

# Financial matters

## Initial advance

An initial advance shall be paid within a maximum period of 60 days running from the date of the last signature of the contracting parties. The community's financial contribution to the project shall be paid to the co-ordinator's bank account. The co-ordinator shall transfer the payments intended for other principal contractors within 30 days of receipt of the funds paid by the Commission.

This initial advance for the project is fixed at 856,000 Euro.

It shall be distributed among the principal contractors in accordance with the indications laid down in the following table.

HIVA	389,064 Euro (incl. 41,004 Euro for subcontractor)
CTC	40,779 Euro
IES	79,728 Euro
CAMIRE	52,565 Euro
IAB	41,600 Euro
IRES	81,672 Euro
OSA	70,734 Euro
ISB	79,145 Euro
CSO	20,713 Euro

## Cost statements

The cost statements shall cover a first period ending after 6 months from the project commencement date and thereafter successive periods of 12 months. This means the Commission needs this statement:

- end of April 2002;
- end of April 2003;
- end of April 2004;
- end of December 2004.

2 copies of the cost statements shall be submitted by the co-ordinator. Each principal contractor shall submit his cost statement to the co-ordinator.

Cost claim forms E1 – E3: <http://www.cordis.lu/ist/cpfclaim.htm>.

With regard to the deadline, please understand the date 30 April 2002 ONLY as the deadline for your cost calculation. This means that we will expect to receive your cost statement (via express surface mail) within 15 days after this deadline (it is an official document, signed by the responsible persons – Technical Manager and Financial Officer – which cannot be send to us via e-mail or fax – however, if you want to check with us your filled out format beforehand, you are free to send the document to us via e-mail for feedback).

Each principal contractor shall be authorised to transfer the budget provided for in the table of the indicative breakdown of estimated eligible costs between categories of costs (except the costs for the protection of knowledge), in compliance with the first and second subparagraphs.

Please note that the amount of costs you put into the cost statement does not have to equal the amount of 6/36 (= the period of this cost statement) of the total amount you are receiving from the EC for this project. It is quite normal that there are more expenses involved in the beginning of a project – especially due to that most equipment is bought right at the start of the project. In general, you should state the amount of money which you have used until now – without making any adaptations. However, we would like to point out that it is not very good to send a statement which shows that the costs involved until now are below 6/36 of the total amount (this might give the impression to the EC that overall not that much money is needed to run the specific country project).

#### Exchange rate

Please note that you have to use the exchange rate published from the EC on the first day after the deadline for your cost statement; you will find the exchange rate for your currency on the following homepage of the EC: <http://europa.eu.int/comm/budget/inforeuro/en/index.htm>.

## Guidance notes on reimbursement of costs

### Part C: Reimbursement of costs

#### Article 13 - Eligible costs - *general principles*

1. *Eligible costs* are the costs defined in Articles 14 and 15 of this Annex. They shall fulfil the following conditions:
  - be necessary for the project,
  - be incurred during the *duration of the project*,
  - be determined in accordance with the accounting principle based on historic costs and the usual internal rules of the *principal contractor*, provided that they are regarded as being acceptable by the Commission,
  - be recorded in the accounts no later than the *contract completion date* or in the tax documents,

and

- exclude any profit margin.

Without prejudice to the provisions of the first subparagraph,

- the costs for drawing up the final report shall be eligible when incurred by the *co-ordinator* within a maximum period of two months from the end of the *duration of the project*,
  - the durable equipment may have been purchased or leased with option to buy before the *project commencement date*, within the limits specified in Article 14(2), fifth subparagraph.
2. Non-eligible costs are in particular the following:
    - costs related to capital employed,
    - provisions for possible future losses or charges,
    - interest owed,
    - provisions for doubtful debts,
    - resources made available to a *principal contractor* free of charge,
    - value of contributions in kind,
    - unnecessary or ill-considered expenses,
    - marketing, sales and distribution costs for products and services,
    - indirect taxes and duties, including VAT,
    - entertainment or hospitality expenses, except such reasonable expenses accepted by the Commission as being absolutely necessary for carrying out the contract,
    - any cost incurred or reimbursed, in particular in respect of another Community, international or national project, subject to the provisions of Article 14(2), fifth subparagraph, second indent.
  3. One cost shall only be charged to one of the eligible cost categories set out in Articles 14 and 15 of this Annex.
  4. *Principal contractors* shall be authorised to transfer between themselves the budget provided for in the table of the indicative breakdown of estimated eligible costs, provided that:
    - they inform the Commission of such transfer upon signing an agreement confirming that the scope of the *project* and the conditions of participation referred to in Articles 3 to 12 of the *Decision* are not fundamentally altered,

and

- the total of the amounts successively transferred does not exceed by more than 20% the amount allocated to the beneficiary in the table of the indicative breakdown of estimated eligible costs.

Any other properly substantiated transfer approved by all the *principal contractors* shall require prior written approval by the Commission.

In the absence of observations within one month of receipt of the request made by the *co-ordinator*, the approval of the Commission shall be deemed to be given.

