of a lump sum or in the form of a reimbursement of eligible costs. As an exception, in GA with ICPC participants, beneficiaries can make a budget transfer from the part of the grant reimbursed on the basis of costs to the part reimbursed as a lump sum (and vice versa).

The reason for this is that in these cases the number of researchers per year used by these ICPC has to be justified. In these cases, transfers between beneficiaries using lump sums is also possible. In any of these cases, the maximum total Community financial contribution granted for the project applies.

## **12.2. Non eligible costs**

Certain costs are, specifically excluded from the eligible costs. The list of these costs mentioned in the Grant Agreement must be regarded as a minimum reference list and must be fully complied with.

The standard model provides that the following cost is not eligible:

- identifiable indirect taxes including value added tax.

In general, the beneficiary is entitled to charge to the project only the net value of the invoice, provided that all eligibility criteria are met. Identifiable VAT is not eligible. As mentioned above, indirect taxes will be allowed when not identifiable. This may be for example the case with foreign invoices where the price indicated is gross without identifying the tax. In any case, the beneficiary should be able to justify this in the event of audit.

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<sup>7</sup> Article 2.12 of Regulation (EC) N° 1906/2006 defines these as "a third country which the Commission classifies as low-income, lower-middle-income or upper-middle-income country and which is identified as such in the work programmes".

### *The particular case of airport taxes*

In general, airport taxes are not real taxes in the sense of tax law but a fee for a service delivered by a public or semi public body in charge of a (public) service, such as airports (independent of the fact that that some airports might have a private legal form). In this case the airport taxes imposed by these authorities may be considered a fee and therefore eligible because they are neither a duty nor an indirect tax. Usually the invoice makes reference to "service charge", "charge" etc...If the invoice, however, only mentions "airport taxes", the beneficiary should use other means to prove that the so called "airport tax" is not a tax.

*Examples: Fuel surcharge, insurance surcharge, etc. are eligible costs; Air passenger duties are not eligible costs (see below)*

- duties : mean the amount assessed on an imported or (less often) exported item, nearly equivalent to taxes, embracing all taxation or charges levied on persons or things [or the tax imposed on the importation, exportation, or consumption of goods],
- interest owed,
- provisions for possible future losses or charges,
- exchange losses, cost related to return on capital,
- costs declared or incurred, or reimbursed in respect of another Community project, (avoiding double funding )
- debt and debt service charges, excessive or reckless expenditure: Excessive should be understood as paying significantly more for products, services or personnel than the prevailing market rates, resulting in an avoidable financial loss to the project. Reckless means failing to exercise care in the selection of products, services or personnel resulting in an avoidable financial loss to the project

### **12.3. Costs of third parties**

#### *What is a third party?*

A third party is, by definition, any legal entity which does not sign the ERC GA. A subcontractor is a type of third party, but not the only one. As the implementation of the project is the responsibility of the beneficiaries (who do sign the ERC GA), beneficiaries should have the capacity to carry out the work themselves. Therefore the rule is that the costs eligible in a project must be incurred by the beneficiaries, (the signatories to the ERC GA).

However, in some circumstances the GA accepts some third parties whose costs may be eligible.

Should a beneficiary wish to recur to the assistance of a third party in an ongoing project, this has to be discussed with the Project Officer, and if approved and in conformity with the rules, the third party contribution and resources have to be detailed in Annex I. A third party may contribute to the project in two possible ways:

- making available its resources to a beneficiary (in order for the beneficiary to be able to carry our part of the work)

- by carrying out part of the work itself.

Costs may be eligible under certain conditions:

- The third party, the tasks to be performed, an estimation of the costs and the resources allocated to the project **must be identified during the preparation of the ERC GA and mentioned in Annex I of the ERC GA by a third party** (and in some cases in a special clause in the ERC GA).
- In the case of **third parties carrying out part of the work** which are not subcontractors, the beneficiaries will be entitled to charge their costs only in the cases covered by the special clause below. It is essential therefore to discuss these cases during the preparation of the ERC GA, and if they are accepted, to include the relevant special clause in the Grant Agreement.

In all cases, **the beneficiary retains sole responsibility for the work** of the third party and has to make sure that the third party complies with the provisions of the ERC GA.

Also in these cases (third party contributions) it is important to verify whether this contribution falls under the category of receipts (see Article II.17 of ERC GA). These contributions should also comply with the eligibility conditions of Article II.14 of ERC GA.

#### *Third parties making their resources available to a beneficiary*

This refers to the case when one or some of the resources used by the beneficiary belong to a third party; in other words, the third party does not carry out any part of the work, it just lends resources to the beneficiary. These resources are directly used by the beneficiary, and usually work is performed in its premises.

The costs of the resources of a third party charged to the project by a beneficiary must always be the actual costs incurred by the third party. In this case the use of flat rates by the third party is not allowed, even if that third party, when acting as a beneficiary in another GA, has opted for a flat rate.

- Free of charge (there is no reimbursement by the beneficiary to the third party)

This is the case where a third party makes available resources to a beneficiary, which does not reimburse the cost to the third party, but which charges the costs of the third party as an eligible cost of the project. Its costs will be declared by the beneficiary in its financial statement, included in the CFS of the beneficiary when required (as a cost and, if that is the case, as a receipt) but must be recorded in the accounts of the third party (which can be audited if required). The need for the costs to be accurately recorded in the accounts of the third party comes from the fact that such costs are not present in the accounts of the beneficiary (because they are free of charge).

It is important to remember that this covers only the case of a third party making some of its resources available to a beneficiary. It does not concern third parties carrying out part of the work themselves, which is discussed below under point B.

*Example: Researcher from one organisation seconded to work in another Research organisation or in a university.*

- Beneficiary reimburses the third party

This is not considered a third party contribution as in this case the reimbursement of the third party for these costs will be a cost for the beneficiary, who in turn will be able to claim it as an eligible cost. By definition then, these costs will appear in the accounts of the beneficiary, and therefore they will be considered as costs incurred by the beneficiary and not as costs incurred by a third party. In these cases, there is a prior agreement that defines the frame in which these resources are made available and the reimbursement to the third party covers only costs, and there will not be a profit for the third party. In any case, the details and the reasons for it should be indicated in Annex I of the ERC GA.

Here it is also important to remember that this covers only the case of a third party making some of its resources available to a beneficiary, not the case where the third party carries out part of the work

Like any other cost, these costs must comply with the conditions of Article II.14 of the ERC GA.

*Example:*

*A legal entity makes available to a beneficiary the use of an installation or specialized piece of infrastructure which the beneficiary needs in order to perform a project task. There are two possibilities here:*

- The third party charges the costs and is reimbursed by the beneficiary. This is a cost for the beneficiary and not considered as a reimbursement of a third party cost. Details and the reason for the use of the third party should appear in Annex I to ERC GA
- The third party does not charge the beneficiary for this activity; it is not reimbursed by it. If the beneficiary wants to include the cost of the third party as an eligible cost of the project, then the conditions mentioned above for "free of charge" contributions apply. Equally, the third party, the work, an estimation of the costs and the resources used should appear in the Annex I to ERC GA.

*Special cases:*

*1) Foundations, spin-off companies, etc., created in order to manage the administrative tasks of the beneficiary*

This is typically the case of a legal entity created or controlled by a beneficiary which is in charge of the financial administration of the beneficiary; this beneficiary (usually public bodies like Universities/Ministries) have a prior agreement with a spin-off company or a separate company/non-profit foundation, by means of which the latter handles the financial and administrative aspects of the beneficiaries' involvement in research projects, including all issues relating to the employment and payment of additional personnel, purchase of equipment and consumables, etc. . In most of these cases, the aim to improve and rationalise administrative and financial management has led the Universities/Ministries to establish such contracts, which are usually agreements lasting over long periods and established well before the EC project exists. Consequently, this third party often has no resources of its own. The personnel hired for the project by the spin-off/foundation works on the premises of the University (beneficiary) and under its responsibility. In this case it is the university which should be the beneficiary, and not the foundation, as the foundation does not have the resources to carry out the work.

As in the other cases of third parties' contribution, the third party and the tasks have to be identified in Annex I to ERC GA.

The agreement is not specific to the project, but it is a general agreement for the management of the ERC GA with the ERC-DIS (and/or other entities), and the costs are reimbursed either directly by the beneficiary (or by the principal beneficiary on behalf of the beneficiary in a multi-beneficiary project). The costs will not be considered as receipts.

In some cases the agreement between the beneficiary and the third party also foresees the handling of Community financial payments by the third party. Therefore, and in case the beneficiary will participate in a multi-beneficiary project, the principal beneficiary pays the Community financial contribution directly to the third party and not to the beneficiary. As a consequence, in the accounts of the beneficiary there is no trace of any reimbursement from the beneficiary to the third party. In these cases, the important issue is that even though there is no transfer between the beneficiary and the third party, the work of the third party is not carried out without reimbursement, and there is a reimbursement of costs but directly from the principal beneficiary. Thus, the costs will not be considered as receipts. Here the costs of the third party will be charged by the beneficiary in its financial statement, but they are recorded in the accounts of the third party (otherwise they would not be eligible). As these resources are used in the premises of the beneficiary, the flat rate of 20% for the calculation of the indirect costs can be applied to these costs. All reports, financial statements, etc., should be presented in the name of the beneficiary. If a CFS is required, it must certify and cover both the contributions of the beneficiary and those of the third party. For the costs incurred by the third party and used in its premises, only the real overheads of the third party should be charged. The flat rate DOES NOT apply to these costs since they are not used in the premises of the beneficiary.

