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CERTIFICATION MODALITIES IN FP7

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Overview of presentation

- Certificate on the Methodology for personnel and indirect costs (CoM): Reminder, Revised eligibility criteria in the process
- State of play: Statistics on Certification, Behind the scene, Main challenges
- Personnel Costs: Time-recording, Average personnel costs
- Indirect Costs: Calculation methods, Process of revision transitional flat rate, Analytical accounting, Simplified Method, Common errors
- Guidance Notes for Beneficiaries and Auditors :
Revision



Reminder for CoM

The Certificate on the Methodology for both personnel and indirect costs (CoM) may cover the following costs combinations:

- Actual/Average personnel costs and actual indirect costs (full analytical accounting or simplified method)
- Actual/Average personnel costs and flat-rate for indirect costs (When clause n°30 applies, the department/institute may declare indirect costs in FP7 GA based on its actual indirect costs, despite the fact that the beneficiary (legal entity) has opted for a flat-rate)



Revised Eligibility Criteria – In the process

First stages of the FP7 :

Transitional eligibility criteria based on historical data (FP6) applied

(at least 8 participations in FP6 contracts with EC contribution for each of them \geq 375000€)

Before end 2008 :

Final eligibility criteria considering FP7 participations

Proposal in the process for adoption :

(will be included in the revised Guidance Notes for Beneficiaries and Auditors on Audit Certification issues and also in the next revision of the FP7 Guide to Financial Issues)

- Keep FP6 eligibility criteria: at least 8 participations in FP6 contracts with an EC contribution equal or above 375 000€,
and
- Add criteria for the beneficiaries who did not meet the above FP6 criteria but would meet the FP7 GA-based criteria