Each *principal contractor* shall be authorised to transfer the budget provided for in the table of the indicative breakdown of estimated eligible costs between categories of costs, in compliance with the first and second subparagraphs. However, he shall not be required to obtain the agreement of the other *principal contractors*.

The budget for the costs for the protection of *knowledge* may not be the subject of a transfer to other categories of eligible costs.

#### Article 14 - Direct costs

##### 1. Personnel

With regard to personnel costs,

- (a) Only the costs of the actual hours worked by the persons directly carrying out the scientific and technical work under the project may be charged to the contract.

In compliance with Article 8(3) of this Annex, such persons must:

- be directly hired by the *principal contractor* in accordance with his national legislation,
- be under the sole technical supervision of the latter,

and

- be remunerated in accordance with the normal practices of the *principal contractor*, provided that these are regarded as acceptable by the Commission.

All the working time charged to the contract must be recorded throughout the *duration of the project* and be certified at least once a month by the person in charge of the work designated by the *principal contractor* in accordance with Article 2(2)(a) of this Annex or by the duly authorised responsible financial officer of the *principal contractor*.

- (b) Personnel costs shall comprise:

- the actual costs (gross remuneration and related charges),
- average employment costs, where these correspond to the normal practices of the *principal contractor* concerned, provided that such costs do not differ significantly from the actual costs and that such practices are regarded as acceptable by the Commission.

#### Note:

**This is perhaps the most difficult and most important part of the form. This should record all the researchers who worked on the project. Secretarial and other support staff should be excluded as their costs are included in the overhead component. The hours included on the form must correspond with hours recorded against the project and sala-**

ries paid in your institution's personnel and financial records. As long as there is not too great a divergence with the budget it does not matter whether these hours are more or less than in the budget. We are being judged on outputs rather than inputs. This means that it is more important for us to deliver the deliverables than to match the hours from the budget.

In terms of costs the hourly rate should be similar to that given for your institute in the budget. Since this heading includes overheads, the hourly rate should be based on the sum of the 'personnel costs' hourly rate and the 'overhead costs' hourly rate. For those who used average rates when developing the budget: this means that some categories of staff can be more expensive than others.

## 2. Durable equipment

Costs relating to the purchase or leasing with option to buy of durable equipment shall be charged to the contract pursuant to this paragraph.

Hire costs shall be charged to the contract pursuant to paragraph 3 of this Article.

The eligible costs for durable equipment leased with option to buy shall not exceed the costs that would have been incurred in case of purchase of equipment, taking account of the formula below.

The costs to be charged to the contract shall be calculated according to the following formula:

$$A/B \times C \times D$$

A = the period in months during which the durable equipment is used for the *project* after invoicing,

B = the depreciation period for the durable equipment: 36 months for computer equipment costing less than EUR 25 000 or 60 months for other equipment,

C = the actual cost of the durable equipment,

D = the percentage of usage of the durable equipment for the *project*.

The durable equipment may have been purchased or leased with option to buy:

- within the six months preceding the *project commencement date*,
- for a previous contract concluded with the Community, provided that the depreciation period has not been exceeded. Only the costs relating to the unexpired depreciation period may be charged.

## 3. Subcontracting

With the exception of costs charged to the contract pursuant to paragraph 1 of this Article, the actual costs of *subcontracts* may be charged to the contract if:

- they are incurred in compliance with the conditions set out in Article 5 of this Annex,
- the *subcontracts* are awarded and concluded in accordance with the usual procedures of the *principal contractors*,
- they are in accordance with market prices,

and

- the copies, certified by the *principal contractors* concerned, of relevant invoices are attached to the corresponding cost statements.

#### 4. Travel and subsistence

Actual travel and related subsistence costs for personnel working on the *project*, in accordance with paragraph 1 of this Article may be charged to the contract.

The prior agreement of the Commission shall be required for any destination outside the territory of the Member States, the *Associated states* or a third country where a *principal contractor* is established, unless such a destination is provided for in Annex I.

In the absence of observations within one month of receipt of the request made by the *co-ordinator*, the approval of the Commission shall be deemed to have been given.

Travel and subsistence costs shall be established on the basis of the usual rules of the *principal contractor*.

#### Note:

**This should be simpler and should be a reflection of the costs that have been reimbursed to individuals for travel and subsistence. The form asks for the net amounts. Essentially this is excluding VAT as the Commission assumes everyone is registered for VAT and can claim this back. It is important to exclude from this category any items which might be considered to be 'overheads'. It is necessary to keep your boarding pass (with you seat number). The Commission needs this to proof you have really made the transfer.**

#### 5. Consumables

The actual costs relating to consumables, including particularly software licences, that are specifically acquired for the *project* and whose purpose so justifies may be charged to the contract.

#### 6. Computing

Computing costs, including the costs resulting from the use of computer services and media at the disposal of *principal contractors*, may be charged to the contract. They must be substantiated in accordance with the rules applicable to the *principal contractors*.

#### 7. Protection of *knowledge*

The costs of the protection of *knowledge* generated in the framework of the *project* shall comprise the actual costs necessary for adequate and effective protection for such *knowledge*, taking into account the *interests of the Community*. They shall be eligible only in so far as the Commission has given its prior written approval to the *contractors* and competition rules, in particular those concerning the Community framework for State aid to research and development, are complied with.