*Example: Eligible Costs of a University:*

- § *Costs of personnel (usually permanent) paid by the university: EUR 100,000*
- § *Costs of personnel paid by the foundation and working in the premises of the university: EUR 80,000*
- § *Equipment bought by the foundation used on the premises of the university: EUR 20,000*
- § *Costs of administrative personnel of the foundation working in the premises of the foundation: EUR 2,500 (actual costs, including EUR 2,000 for direct and EUR 500 for indirect costs)*

*Total costs declared by the university = total direct costs (including those of the foundation) = (EUR 100,000 + EUR 80,000 + EUR 20,000 + EUR 2,000) = EUR 202,000 Indirect costs = calculated on the basis of the direct costs used in the premises of the university + real indirect costs of the foundation:*

§ *flat rate of 20% of EUR 200,000 = EUR 20,000*

§ *+500*

*Total eligible costs: EUR 202,000 + EUR 20,000 + 500 = EUR 222,500*

*Total EC funding received by the University = 100% of EUR 222,500 = EUR 222.500*

2) *The case of resources (professors/equipment) working for or used by a university but whose salaries/costs are paid by the Government.*

In this case the resources made available by the third party (the Government) to the beneficiary can be assimilated to the "own resources" of the beneficiary, and can therefore be charged to the project without being considered a receipt. The reason is that the beneficiary is free to use these resources at will. Like other contributions from third parties, these resources should be identified in Annex I to ERC GA. Their cost will be declared by the beneficiary in its own financial statement, and they should be recorded in the accounts of the third party and available for auditing if required.

This does not apply to cases where these resources/staff have been specifically seconded to the beneficiary in order to work in a specific project. In this case the costs are eligible but the rules for receipts apply.

3) *Specific "ad-hoc" agreement between a beneficiary and a third party to cooperate in a project.*

(example: the use of an installation or the secondment to a beneficiary of a professor from another entity which is not a beneficiary. In this case, if the third party is not working on the project and only lending resources, the general rules for third parties making available resources may apply. **If on the other hand the third party not only makes resources available but also carries out work**, then the third party should sign the GA and become a beneficiary; under certain conditions this kind of agreement might be treated in FP7 as a subcontract, and should then follow the related rules.

4) The case of an "interim" or temporary work agency that makes available staff to a beneficiary: this is not a third party contribution because the beneficiary pays the agency for the use of those resources. That use has a price charged to the beneficiary, who will declare it according to its usual accounting practices.

#### *Third parties carrying out part of the work*

Exceptionally here the third party performs itself certain tasks of the project, even if it does not sign the GA. The third party **carries out part of the work directly** and is responsible for this vis-à-vis the beneficiary, (although the beneficiary remains responsible vis-à-vis the ERC-DIS for the work).

Two different cases may appear:

- **The case of subcontractors:** the costs of the subcontract are part of the direct costs of the beneficiary and are registered in the accounts of the beneficiaries. The price of the subcontract is an eligible cost for the beneficiary, which like other costs must comply with the general eligibility criteria mentioned in Article II.14 of ERC GA. **The specific conditions of subcontracting are explained in Article II.7 of ERC GA, which describes this case extensively.**
- The case of entities covered by special clause 10: Only in the cases mentioned in the clause, may other third parties **carry out** (under certain conditions) part of the work for a beneficiary. For this to be possible, they have to be identified in the ERC GA via a special clause. **It is essential** to identify these cases during the preparation of the ERC GA in order to add the special

clause to allow for the reimbursement of the third parties' costs. Apart from subcontractors, (which follow their own rules as explained in Article II.7 of GA) **only third parties covered by the clause are entitled to carry out work in the project and to charge costs for it.**

*Who are the third parties (other than subcontractors) who can carry out work under the project if covered by the relevant special clause in the ERC GA?*

The ERC GA (via Special Clause no 10 to be included in Article 7) refers to third parties linked to a beneficiary. **The term "linked" refers to an established formal relationship between a third party and the beneficiary, defined by the following characteristics:**

- This relationship by nature is broad and **is not limited to the ERC GA, or specifically created for the work in the ERC GA.**
- Accordingly, its duration goes beyond the duration of the project and usually pre-dates and outlasts the ERC GA.
- It has a formal external recognition, sometimes in the framework of a legal structure (for example, the relationship between an association and its members), sometimes in the absence of legal personality through the sharing of common infrastructure and resources (joint laboratory) separate from those of the legal entities composing them, or common ownership (affiliates, holding companies).

"Ad hoc" collaboration agreements between legal entities to carry out work in the project are therefore not covered by this clause; in these cases both legal entities should be beneficiaries (with the limited exception of subcontracting in the cases where the rules allow it, as mentioned above).

*Cases specifically covered by the Special clause:*

- **Joint Research Units (JRU):** these are research laboratories/infrastructures created and owned by two or more different legal entities in order to carry out research. They do not have a legal personality different from that of its members, but form a single research unit where staff and resources from the different members are put together to the benefit of all. Though lacking legal personality, they exist physically, with premises, equipment, and resources individual to them and distinct from "owner" entities. A member of the JRU is the beneficiary and any other member of the JRU contributing to the project and who is not a beneficiary of the ERC GA has to be identified in the clause. The JRU has to meet the following conditions:
  - scientific and economic unity
  - last a certain length of time
  - recognised by a public authority
- **European Economic Interest Grouping (EEIG):** an EEIG is a legal entity created under the rules of **Council Regulation (EEC) No 2137/85 of 25 July 1985**, composed of at least two legal entities from different Member States.
- **Affiliates:** an affiliated entity means any legal entity that is under the direct or indirect control of the beneficiary, or under the same direct or indirect control

as the beneficiary. Therefore it covers not only the case of parent companies or holdings and their affiliates, but also the case of affiliates between themselves

- **Groupings:** The clause is used here either for associations, federations, or other legal entities composed of members (in this case, the Grouping is the beneficiary and the members contributing to the project should be listed). In the case of groupings without legal personality they will be treated as JRU if they meet the conditions mentioned above for Joint Research Units. Therefore structures, agreements or units without legal personality created specifically by different legal entities for their participation in the ERC GA are not considered groupings and their costs are not covered under the terms of this special clause.

*Which conditions have to be fulfilled by these third parties in order to carry out work and charge costs under the project?*

- They have to be identified in special clause 10 and their name, tasks and resources have to be described in Annex I.
- Their costs have to comply with the rules and the principles mentioned in Article II.14 è ?II.17 of ERC GA, in the same way as the beneficiaries, and must be recorded in their accounts. In other words, the rules relating to eligibility of costs, identification of direct and indirect costs and upper funding limits apply. Equally those concerning controls and audits of Article II.22 and Article II.23 of ERC GA.
- Each third party fills in its costs in an individual financial statement, and where necessary, must provide its individual certificate on financial statements and/or on the methodology independently from those of the beneficiary. The beneficiary will submit both forms and a summary report integrating both the costs of the beneficiary and those of the third party(ies).

### 13. IDENTIFICATION OF DIRECT AND INDIRECT COSTS

- *Identification of direct and indirect costs (Article II.15 of ERC MGA)*

#### **Key points:**

- **The distinction between direct and indirect costs may depend on the characteristics of the operation, as well as on the accounting practices of the beneficiary**
- **The beneficiary shall keep record of justification for direct costs; in particular, a time recording system must be used that enables the reconciliation of all personnel costs charged to the project.**
- **Indirect costs are calculated as a flat rate of 20% of direct costs (subcontracting excluded, as well as the costs of resources made available by third parties that are not used on the premises of the beneficiary).**

The reimbursement of beneficiaries will be based on their eligible direct and indirect costs.

Depending on the characteristics of the operation in question, it is possible that some costs can be considered either direct costs or indirect costs, but no cost can be taken into account twice as a direct cost and an indirect cost.

### 13.1. Direct costs

Direct costs are all those eligible costs which can be attributed directly to the project and are identified by the beneficiary as such, in accordance with its accounting principles and its usual internal rules.

The following direct costs may be considered eligible (this list is not exhaustive):

(a) The cost of personnel assigned to the project

- The personnel must be directly hired by the beneficiary in accordance with its national legislation.
- The personnel must work under the sole technical supervision and responsibility of the beneficiary.
- As there is no distinction between cost models, any beneficiary may include in its personnel costs "permanent employees", who have permanent working contracts with the beneficiary or "temporary employees", who have temporary working contracts with the beneficiary.
- Personnel costs should reflect the total remuneration: salaries plus social security charges (holiday pay, pension contribution, health insurance, etc.) and other statutory costs included in the remuneration.
- Personnel must be remunerated in accordance with the normal practices of the beneficiary.

Only the costs of the actual hours worked by the persons directly carrying out work under the project maybe charged. Working time is the total number of hours worked, excluding holidays, personal time, sick leave, or other allowances.

Only the hours worked in the project can be charged. Working time to be charged must be recorded throughout the duration of the project by any reasonable means (i.e. timesheets). Employees have to record their time on a daily, weekly, or monthly basis using a paper or a computer-based system. The time-records have to be authorised by the project manager or other superior.