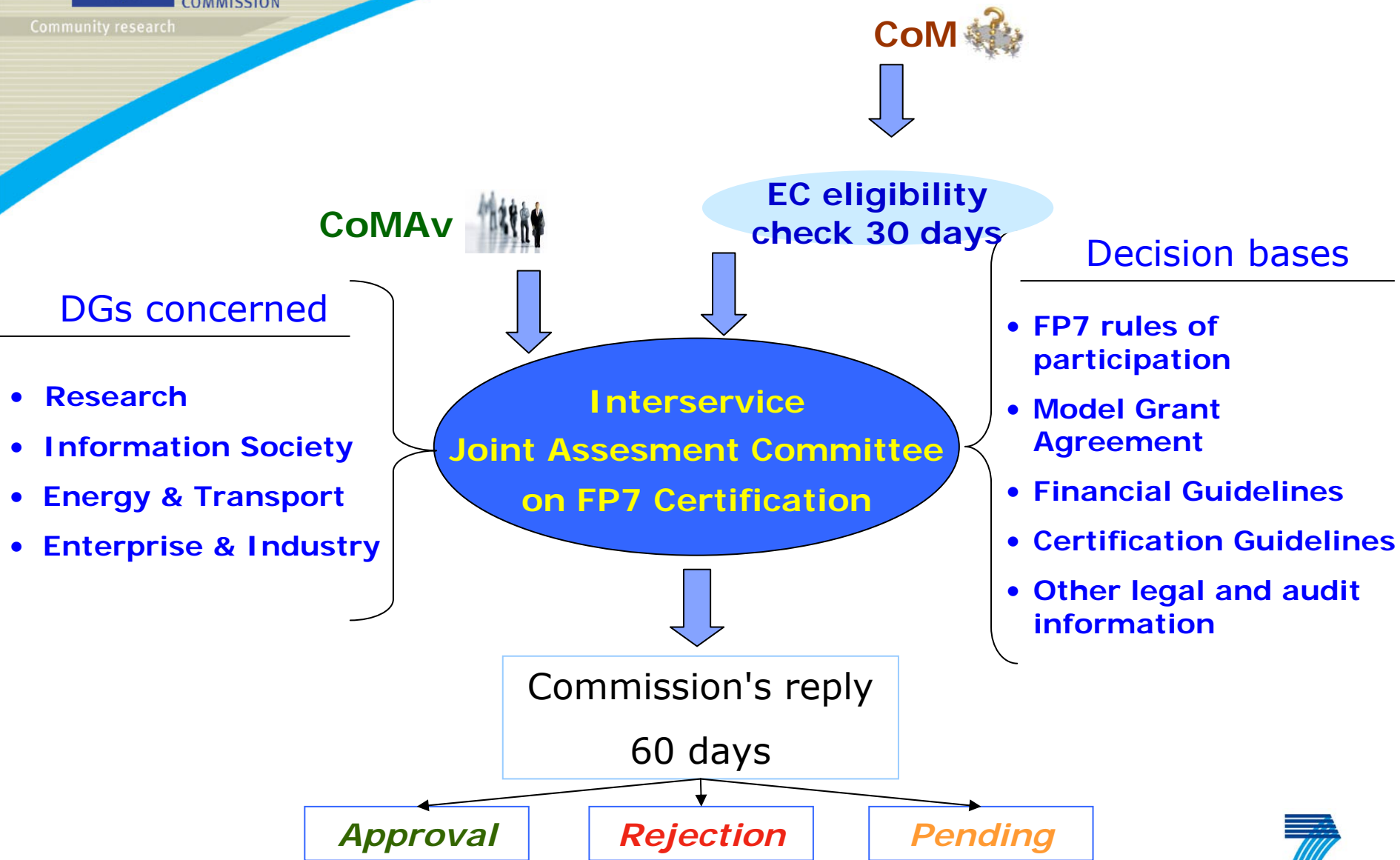


Statistics on Certification (as of 17th November 2008)

- **CoM (Certificates on the Methodology for Personnel and Indirect costs)**
 - number of eligibility requests received :44 (out of which 32 requests are eligible)
 - number of CoM received : 11 (out of which 8 cover average personnel costs and indirect costs and 3 cover actual personnel costs and indirect costs)
 - number of CoM rejected : 3
 - number of CoM being currently analysed : 8
- **CoMAv (Certificates on the Methodology for Average Personnel Costs)**
 - number of CoMAv received : 6
 - number of CoMAv being currently analysed : 6



Behind the scenes...





Main challenges encountered with submitted CoM/CoMAv

- Missing terms of reference (sections 1.1 to 1.8 of Form E, Annex VII)
- Mandatory Form E not respected
- No reference to a signed FP7 Grant Agreement
- Agreed-upon-procedures performed partially
- Missing benchmarks and support documents to enable proper evaluation of the average personnel costing methodology (Procedure 3, Form E)
- Long delays in responding to the additional information requested by the Commission



Personnel costs - Time- recording

Person-based full time-recording system*

= Per researcher/employee working on research projects, allocating time to the different activities (research, education, management, administration, training, sickness, holidays), yearly basis, no estimation, properly authorized.

Why full time-recording system?

- To be able to accurately calculate annual productive hours which are the basis for the correct calculation of the hourly personnel rate
- To avoid double charging time of the same personnel to several activities/projects

* Project-based time-recording system = Minimum requirement Form D (CFS)

Timesheet

Person : **Name**

Number of hours envisaged i.e. according to the employment contract: **xx hours/week**