In the absence of observations within one month of receipt of the request made by the *co-ordinator*, the approval of the Commission shall be deemed to have been given.

They comprise:

- the costs of documentary research preliminary to the filing of an application for the granting of an industrial property right,
- the fees paid to the competent authorities that are necessary with a view to the granting of an industrial property right or its territorial extension, provided that prior documentary research, as referred to in the first indent, has been carried out,

and

- the fees paid to the competent authorities to extend the duration of the industrial property right.

Fees paid to advisers with a view to the protection of such *knowledge* shall be reimbursable provided that an application for the granting of an industrial property right has been subsequently filed. Personnel costs incurred in this connection shall be reimbursable, provided that:

- (i) the conditions of paragraph 1(a) and (b) of this Article shall apply *mutatis mutandis*,

and

- (ii) the time actually worked on the *project* shall be recorded and certified in accordance with paragraph 1(a), third sentence of this Article.

The Community's financial contribution in respect of the third subparagraph of this paragraph may not exceed EUR 4 000 per industrial property right.

The costs of protection of such *knowledge* shall exclude, in particular, translation costs.

#### 8. Other specific costs

Other specific actual costs shall not come into any of the categories of eligible costs set out in paragraphs 1 to 7 and 9 of this Article and in Article 15 of this Annex. They may include, in particular, the costs of prototypes or equipment fabricated, the costs of using large testing equipment and simulators, or the direct costs incurred in the setting-up of financial guarantees requested by the Commission.

They shall only be eligible subject to prior written approval of the Commission unless they are already provided for in Annex I to this contract.

In the absence of observations within one month of receipt of the request made by the *co-ordinator*, the approval of the Commission shall be deemed to have been given.

#### **Note:**

**In the Technical Annex I 'Description of Work', under heading 11 'Other contractual conditions' the categories of the different costs eligible for the STILE project are specified in detail.**

#### 9. Administrative and financial co-ordination

Only the co-ordinator can charge to the contract the following administrative and financial co-ordination costs:

- the costs of administrative personnel in charge of the administrative and financial co-ordination of the *project* not included in the indirect costs referred to in Article 15 of this Annex. In this case,
  - (i) the conditions of paragraphs 1 of this Article shall apply *mutatis mutandis* to that personnel,
  - (ii) the time actually worked on the *project* shall be recorded and certified in accordance with paragraph 1(a), third sentence of this Article,

and

- costs indicated in paragraphs 2 and 4 to 8 of this Article, provided that the conditions thereof are also complied with.

#### *Article 15 - Indirect costs*

A maximum lump sum of 80%<sup>1</sup> of the eligible personnel costs referred to in Article 14(1)(b) and (9) of this Annex may be charged to this contract as overheads relating to the carrying out of the work specified in the *project*.

#### *Article 16 - Justification of costs*

Eligible costs shall be reimbursed where they are justified by the *principal contractor*.

To this end, the *principal contractor* shall maintain, on a regular basis and in accordance with the normal accounting conventions of the State in which he is established, the accounts for the *project* and appropriate documentation to support and justify in particular the costs and time reported in his cost statements.

This documentation must be precise, complete and effective.

### **Part D: Auditing**

#### *Article 17 - Financial audit*

1. The Commission, or any representative authorised by it, may initiate an audit at any time during the contract and up to five years after each payment of the Community contribution, as referred to in Article 3(1), first subparagraph of this Annex.

The audit procedure shall be deemed to be initiated on the date of receipt of the relevant registered letter with acknowledgement of receipt sent by the Commission.

It shall be carried out on a confidential basis.

2. The Commission or any authorised representative may have access, at any reasonable time, in particular to the personnel of the *principal contractors* connected with the *project*, the documentation referred to in Article 16 of this Annex, computer records and equipment that it considers relevant. In this connection, it may request that data be handed over to it in an appropriate form in order, for instance, to ascertain the eligibility of the costs.

The Commission shall take appropriate steps to ensure that its authorised representatives treat confidentially the data to which they have access or which have been provided to them.

3. On the basis of the findings made during the financial audit, a provisional report shall be drawn up. It shall be sent by the Commission to the *principal contractor* concerned. He may make observations thereon within one month of receiving it.

The final report shall be sent to the *principal contractor* concerned. The latter may communicate his observations to the Commission within one month of receiving it. The Commission may decide not to take into account the observations conveyed after that deadline.

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<sup>1</sup> To be set according to the type of action; the percentage shall in no case exceed 80%.

On the basis of the conclusions of the audit, the Commission shall take all appropriate measures which it considers necessary, including the issuing of a recovery order regarding all or part of the payments made by it.

4. The Court of Auditors may verify the use made of the Community's financial contribution in the framework of this contract, on the basis of its own rules.

**The Commission reserves the right to audit the project and inspect each institution's financial records to check whether the records match what is on the cost statement form. As STILE is a relatively large accompanying measure, it is highly likely that the project will be audited. This in turn makes it vital that the forms are filled in correctly. Otherwise, you run the risk of committing a criminal offence.**