Where it is the usual practice of the beneficiary to consider certain types of personnel costs (such as administrative or support personnel) as indirect costs, the costs of this personnel can not be charged as direct eligible costs, but is covered by the flat-rate of 20% of indirect costs.

If you decide to use timesheets to record working hours (please note that they are not compulsory – **any other reliable way of measuring of working time may be applied**) then they should meet at least the basic requirements indicated below:

- full name of beneficiary as indicated in the ERC GA;
- full name of the employee directly contributing to RTD project;
- title of RTD project as indicated in the ERC GA;
- project account number should be indicated;
- time period concerned (for instance on daily, weekly, monthly basis) according to the beneficiary's normal practice;

- number of hours claimed on the RTD project. All hours claimed must be able to be verified in a reliable manner;
- full name and a signature of a supervisor

The complete time recording system should enable reconciliation of total hours in cases where personnel work on several projects during the same period. It is important to remember that an effective time-recording system (a system which certifies the reality of the hours worked) is a requisite for the eligibility of the costs. A contract, as a document signed before the work is actually performed, would not be sufficient.

Also there must be some system allowing the beneficiary to indicate the activity to which the hours have been attributed. It is worth mentioning that the above elements are the basic ones, thus there are no obstacles to running the timesheets in a more detailed way.

Example of time-sheet template which may be of use:

	Name	WEEK : JANUARY 2007					
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	01	02	03	04	05	06	07
<b>R&amp;D Activities</b>							
<b>Research</b>							
Project xxxx							
Project yyyy							
Project zzzz							
<b>Management</b>							
Project xxxx							
Project yyyy							
Project zzzz							
Total R&D							
<b>Other Activities</b>							
A							
B							
C							
Total Other							
<b>Absences</b>							
Annual Leave							
Special Leave							
Illness							
Total Absences:							
Total Time :							
Signed:							
Approved:							

A simple estimation of hours worked is not sufficient. Productive hours must be calculated according to the beneficiary's normal practices. Productive hours per year should exclude annual leave, public holidays, training and sick leave. A figure of 210 working days- year could be considered representative in most cases

For example:

- Total days in a year 365
- Weekends -104
- Annual holidays -21
- Statutory holidays -15
- Illness/Others -15
- Workable days in a year 210

The above will vary depending on the personnel category, industry sector, unions, contracts and national legislation which should all be taken into account.

Productive hours have to be clearly justified and should match the underlying time records. If hours actually spent in productive tasks (as supported by time records) exceed the standard productive hours, the first must be used for the calculation of the personnel costs, unless overtime is paid.

Particular cases:

- "Teleworking": may be accepted if there is a system that allows the identification of the productive hours worked for the project.
- Overtime: may be accepted if there is a system that allows the identification of the productive hours worked for the project and is in conformity with the usual practices of the beneficiary.
- Sick leave: cannot be included in the working time.
- Parental leave of personnel assigned to the action: the amount of this allowance may be an eligible cost, in proportion to the time dedicated to the project, provided that parental leave is mandatory under national law (e.g. statutory maternity pay). Costs for the advertising to recruit a new person are not eligible but, if it is necessary for the project to replace the person, the costs of the new person will be eligible under the normal requirements.
- Benefits in kind (company car, vouchers, etc.): maybe accepted only if they are justified and in conformity with the usual practices of the beneficiary. Like all costs, they should fulfil the conditions of Article II.14.1 of ERC GA.
- Redundancy costs are not eligible.
- PhD costs: eligible if they fulfil the conditions of Article II.14.1 of ERC GA.
- For public bodies, the costs of public officials paid directly from central government or local government budgets may also be considered as eligible costs if the other provisions of Article II.14 of ERC GA are fulfilled. For more explanations concerning the case of personnel (resources) made available by third parties to a beneficiary, please see "special cases" under Article II.14.2 of ERC GA.
- The particular case of consultants

Consultants are natural (physical) persons, working for one or more beneficiaries in an FP7-project. They may be either self-employed or working for a third party.

There are three possible ways of classifying the costs of consultants (in any event costs will ONLY be eligible if they fulfil the conditions listed in Article II.14 of ERC GA):

1) They can be considered as personnel costs; regardless of whether the intra-muros consultants are self-employed or employed by a third party, if the following cumulative criteria are fulfilled:

- The beneficiary has a contract to engage a physical person to work for it and some of that work involves tasks to be carried out under the EC project,
- The physical person must work under the instructions of the beneficiary (i.e. the work is decided, designed and supervised by the beneficiary),

- The physical person must work in the premises of the beneficiary (except in the case of teleworking agreed between both parties),
- The result of the work belongs to the beneficiary (Article II.26 of ERC GA),
- The costs of employing the consultant are not significantly different from the personnel costs of employees of the same category working under labour law contract for the beneficiary.
- Travel and subsistence costs related to such consultants' participation in project meetings or other travel relating to the project would have to be paid directly by the beneficiary in order to be eligible.

2) Costs related to consultants can be considered as subcontracting costs if the beneficiary has to enter into a subcontract to hire these consultants to perform part of the work to be carried out under the project and the conditions set out in the FP7 ERC Grant Agreement, in particular if the provisions of its Article II.7 relating to subcontracting are fulfilled. In these cases, the beneficiary's control over the work to be performed by the subcontractor is determined by the nature of the subcontract - The subcontractor does not usually work on the premises of the beneficiary and the terms of the work are not so closely carried out under the direct instruction of the beneficiary.

3) The last possibility is that the consultant participates in the project as a beneficiary (either as a physical person or possibly as an SME, if it meets the definition).

- The particular case of physical persons: their legal status could be assimilated to that of an SME, if they comply with the requirements set by Commission Recommendation 2003/361/EC in the version of 6 May 2003 Their costs are eligible if they fulfil the conditions of Article II.14 of GA and they are calculated on the basis of a certified methodology approved by the Commission, based on their income (e.g. tax declarations) as recognised national law (usually fiscal law). Accordingly, the physical person should opt to declare average personnel costs, on the basis of a certified methodology approved by the Commission (see explanation on the certification on average costs under point II.4.4.3 of this guide). In this sense, it is important to remember that rates, costs, etc must correspond to the usual practices of the beneficiary and that evidence of the income and of the hours worked for the project must be recorded.

*Example: Self-employed person submits for certification a methodology for average personnel costs based on a total annual income of EUR 48,000 and on a total of 1600 productive hours in the year previous to the participation in the GA. This is approved by the Commission. Consequently, the costs charged to Project will be:*

§ *Rate per hour:  $48000/1600 = \text{EUR } 30$*

§ *Hours worked in project= 100*

§ *Costs charged: EUR 3,000*

- Eligibility of costs relating to personnel costs of owners of SME: Two possible cases may arise here: either the owner receives a salary from the SME, in which case the salary is an eligible cost, or the owner does not receive a salary for its work for the SME, and therefore no record of its personnel costs can be found in the accounts of the company.

In the second case, the SME owner should opt to declare **average personnel costs, on the basis of a certified methodology approved by the Commission**. The procedure to follow is described in this guide under Article II.4.4.3; when submitting a proposal, the SME owner will calculate its costs using estimates; during the preparation of the ERC GA the ERC-DIS should be informed about its choice to declare average personnel costs on the basis of a certified methodology. However, in order to be an eligible cost, the certified methodology should be submitted after the signature of the first GA in which the SME participates.

(b) Travel and subsistence allowances for staff taking part in the project

- As a general rule, actual travel and related subsistence costs relating to the project may be considered as direct eligible costs, providing they comply with the beneficiary's usual practices and are adequately recorded, like any other cost.

*Example:*

*Beneficiary A declares the flight costs of a project meeting for a member of its staff travelling in business class:*

- § *If the usual practice of the beneficiary is to pay for business class tickets for staff of the same category, then the cost of the business class ticket will be eligible under the GA*
- § *If the usual practice of the beneficiary is to pay for economy class tickets for staff of the same category, then the cost of the business class ticket will not be eligible under the GA*

- If such costs are reimbursed on the basis of a lump sum/or per diem payment, it is the lump sum/or per diem and not the actual costs that are considered to be eligible costs.
- Where it is the usual practice of the beneficiary to consider these costs as indirect costs, they cannot be charged as direct eligible costs, but only as indirect costs.

(c) The purchase cost of durable equipment

- Only equipment purchased for the purposes of carrying out the action can be charged as direct costs. To be considered as eligible a cost must be determined according to the beneficiary's usual accounting practice and each beneficiary must apply its usual depreciation system for durable equipment. Depreciation is charged in each relevant periodic report. Depreciated costs of equipment can never exceed the purchase price of the equipment.
- Depreciation costs for equipment used for the project but bought before the start of the project are eligible under the conditions mentioned in Article II.14.1.c of ERC GA above.
- Only the portion of the equipment used on the project may be charged. The amount of use (percentage used and time) must be auditable.

Cost for equipment can include all those costs necessary for the asset to be in working condition for its intended use (site preparation, delivery and handling, installation, etc.)

**Subcontracting vs. durable equipment/consumables:** sometimes the purchase of equipment or consumables is associated with the provision of a service. Depending on the nature of the services provided, they may be considered subcontracts or part of the equipment purchase. If the service is part of the "package" of equipment purchase then it will be considered to be part of the equipment purchase. It may also depend on the consideration of these costs in the accounts of the beneficiary

- Financial leasing with the option to buy durable equipment must be charged, in accordance with the beneficiaries' own accounting practices. However, in order to comply with the principle of sound financial management, the cost claimed for durable equipment which is leased with an option to buy cannot exceed the costs that would have been incurred if the equipment had been purchased and depreciated under normal practices.

Operational leasing (renting): in this case, there is no possibility to buy the equipment. There is no depreciation involved (as the item is still the property of the leasing firm) but the costs are eligible if this follows the beneficiary's normal practices and does not exceed the costs of purchase of the equipment. In both cases, if the beneficiary does not use the equipment solely for the purposes of the project, only a proportionate part of the "working time" (that part used for the project) may be charged.

- Where it is the usual practice of the beneficiary to consider durable equipment costs (of some of them) as indirect costs, those costs can not be charged as direct costs, but as indirect costs.

(d) The costs of consumables and supplies provided they are identifiable and assigned to the project:

- Any consumables necessary for the implementation of the project may be considered as direct eligible costs.
- Where it is the usual practice of the beneficiary to consider consumable costs (or some of them) as indirect costs, those costs cannot be charged as direct costs, but as indirect costs.
- Consumables are only eligible costs under the project if bought after the start date of the project.

(e) Subcontracting

The costs of subcontracting are a direct eligible cost. The definition of subcontracting is given in Article II.7 of ERC GA.

(f) Certificate on the methodology and certificate on the financial statements

Costs incurred for the certificates on the financial statements and certificates on the methodology constitute eligible direct costs and, are charged under management costs.

### **13.2. Indirect costs (this section contains è [ERC] specific features)**

Indirect costs, also referred to as overheads, are all the structural and support costs of an administrative, technical and logistical nature which are cross-cutting for the operation of the beneficiary body's various activities and cannot therefore be

attributed in full to the project. The nature of an indirect cost is such that it is not possible, or at least not feasible, to measure directly how much of the cost is attributable to a single cost objective.

*Example:*

*Overheads comprise costs connected with infrastructures and the general operation of the organisation such as hiring or depreciation of buildings and plant, water/gas/electricity, maintenance, insurance, supplies and petty office equipment, communication and connection costs, postage, etc. and costs connected with horizontal services such as administrative and financial management, human resources, training, legal advice, documentation, etc.*

è [ERC] The ERC GA only provides for one method of calculation of indirect costs: a flat rate of 20%. The base of calculation is the total direct eligible costs of the beneficiary, excluding the costs for subcontracting and the costs of resources made available by third parties that are not used on the premises of the beneficiary. In both cases, the overheads (electricity, supply, etc...) are not incurred by the beneficiary but by the subcontractor or the third party.

*Example*

*Personnel 1,000,000*

*Subcontracting 100,000*

*Researcher from a third university who works in her/his university 20,000*

*Researcher from a third university who works in the premises of the Beneficiary 15,000*

*Travel cost 5,000*

*Equipment 50,000*

*Total of direct costs 1,190,000*

*Calculation of indirect costs:*

*1,190,000 – 100,000 (subcontracting) -20,000 (researcher who does not work in the premises of the beneficiary) = 1,070,000 % 0,20 = 214,000*

#### 14. UPPER FUNDING LIMIT (THIS SECTION CONTAINS è [ERC] SPECIFIC FEATURES)

- *Upper funding limits (Article II.16 of ERC MGA)*

**Key point:**

- **The reimbursement rate is 100% of the total eligible costs, within the limit of the maximum contribution specified in the Grant Agreement**

The reimbursement of eligible costs must be established following the principles of non profit. The upper funding limit fixes the maximum rate of reimbursement per beneficiary. However, the resulting total EC funding for the project cannot go beyond the maximum Community financial contribution indicated in Article 5 of the ERC GA.

è [ERC] For activities supported by the ERC GA, the upper funding limit is 100% of the total eligible costs.

#### 15. RECEIPTS OF THE PROJECT

- *Receipts of the project (Article II.17 of ERC MGA)*

**Key point:**

- **If any, receipts of the project may be deducted from the Community financial contribution in order to comply with the non-profit rule**

**The Community financial contribution should not have the purpose or effect of producing a profit for the beneficiaries. For this reason, the total requested EC funding plus receipts cannot exceed the total eligible costs.**

**If Total Community financial contribution + receipts = total eligible costs = No reduction of Community financial contribution**

**Profit must be assessed at the level of the beneficiary.**

As a consequence, since the Community financial contribution is calculated, among other criteria, on the basis of a provisional budget and according to maximum reimbursement rates of eligible costs, this provisional budget must be composed of estimated eligible costs as well as of estimated receipts, (if they can be estimated in advance).

Three kinds of receipts must be taken into consideration:

- Financial transfers or their equivalent to the beneficiary from third parties;
- Contributions in kind from third parties
- Income generated by the project.

a) In the first two cases (financial transfers or contributions in kind), there are two cumulative conditions to be fulfilled, in order to consider these endowments as receipts of the project, as foreseen in Article II.17 of Annex II (General Conditions) to GA :

- If the contribution made by a third party is allocated to the beneficiary specifically for use on the project, the resources must be declared as receipts of the project in the beneficiary's Financial Statement. However, if the use of these contributions is at the discretion of the beneficiary they may be considered as eligible costs of the project but are not to be considered as receipts.
- If there is no full reimbursement by the beneficiary to the third party, the part of the costs that has not been reimbursed has to be considered as a receipt and must be declared by the beneficiary as such. The part which has been reimbursed is not a receipt or a contribution by a third party, but a cost to the beneficiary, and should be declared as such.

*Example:*

*A university professor whose costs are charged by the university in the ERC GA, but whose salary is paid by the Ministry. This contribution in kind from a third party (the Ministry) is not to be considered a receipt, unless the professor has been specifically detached by the Ministry to the university to work for the project in question. In other words, if the University is free to decide the allocation of the professor's work, then his/her contribution is assimilated to an "own resource" of the university, and it is not a receipt.*

In any case where contributions from third parties are used by the beneficiary for the project, the latter is required to inform the third party of this use, in accordance with the national legislation or practice in force.

b) Any income generated by the project itself, including the sale of assets bought for the project (limited to the initial cost of purchase) are considered as income to the project (e.g. admission fee to a conference carried out by the beneficiary; sale of the proceedings of such a conference; sale of equipment bought for the project, etc.)

By derogation to the above-mentioned principle, income generated in using the foreground resulting from the project is not considered as a receipt. The use of the

foreground resulting from the project is often the main objective of any project supported by a Community financial contribution, and therefore considering it a receipt could penalise it.?

In most cases, therefore, the receipts would not have an impact on the Community financial contribution, as long as their amount did not exceed the difference between the eligible costs of the project and the Community financial contribution provided:

**Receipts are to be taken into account at the moment of the final payment (see Article II.18.3 of ERC GA).**

*Example:*

*Beneficiary X with total eligible costs in a project of: 130*

*Maximum Community financial contribution: 100*

*Receipts:*

•?National grant to the beneficiary for the work in the project: 10

•?Support from industrial sponsor for the work in the project: 10

•?Fees charged to participants in a seminar at the end of the project: 5

*Total costs= 130*

*Total receipts= 25*

*Community financial contribution = 100 + total receipts (25) = 125 which is below the total costs of the beneficiary, therefore no changes to the Community financial contribution*

Contributions from one beneficiary to another within the same project are not considered as receipts. A receipt is a contribution from a third party to the project. Therefore, if one beneficiary funds another beneficiary in the same ERC GA to help it carry out work, this will not be considered a receipt, as it is received from a beneficiary, and not from a third party.

Beneficiaries are required to include the receipts received in their financial statement corresponding to the reporting period. They will be taken into account when calculating the final payment (i.e. after the end of the project) and then the potential reduction of the Community financial contribution may take place.

## 16. INTERESTS YIELDED BY THE PRE-FINANCING

- *Interests yielded by the pre-financing (Article II.19 of ERC MGA)*

### **Key point:**

- **Interests yielded by the pre-financing, which remain property of the Community, must be reported by the beneficiary and shall be offset against subsequent payments**

Pre-financing remains the property of the Community until the final payment. This Article makes reference to the Financial Regulation of the European Communities (FR) and its Implementing Rules (IR) since any significant amount of interest earned from that pre-financing by the entity receiving pre-financing direct from the ERC-DIS (the beneficiary) must be taken into account in determining the final Community financial contribution.

In the current version of the IR a significant amount has been fixed when the amount of pre-financing exceeds EUR 50,000. Therefore, when the amount of the pre-financing is less than this amount there is no need to declare the interest generated by that pre-financing.

This means that as long as the pre-financing remains in the beneficiary's bank account (or the principal beneficiary's for a multi-beneficiary Grant Agreement,

except its own share of the pre-financing) any interest generated by it remains the property of the Community.

On the other hand:

- **The pre-financing will remain the property of the Communities until the last payment but the interest generated by the part of the pre-financing.**
- Mono-partner beneficiaries have to declare the interest generated by their pre-financing and it will be deducted from the grant.
- In multi- beneficiary Grant Agreements, only the interest yielded by the share of the pre-financing not distributed or distributed late by the principal beneficiary to the other beneficiaries (excluding the principal beneficiary's own share to implement the project) has to be declared and deducted from the payment of the balance.
- **There is only one single pre-financing per project, paid usually within 45 days following the entry into force of the ERC GA. the rules concerning interest therefore apply only to that single pre-financing, and not to interim payments.**

The beneficiary (or the principal beneficiary for a multi-beneficiary Grant Agreement) must inform the ERC-DIS of the amount of any interest yielded by the pre-financing it has received from the ERC-DIS at each financial management reporting period, when the pre-financing received for the project exceeds EUR 50,000.

The amount of interest declared by the beneficiary should be mentioned in its financial statements and will be offset against the subsequent payment.

*Examples:*

*5-year project*

*The beneficiary receives a single pre-financing of EUR 400,000 for the whole duration of the project. This amount held by the beneficiary has earned interest of EUR 4,000*

*At the end of the reporting period the beneficiary has to declare this amount of EUR 4,000 as interest generated by the pre-financing in its financial statement. It will be deducted from the subsequent interim payment.*

## **17. REIMBURSEMENT AND RECOVERIES**

- *Reimbursement and recoveries (Article II.21 of ERC MGA)*

### **Key point:**

- **Amounts due by a beneficiary shall be recovered by various means, including offsetting against other payments or a transfer from the Guarantee Fund**

### **17.1. For the duration of the project (multi-beneficiary project)**

If, following a request from ERC-DIS, a beneficiary does not reimburse any requested amount within 30 days after receipt and the principal beneficiary accepts to continue the project without this beneficiary.

- An equivalent amount to the one not reimbursed by the beneficiary will be transferred from the Fund to the principal beneficiary in order to allow for the continuation of the project.
- The ERC-DIS will issue against this beneficiary a recovery order to the benefit of the Fund

*Example:*

- § *The ERC-DIS terminates the participation of a beneficiary because it is declared bankrupt.*
- § *Termination will be notified to the beneficiary, with a copy to the principal beneficiary and will take effect on the date indicated in the notification and at least 30 days after its receipt by the beneficiary.*
- § *The beneficiary whose participation is terminated has to submit all required reports. In the absence of receipt of such documents within the above time-limits, the ERC-DIS may, after providing 30 days notice in writing of the non-receipt of such documents, decide not to take into account any further cost claims and, where appropriate, require the reimbursement of any prefinancing due by the beneficiary.*
- § *The ERC-DIS will establish the debt owed by the beneficiary whose participation is terminated.*
- § *If the principal beneficiary accepts to continue the project, this beneficiary must transfer the amount due to the principal beneficiary as requested by the ERC-DIS within 30 days. The ERC-DIS will send a copy of such a request to the principal beneficiary. The principal beneficiary must inform the ERC-DIS within 10 days after the end of this time-limit whether the amount has been transferred to it.*
- § *If the beneficiary fails to transfer to the principal beneficiary the amount due, the ERC-DIS will order the Fund to transfer an equivalent amount to the principal beneficiary.*
- § *The beneficiary has to reimburse the Fund. For this purpose, the Commission will issue a recovery order to the beneficiary to the benefit of the Fund.*
- § *Any pending payment due by the Community to the beneficiary is assigned to the payment of that beneficiary's debt towards the Fund.*

## **17.2. After termination or completion of any Grant Agreement**

If an amount due to the Community has to be recovered, after the end of the project (at the final payment or as a result of an audit), the ERC-DIS will issue against this beneficiary a recovery order to its benefit. If payment has not been made by the due date:

- The amount may be recovered by offsetting against any sums (excluding pre-financing) due by the Commission to the beneficiary.
- Where offsetting is not possible, the fund will transfer an equivalent amount to the ERC-DIS.
- The Commission will issue against that beneficiary a recovery order to the benefit of the Fund.

*Example:*

- § *At the end of a project, the ERC-DIS makes a final payment corresponding to the amount accepted for the last period plus any adjustment needed.*

- § *Where the amount of the contribution is less than any amount already paid to the beneficiary, the ERC-DIS will recover the difference. The ERC-DIS will request this difference by means of a recovery order issued against each beneficiary concerned and a debit note will be sent to the beneficiary.*
- § *If the payment has not been made by the due date indicated on the debit note, the ERC-DIS, after informing the beneficiary, may offset the sums owed to the Community against any sums it owes to the beneficiary.*
- § *Where offsetting is not possible, the ERC-DIS will recover effectively from the Fund the amounts due (transfer from the Fund to the ERC-DIS).*
- § *The beneficiary has to reimburse the Fund. For this purpose, the Commission will issue a recovery order to the beneficiary to the benefit of the Fund.*
- § *Any pending payment due by the Community to the beneficiary is assigned to the payment of that beneficiary's debt towards the Fund.*

## 18. FINANCIAL AUDITS AND CONTROLS

- *Financial audits and controls (Article II.22 of ERC MGA)*

### **Key point:**

- **Financial audits may be carried out up to five years after the end of the project**

### 18.1. Purpose of the audit

The ERC-DIS may, at any time during the implementation of the project, and up to five years after the end of the project, arrange for financial audits to be carried out.

The audits may cover:

- financial aspects
- systemic aspects
- other aspects such as accounting and management principles.

### 18.2. Auditors

Audits may be carried out by:

- The ERC-DIS and the Commission (its own departments – including OLAF – or by any of its duly authorised representatives (including external auditors appointed by the ERC-DIS or the Commission)).
- The European Court of Auditors (by its own departments or by any of its duly authorised representatives).

### 18.3. Beneficiaries' rights and obligations

In order to permit a complete, true and fair verification that the project and the grant are (have been) properly managed and performed, beneficiaries are required to:

- keep the originals, or in exceptional cases, where the national legislation accepts or contemplates this possibility duly authenticated copies – including electronic

copies – of all documents relating to the Grant Agreement for up to five years from the end of the project,

- ensure that the ERC-DIS services, and/or any external body(ies) authorised by it, have on-the-spot access at all reasonable times, notably to the beneficiary's offices where the project is being carried out, to its computer data, to its accounting data and to all the information needed to carry out those audits, including information on individual salaries of persons involved in the project. They must ensure that the information is readily available on the spot at the moment of the audit and, if so requested, that data be handed over in an appropriate form,
- make available directly to the ERC-DIS all the detailed data that it may request,
- ensure that the rights of the ERC-DIS and the European Court of Auditors to carry out audits are extended to the right to carry out any such audit or control on any third party whose costs are reimbursed in full or in part by the Community financial contribution, on the same terms and conditions.

#### **18.4. Reports**

- A provisional report must be drawn up on the basis of the findings made during the financial audit and sent to the beneficiary audited.
- The beneficiary may make observations within one month of receiving the report. The ERC-DIS may decide not to take into account observations or documents sent after this deadline.
- The final report must be sent within two months of expiry of this deadline.

On the basis of the conclusions of the audit, the ERC-DIS may issue recovery orders and apply sanctions including liquidated damages.

#### **19. TECHNICAL AUDITS AND REVIEWS**

- *Technical audits and reviews (Article II.23 of ERC MGA)*

##### **Key point:**

- **Scientific, technological and ethical aspects may be subject to audits.**

#### **19.1. Purpose of the audit**

The ERC-DIS may, at any time during the implementation of the project, and up to five years after the end of the project, arrange for technical and ethical audits to be carried out.

- The technical audit may cover:
  - Scientific aspects;
  - Technological aspects;
  - Other aspects relating to the proper execution of the project and the Grant Agreement.

- The technical audit or review must assess:
  - the degree of fulfilment of the project work plan for the relevant period and of the related deliverables,
  - the continued relevance of the objectives and breakthrough potential with respect to the scientific and industrial state of the art,
  - the resources planned and utilised in relation to the achieved progress, in a manner consistent with the principles of economy, efficiency and effectiveness,
  - the management procedures and methods of the project,
- The ethics audit must assess if the project has been carried out in accordance with fundamental ethical principles.

## **19.2. Auditors**

Audits may be carried out by the ERC-DIS assisted by external scientific or technological experts.

## **19.3. Beneficiaries' rights and obligations**

- The ERC-DIS will – prior to the evaluation task – communicate the identity of the appointed experts. The beneficiary must have the right to refuse the participation of a particular external scientific or technological expert on grounds of commercial confidentiality.
- Audit and reviews may be carried out remotely at the expert's home or place of work or involve sessions with project representatives either at the ERC-DIS premises or at the premises of beneficiaries.
- The ERC-DIS or the expert may have access to the locations and premises where the work is being carried out, and to any document concerning the work.
- The beneficiary must make available directly to the ERC-DIS all detailed information and data that may be requested by it or the external scientific or technological expert with a view to verifying that the project is being/has been properly implemented and performed in accordance with the Grant Agreement.

## **19.4. Reports**

- A report must be drawn up on the outcome of the audits and reviews and sent to the beneficiary.
- The beneficiary may make observations within one month of receiving the report. The ERC-DIS may decide not to take into account observations or documents sent after that deadline.
- On the basis of the experts' formal recommendations the ERC-DIS will inform the beneficiary of its decision:
  - to accept or reject the deliverables;

- to allow the project to continue without modification of Annex I to ERC GA or with minor modifications;
- to consider that the project can only continue with major modifications. Modifications may include financial aspects such as the revision of the estimated breakdown of the budget included in Annex I or the reduction of the maximum Community financial contribution.;
- to initiate the termination of the Grant Agreement (or of any beneficiary's participation according to Article II.35, II.36 and II.37 of the multi-beneficiary ERC GA).
- ?to add a new beneficiary following a review initiated after objection of transfer of Grant Agreement by the beneficiary (or the principal beneficiary, for a multi-beneficiary project), in accordance with Articles II.33 and II.34 (or Articles II.35 and II.36 respectively for a multi-beneficiary project).
- to issue a recovery order regarding all or part of the payments made by the ERC-DIS and to apply any applicable sanction.

## 20. LIQUIDATED DAMAGES

- *Liquidated damages (Article II.24 of ERC MGA)*

### Key point:

- **In case of overstatement of expenses, the beneficiary shall pay proportionate liquidated damages, as well as reimburse the overstated amount**

The Community will claim liquidated damages from a beneficiary who is found to have overstated expenditure and who has consequently received an unjustified financial contribution from the Community. In FP7 liquidated damages will be applied systematically by the ERC-DIS in case of overstatement. Overstatement may result from errors, misunderstanding or misinterpretation of the provisions of the GA. Overstatement is a factual finding and the intention to overstate is irrelevant.

### 20.1. Calculation of liquidated damages

The amount of liquidated damages is calculated according to the following formula:

**Liquidated damages = unjustified Community financial contribution x (overstated amount/ total Community financial contribution claimed)**

In addition, the calculation of any liquidated damages only takes into consideration the beneficiary's claim for the Community financial contribution for that reporting period. It is not calculated in relation to the entire Community financial contribution.

#### *Example:*

*The eligible costs declared by a beneficiary amount to EUR 1,254,030 and the Community financial contribution claimed for that period was EUR 1,254,030. During an audit, it was found to have overstated costs for an amount of EUR 454,030 and to consequently have received an unjustified financial contribution from the Community of EUR 454,030.*

*The amount of liquidated damages the Community will claim is:  
 EUR 454,030 x (EUR 454,030 / EUR 1,254,030) = EUR 164,384.6*

## 20.2. Modalities

Liquidated damages are due in addition to the recovery of the unjustified financial contribution from the beneficiary.

*Example:*

*If liquidated damages are applied to the beneficiary mentioned in point 1, that beneficiary will have to reimburse to the ERC-DIS the total amount of:*

- *Unjustified financial contribution (a): EUR 454,030*
- *Liquidated damages (b): EUR 164,384.6*
- *Total amount (a) + (b): EUR 618,414.6*

In order to respect the contradictory principle, the beneficiary must be given a written notice period of 30 calendar days to provide the ERC-DIS with its observations (Article II.24.3).

The procedure for payment of liquidated damages is the same as the one concerning the reimbursement of unjustified financial contribution including the provisions relating to default interest in case of late payment.

In exceptional cases, the ERC-DIS may refrain from claiming liquidated damages. The ERC-DIS may decide in duly justified cases and if appropriate under the principle of proportionality not to request liquidated damages.

## 21. FINANCIAL PENALTIES

- *Financial penalties (Article II.25 of ERC MGA)*

### **Key point:**

- **In addition to reimbursement and liquidated damages, financial penalties may also be applied to a defaulting beneficiary and may amount between 2 and 10% of the contribution received.**

In addition to liquidated damages, any beneficiary found to have seriously failed to meet its obligations under the GA will be liable to financial penalties of:

- between 2% and 10% of the value of the Community financial contribution received by that beneficiary;
- between 4% and 20% of the value of the Community financial contribution received by that beneficiary in the event of a repeated offence in the five years following the first infringement.

*Example:*

*It is determined that a beneficiary has seriously failed to meet its obligations under the GA.*

*According to the report(s) to the ERC-DIS on the distribution of the Community financial contribution between beneficiaries, this beneficiary has received a Community financial contribution of EUR 700,000.*

*According to the audit's findings, it is the first serious failure of this beneficiary's in actions supported by the ERC-DIS in the last five years.*

*This beneficiary may be subject to additional financial penalties of between EUR 14,000 and EUR 70,000= (2%-10%) of EUR 700,000.*

*This is in addition to the recovery of the amount overpaid (unjustified financial contribution) and the liquidated damages for overcharging.*

The provision also applies to beneficiaries who have been guilty of making false declarations. In both cases, the beneficiary will also be excluded from all grants financed by the Community for a maximum period of two years from the date the infringement is established.

## II. REPORTING REQUIREMENTS AND FORMS

### 1. INTRODUCTION

This document is a guidance note to help the principal investigator (PI) and the host institution to prepare the periodic and final reports requested in Article II.4 (General Conditions) of the ERC Grant Agreement (Grant Agreement). This is a contractual obligation.

The Commission evaluates the reports and work performed in accordance with Article II.5 of the Grant Agreement. It may be assisted in this task by independent experts (Article II.4.8 of the Grant Agreement) through technical audits and reviews. Payments shall be made after the Commission's approval of reports.

It is worth noting that the principles of ERC priorities differ from those of the rest of the FP7 in two key areas:

- a) *The responsibilities of the Principal Investigator and expectations from his/her work,*
- b) *The ERC monitoring mechanisms, and in particular the separation of scientific and financial management reporting periods.*

**Please note:** Specific reporting requirements for research projects dealing with Security matters, are not covered by this document.

### 2. REPORTING REQUIREMENTS

The ERC grant agreement has two distinct sets of reporting periods:

- a) Scientific, and
- b) Financial management.

These two reporting periods may not have any relation with each other and are followed by different groups in ERC who will ensure appropriate work progress follow up and monitoring.

Scientific reports are submitted by the *principal investigator* on behalf of the host institution (referred to as the beneficiary), while financial management reports are submitted by the *beneficiary with contribution from the PI, Article II.3.1.b for single, or Article II.3.1bis.b for multi-beneficiary Grant Agreements.*

#### **2.1. During the course of the project, the PI should submit:**

A **periodic scientific report** within 60 days of the end of each period. The scientific reporting periods are defined in Article 4.1 of the Grant Agreement. The **periodic report must include:**

An overview, including a publishable summary of the progress of the work towards the objectives of the project, including achievements and outputs resulting from the project, as described in Annex I of the Grant Agreement.

- a) The differences between the work expected which was to be carried out in accordance with Annex I, and the work actually carried out,
- b) As annexes: copies of the scientific papers, presentations to scientific conferences, etc. (*either published or submitted*).

## **2.2. During the course of the project, including the last financial period, the beneficiary should submit:**

A **periodic financial management report** within 60 days of the end of each reporting period. The financial management reporting periods are defined in Article 4.2 of the Grant Agreement. The **periodic financial management report must include:**

An explanation of the **use of resources** in relation to the scientific work carried out. This should be expressed as a percentage of the work described in Annex I, as estimated by the PI.

A **Financial Statement** from each third party, if applicable,

Financial statements should be accompanied by certificates, where appropriate (see Article II.4.5 of the single beneficiary Grant Agreement, or Article II.4.6 of the multi-beneficiary Grant Agreement).

In case of multi-beneficiary Grant Agreements only, items a) and b) above are submitted by each beneficiary<sup>8</sup> via the **principal beneficiary**. In this case, the **principal beneficiary** will also submit:

- a) A **summary financial report** consolidating the Community financial contribution claimed by all the beneficiaries (and third parties) in a single form, based on the information provided in the financial statement by each beneficiary.

## **2.3. At the end of the project, the PI should submit:**

A **final scientific report**, within 60 days following the end of the project. This final report must include:

- a) A **final publishable summary report** covering results, conclusions, and socio-economic impact of the project, as well as concrete achievements, such as publications.
- b) A report covering the wider scientific implications of the project, in the form of a questionnaire, including, ethical issues, efforts to involve other actors and to spread awareness.

*For multi-beneficiary Grant Agreements only.* In addition to the above mentioned reports, the principal beneficiary shall submit a **report on the distribution of the Community financial contribution between beneficiaries** (see Article II.4.5 of the Multi-beneficiary Grant Agreement). This report must be submitted 30 days following receipt of the final payment (not required for intermediate payments).

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<sup>8</sup> Including the principal beneficiary

## **2.4. Format of the reports and how to transmit them**

The PIs and the beneficiaries must transmit the reports (scientific and management) (and other information to the Commission by electronic means (Article II.4.6 of the Single Beneficiary Grant Agreement).

In multi-beneficiary Grant Agreements, the beneficiaries must transmit the reports by electronic means via the principal beneficiary to the Commission (Article II.4.7 of the multi-beneficiary Grant Agreement).

In addition, the financial statement must be signed by the authorised person(s) within the beneficiary's organisation. The certificates on the financial statements and on the methodology must be signed by an authorised person of the auditing entity. The originals must be sent by surface mail to the Commission.

Each periodic financial management report must be in the form of **ONE** single report, preferably in PDF format and include, where applicable, a copy (scanned) of the signed pages. The originals must be sent in parallel by post. The signed pages concerned are the Forms C, the self declaration of the beneficiary (in single Grant Agreement) or the principal beneficiary (in multi Grant Agreement) and the certificates on financial statements or certificates on the methodology.

The reports submitted to the Commission, in particular their publishable parts, must be of a suitable quality to enable direct publication without any additional editing. By submitting the publishable reports to the Commission, The principal investigator is also certifying that they do not include confidential material (Article II.4.3 in both single and multi-beneficiary agreements).

The principal investigator submits his/her scientific report to the commission, preferably in PDF format. The originals must be signed and sent in parallel by post.

The rest of this document provides guidance on how to prepare these reports. Please be careful to follow the structure provided and to complete all of the sections described below. Please ensure that any acronyms used are clearly explained.

### 3. PERIODIC SCIENTIFIC REPORTS

The scientific report for each period, except the last one, must include the following:

FRONT PAGE

EXECUTIVE SUMMARY

TABLE OF CONTENTS

- a) Project objectives for the period
- b) Work progress and achievements during the period
- c) Publishable summary
- d) If applicable, changes communicated to beneficiary

ANNEXES: Scientific papers (either published or submitted) to journals, Presentations to conferences, etc.

### 3.1 *Front Page*

# PERIODIC SCIENTIFIC REPORT

**Publishable**

**Grant Agreement No.**

**Project acronym:**

**Principal Investigator's name:**

**Project title:**

**Funding Scheme:**

**Period covered:**                      **from**                      **to**

**Tel:**

**Fax:**

**E-mail:**

**Date of Report:**

### **3.2 Executive summary**

*Please provide an executive summary with key achievements, decisions and deviations from original work plan (limit one page).*

### **3.3 Project objectives for the period**

*Please provide an overview of the project objectives for the reporting period in question, as included in Annex I of the Grant Agreement. These objectives are required so that this report is a stand-alone document.*

*Please include a summary of the recommendations from the previous reviews (if any) and indicate how these have been taken into account (limit 5 pages).*

### **3.4 Work progress and achievements during the period**

*Please provide a concise overview of the progress of the work in line with the structure of Annex I of the Grant Agreement.*

*For each step of the work please provide the following information:*

- *A summary of progress towards objectives and details for each task;*
- *Highlight clearly significant results, and if applicable provide a list of any publications, presentations, etc., Note that a copy for each item in the list should be attached at the end of this report as an Annex;*
- *If there are deviations from original methodology, **explain the reasons for deviations from Annex I** and their impact on other tasks as well as on available resources and planning;*
- *If applicable, explain the reasons for failing to achieve stated objectives as well as the impact on other tasks, on available resources and planning (the explanations should be coherent with the declaration by the beneficiary);*
- *If applicable, propose corrective actions.*

### **3.5 Publishable summary**

*This section should be of suitable quality to enable direct publication by the Commission. Please ensure that it is set out and formatted so that it can be printed as a stand-alone paper document not exceeding four pages. If applicable, it shall also reflect the web site of the project.*

*Please include a summary description of the project objectives, a description of the work performed since the beginning of the project, a description of the main results achieved so far, the expected final results and their potential impact and use. The principal investigator should update this publishable summary at the end of each reporting period.*

*Please include also, as appropriate, diagrams or photographs illustrating and promoting the work of the project, the project logo and relevant contact details.*

*If applicable, the address of the public project website should also be indicated.  
(limit 4 pages)*

### **3.6 Changes communicated to beneficiary**

*This section should indicate any changes communicated to the beneficiary according to Article II.3.c. for a single beneficiary grant agreement, or II.3.bis.c for the multi-beneficiary Grant Agreement. Such changes may include the PI's intention to transfer the project to another host institution.*

#### **4. PERIODIC FINANCIAL MANAGEMENT REPORTS**

The financial management report for each period (*including the last one*), shall consist of sections described as follows:

FRONT PAGE

SELF DECLARATION (scanned copy of the declaration duly filled in and signed by the beneficiary (or principal beneficiary for multi-beneficiary Grant Agreements), the original being sent separately by post)

TABLE OF CONTENTS with pagination

Followed by the following sections:

1. Project Management
2. Explanation of the use of the resources
3. Financial statements -- Forms C and Summary financial report (signed originals sent in parallel by post)
4. Certificates (signed originals sent in parallel by post)



#### 4.2 Declaration by the beneficiary<sup>9</sup> organisation

I, as the beneficiary of this project and in line with my obligations as stated in Article II.2. of the Grant Agreement declare that:

- § The attached periodic report represents an estimate of the work carried out in this project for this reporting period;
- § To my best knowledge, the financial statements which are being submitted as part of this report are in line with the actual work carried out so far and reflect an appropriate use of resources.
- § (For multi-beneficiary grant agreements only) All beneficiaries, in particular non-profit public bodies, secondary and higher education establishments, research organisations and SMEs, have verified their legal status. Any changes have been reported under section 1 (Project Management) in accordance with Article II.3.f of the multi-beneficiary grant agreement

Name of Beneficiary: .....

Date: ...../ ...../ .....

Signature of Beneficiary: .....

Visa of Principal Investigator ..... Date...../...../.....

<sup>9</sup> Or principal beneficiary in multi beneficiary grant agreement

### **4.3 Project management**

*Please use this section to summarise the management of the activities during the period. Management tasks for the beneficiary are indicated in Article II.2. in the single beneficiary grant agreement, and Article II.2 for the principal beneficiary and other beneficiaries in the multi-beneficiary grant agreement.*

*Amongst others, this section should include the following:*

- § Managing relations with Principal investigator via the supplementary agreement;*
- § Problems which have occurred and how they were solved (or possible options);*
- § Impact of possible deviations from the planned work, if any;*
- § Use of foreground and dissemination activities during this period (if applicable);*
- § Manage changes reported by the principal investigator.*

*The section should also provide short comments and information on managing activities during the period in question, such as communication between beneficiaries, possible co-operation with other projects/programmes etc.  
(limit 4 pages)*

#### 4.4 Explanation of use of resources in relation with the scientific work carried out

##### Based on work estimates contributed by the principal investigator

*Please list all work tasks planned in this reporting period, as indicated in Annex I of the Grant Agreement.*

*Any publications, papers, etc. should be recorded with a brief explanation, so that the European Commission has a record of their existence.*

*If a work task has been cancelled or regrouped with another one, please indicate this in the column "Comments".*

*This table is "cumulative", that is, it should always show all work tasks evolution from the beginning of the project.*

no.	Work task (as per the description of work)	Estimated Completion %	Resources planned (in €)	Resources consumed (in €)	Completion date from Annex I	Comments

#### **4.5 Financial statements – Model Financial Statement and Summary financial report**

For a single beneficiary project the beneficiary should submit the financial statement using the template provided. If special clause 10 applies to your Grant Agreement, please also include a separate financial statement from each third party as well.

For a multi-beneficiary project, the principal beneficiary should submit a separate financial statement from each beneficiary (if Special Clause 10 applies to your Grant Agreement, please include a separate financial statement from each third party as well) together with a summary financial report which consolidates the claimed Community financial contribution of all the beneficiaries in an aggregate form, based on the information provided in the Financial Statement by each beneficiary.

When applicable, certificates on financial statements shall be submitted by the concerned beneficiaries according to Article II.4.5 of the single beneficiary grant agreement, or Article II.4.6 of the multi-beneficiary grant agreement.

#### **IMPORTANT:**

Please make sure that you use the correct form corresponding to your project. **Templates for the Financial Statements are provided in Annex IV of the Grant Agreement.** An example is provided. However, the correct form should be downloaded from CORDIS, for the appropriate type of Grant Agreement, under "Legal documents for implementation" at the following address:

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

**ERC Annex IV - Model of Financial Statement (to be filled by a beneficiary )**

<b>Project nr</b>	nnnnnn	<b>Funding scheme</b>	Support for frontier research
<b>Project Acronym/Shorttitle</b>	XXXXXXXXXXXXXXXXXXXX		
<b>Period from</b>	dd/mm/aa	<b>Is this an adjustment to a previous statement ?</b>	Yes/No
<b>To</b>	dd/mm/aa		
<b>Legal Name</b>			
<b>Organisation short Name</b>		<b>Beneficiary nr</b>	nn
<b>flat rate for indirect costs, specify %</b>	%		

**1- Declaration of eligible costs/ flat-rate/lump sum (in €)**

	TOTAL
Personnel costs	
Subcontracting	
Other direct costs	
Indirect costs	
Lump sums declared	
<b>Total</b>	
<b>Maximum EC contribution</b>	
<b>Requested EC contribution</b>	

**2- Declaration of receipts**

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 €)

Yes/No
--------

**3- Declaration of interest generated by the pre-financing (to be completed only by the beneficiary/principal beneficiary )**

Did the pre-financing you received generate any interest according to Art. II.19 ?

If yes, please mention the amount (in €)

Yes/No
--------

**4. Certificate on the methodology**

Do you declare average personnel costs according to Art. II.14.1 ?

Yes/No
--------

Is there a certification on the methodology provided by an independent auditor and accepted by the Commission according to Art. II.4 ?

Yes/No
--------

<b>Name of the auditor</b>		<b>Cost of the certificate (in €), if charged under this project</b>	
----------------------------	--	--	--

**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 ?

Yes/No
--------

<b>Name of the auditor</b>		<b>Cost of the certificate (in €)</b>	
----------------------------	--	---------------------------------------	--

**6- Beneficiary's declaration on its honour**

**We declare on our honour that:**

- the costs declared above are directly related to the resources used to attain the objectives of the project and fall within the definition of eligible costs specified in Articles II.14 and II.15 of the grant agreement, and, if relevant and Article 7 (special clauses) of the grant agreement ;
- the receipts declared above are the only financial transfers or contributions in kind, free of charge, from third parties and the only income generated by the project which could be considered as receipts according to Art. II.17 of the Grant Agreement.
- the interest declared above is the only interest generated by the pre-financing which falls within the definition of Art. II.19 of the grant agreement ;
- 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.

<b>Beneficiary's Stamp</b>	<b>Name of the Person(s) Authorised to sign this Financial Statement</b>
	<b>Date &amp; signature</b>

**ERC Annex IV - Model of Financial Statement, to be filled by a third party (only applicable if Special Clause 10(ERC) is used)**

Project nr	nnnnnn	Funding Scheme	Support for frontier research
Project Acronym/Shorttitle	xxxxxxxxxxxxxxxxxxxxxx		
Period from	dd/mm/aa	Is this an adjustment to a previous statement ?	Yes/No
To	dd/mm/aa		
Legal Name			
Organisation short Name		Beneficiary nr	nn
flat rate for indirect costs, specify %	%		

**1- Declaration of eligible costs/ flat-rate/lump sum (in €)**

	TOTAL
Personnel costs	
Subcontracting	
Other direct costs	
Indirect costs	
Lump sums declared	
<b>Total</b>	
Maximum EC contribution	
Requested EC contribution	

**2- Declaration of receipts**

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 €)

Yes/No
--------

**3- Declaration of interest generated by the pre-financing** (to be completed only by the beneficiary/principal beneficiary)  
Did the pre-financing you received generate any interest according to Art. II.19 ?  
If yes, please mention the amount (in €)

Yes/No
--------

**4. Certificate on the methodology**

Do you declare average personnel costs according to Art. II.14.1 ?  
Is there a certification on the methodology provided by an independent auditor and accepted by the Commission according to Art. II.4 ?

Yes/No
Yes/No

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 ?

Yes/No
--------

Name of the auditor		Cost of the certificate (in €)
---------------------	--	--------------------------------

**6- Beneficiary's Declaration on its honour**

**We declare on our honour** that:

- the costs declared above are directly related to the resources used to attain the objectives of the project and fall within the definition of eligible costs specified in Articles II.14 and II.15 of the grant agreement, and, if relevant and Article 7 (special clauses) of the grant agreement ;
- the receipts declared above are the only financial transfers or contributions in kind, free of charge, from third parties and the only income generated by the project which could be considered as receipts according to Art. II.17 of the Grant Agreement.
- the interest declared above is the only interest generated by the pre-financing which falls within the definition of Art. II.19 of the grant agreement ;
- 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.

Thir party's Stamp	Name of the Person(s) Authorised to sign this Financial Statement
	Date & signature

**To be filled for multi beneficiary projects only**

**Summary Financial Report, to be filled in by the principal beneficiary**

<b>Project acronym</b>	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	<b>Project nr</b>	nnnnnn
------------------------	------------------------------	-------------------	--------

Funding scheme		ERC	Reporting period from	dd/mm/aa	to:	dd/mm/aa	Page		1/1
Beneficiary n°	If 3rd Party, linked to beneficiary	Adjustment (Yes/No)	Organisation Short Name	Total	Max EC Contribution	Receipts	Interest		
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
<b>TOTAL</b>									

**Requested EC contribution for the reporting period (in €)**

Cost of the certificate (in €), if charged under this project

#### 4.6 Certificates

List of Certificates which are due for this period, in accordance with Article II.4.5 of the single beneficiary grant agreement, and Article II.4.6 for the multi beneficiary grant agreement.

<b>Beneficiary</b>	<b>Organisation short name</b>	<b>Certificate on the financial statements provided? yes / no</b>	<b>Any useful comment, in particular if a certificate is not provided</b>
1		Yes	
2		no	
		no	Expenditure threshold not reached
Etc.			

A copy of each duly signed certificate on the financial statements or on the methodology should be included in this section, according to the table above (signed originals to be sent in parallel by surface post).

For details on certificates, see Section 6 of the Annex on "Financial Issues", of this guide.

## 5. FINAL SCIENTIFIC REPORT

This final report must include three separate parts, each with the proposed front page (see model provided hereafter).

- A final **publishable** summary report covering results and conclusions of the project. The content of this report is described in section 6.1 and must be submitted to the Commission, preferably in PDF format. It should be a carefully prepared self standing document carefully prepared.
- Should it be the case, a plan for use and dissemination of foreground (see IPR part of this guide). This document is separate from the publishable report. The requested data shall be input online once the online facility is available (see <http://cordis.europa.eu>). In the mean time, this report shall be sent in electronic format (to be agreed with the Project Officer).

5.1 *Front Page*

# PROJECT FINAL SCIENTIFIC REPORT

.....to be filled in as appropriate, see below.....

("Publishable"

or

"Use and dissemination of foreground")

**Grant Agreement No.**

**Project acronym:**

**Principal Investigator's name:**

**Project title:**

**Funding Scheme:**

**Tel:**

**Fax:**

**E-mail:**

**Date of Report:**

## 5.2 Final publishable summary report

*This is a comprehensive summary of results and conclusions of the project. The publishable report shall be formatted to be printed as a stand alone paper document. This report should address a wide audience, including the general public.*

*Please ensure that it:*

- 2. Is of suitable quality to enable direct publication by the Commission.*
- 3. Is comprehensive, and describes the work carried out to achieve the project's objectives; the main results, conclusions and their potential impact and use. Please mention any target groups such as policy makers or civil society for whom the research could be relevant.*
- 4. Includes where appropriate, diagrams or photographs and the project logo, illustrating and promoting the work of the project.*
- 5. Provides the following information:*
  - 2.1 List of all beneficiaries with the corresponding contact name and associated coordinates*
  - 2.2 The address of the public Website of the Project as well as relevant contact details.*

## 5.3 Use and dissemination of foreground

*A plan for use and dissemination of foreground (including socio-economic impact and target groups for the results of the research) shall be established at the end of the project. It should, where appropriate, be an update of the initial plan in Annex I for use and dissemination of foreground and be consistent with the report on societal implications on the use and dissemination of results (section 3.4 – H).*

*The plan should consist of:*

*c) Section A*

*This section should describe the dissemination measures, including any scientific publications relating to foreground. **Its content will be made available in the public domain** thus demonstrating the added-value and positive impact of the project on the European Community.*

*d) Section B*

*This section should specify the exploitable foreground and provide the plans for exploitation. **It will be kept confidential** and will be treated as such by the Commission.*

**Section A (public)**

*This section shall include a list of planned dissemination activities (publications, conferences, workshops, web, press releases, flyers, etc) in free text format. Where Articles have been published in the popular press, please provide a list as well.*

*In addition, please provide a list of scientific (peer reviewed) publications (see Article II.12 of the Grant Agreement) starting with the most important ones, in the table below:*

TEMPLATE A: LIST OF SCIENTIFIC PUBLICATIONS, STARTING WITH THE MOST IMPORTANT ONES								
NO.	Title	Main author	Title of the periodical or the series	Number, date or frequency	Publisher	Place of publication	Year of publication	Relevant pages
1								
2								
3								

*With regard to scientific publications published before or after the final report, such details/references and an abstract of the publication must be provided to the Commission at the latest two months following publication. Furthermore, an electronic copy of the published version or the final manuscript accepted for publication shall also be provided to the Commission at the same time for the purpose of publication by the Commission if this does not infringe any rights of third parties.*

**Section B (confidential)**

*The applications for patents, trademarks, registered designs, etc. shall be listed according to the template B1 provided hereafter. The list should, specify at least one unique identifier e.g. European Patent application reference. For patent applications, only if applicable, contributions to standards should be specified.*

<b>TEMPLATE B1: LIST OF APPLICATIONS FOR PATENTS, TRADEMARKS, REGISTERED DESIGNS, ETC.</b>			
Type of IP Rights: Patents, Trademarks, Registered designs, Utility models, etc.	Application reference(s) (e.g. EP123456)	Subject or title of application	Applicant (s) (as on the application)



Please complete the table hereafter:

TEMPLATE B2: OVERVIEW TABLE WITH EXPLOITABLE FOREGROUND					
Exploitable Foreground (description)	Exploitable product(s) or measure(s)	Sector(s) of application	Timetable, commercial use	Patents or other IPR exploitation (licences)	Owner & Other Beneficiary(s) involved

In addition to the table, please provide a text to explain the exploitable foreground, in particular:

- *Its purpose*
- *How the foreground might be exploited, when and by whom*
- *IPR exploitable measures taken or intended*
- *Further research necessary, if any*

Potential/expected impact (quantify where possible)

## 6. FINAL REPORT ON THE DISTRIBUTION OF THE COMMUNITY FINANCIAL CONTRIBUTION

***For multi-beneficiary grant agreements only*** - This report shall submit to the Commission within 30 days after receipt of the final payment of the Community financial contribution.

### **III. INTELLECTUAL PROPERTY RIGHTS**

*(in preparation; if needed before it is available, please see general FP 7 guidelines)*

## **IV.AMENDMENTS**

*(in preparation; if needed before it is available, please see general FP 7 guidelines)*