YEAR

MONTH

Indicate the time in hours Only the yellow cells are writeable

Date	1	2	3	4	5	6	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total	Notes		
Day	Sun	Mo	Tue	Wed	Thu	Fri	Sat	Sun	Mo	Tue	Wed	Thu	Fri	Sat	Sun	Mo	Tue	Wed	Thu	Fri	Sat	Sun	Mo	Tue	Wed	Thu	Fri	Sat	Sun	Mo				
EU-Projects																																		
R&D Activities																																		
Project x			3	4	7	8							3,5				3	2	8	9	4											7	58,5	Wp3
Project y			5	5			5,5																									15,5	Wp8	
Project z																																0		
Total RTD	0	8	9	7	8	5,5	0	0	0	0	0	0	3,5	0	0	3	2	8	9	4	0	0	0	0	0	0	0	0	0	0	7	74		
Demonstration																																		
Project x																																0		
Project y																																	0	
Project z																																	0	
Total Demonstration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Management																																		
Project x												8	3,5				5			1												17,5	Wp1	
Project y																																0		
Project z																																	0	
Total Management	0	0	0	0	0	0	0	0	0	0	0	8	3,5	0	0	0	5	0	0	1	0	0	0	0	0	0	0	0	0	0	17,5			
Other Activities																																		
Project x									3								5															8	Wp7	
Project y																																0		
Project z																																	0	
Total Other	0	0	0	0	0	0	3	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8			
Internal activities and National Projects																																		
Teaching						2,5											6	1			3											12,5		
Training																																0		
National Projects																																	0	
(...)																																	0	
Total	0	0	0	0	0	2,5	0	0	0	0	0	0	0	0	6	1	0	0	0	3	0	0	0	0	0	0	0	0	0	0	12,5			
Absences																																		
Annual Leave																									8	8	8	8				32		
Special Leave						0																										0		
Illness									8	8	8																					24		
Total Absences	0	0	0	0	0	0	0	0	8	8	8	0	0	0	0	0	0	0	0	0	0	0	0	0	8	8	8	8	0	0	0	56		
Total productive hours	0	8	9	7	8	8	3	0	0	0	0	8	7	0	5	9	8	8	9	8	0	0	0	0	0	0	0	0	0	0	7	112		
Total hours																																168		

Signed:

Approved:

Productive hours per project:	Project x	84
	Project y	15,5
	Project z	0



Personnel costs - About Averages...

According to article II.14.1 of the model Grant Agreement, two conditions are to be fulfilled by an average personnel rates methodology to be approved by the Commission:

The very well known:

It should be the usual accounting practice of the beneficiary*

...and the sometimes forgotten:

It can not lead to significant deviations vis-à-vis the actual costs

* the GA should be respected as a supplement to the usual accounting practices



Personnel costs - About Averages...

In order to give reasonable ex-ante assurance that average costs charged will not significantly differ from the actual costs if calculated “per person”, the next conditions are to be fulfilled:

- **The costs used to calculate the average rates must be actual and not budgeted or estimated figures**
- **There must be a sufficient number of personnel categories (the fewer categories the higher the risk of deviations)**
- **The methodology must be applied in a fair manner (i.e. not selecting the researchers working on EC projects using « financial » criteria)**
- **There should be a sufficient number of researchers working on EC projects as to give reasonable assurance on the level-out of the individual deviations**



About Indirect Cost...

- Calculation Methods

- Based on actual Indirect Costs:
 - 'Normal' (analytical accounting system)
 - Simplified (at entity level)
 - Flat-rates on direct costs
 - Flat rate 20% (general)
 - Flat rate 60% (for funding with RTD and for certain types of entities (non-profit public bodies, research organisations, universities, SMEs))
 - Transitional rate of 60% until 31/12/2009
- => Process of revision: art 32.5 FP7 EC Rules for participation, ongoing consultations (NCP, Member states, Experts Groups)



Indirect costs - Which method ?

		Real Indirect Costs		Flat Rate	
		Normal	Simplified	20%	60% *
Do I have an analytical accounting system allowing to determine with certitude the indirect cost related to research activities ?	YES	✓		✓	
IF THE ANSWER IS NO , THEN:					
Do I have an accounting system allowing to identify all my indirect costs and a reliable cost driver to allocate them?	YES		✓	✓	✓
	NO			✓	✓

▪ *Only applicable to Non-profit public bodies, Secondary and higher education establishments, Research organisations and SMEs*





Indirect costs - Analytical accounting...

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



Indirect costs - Simplified Method

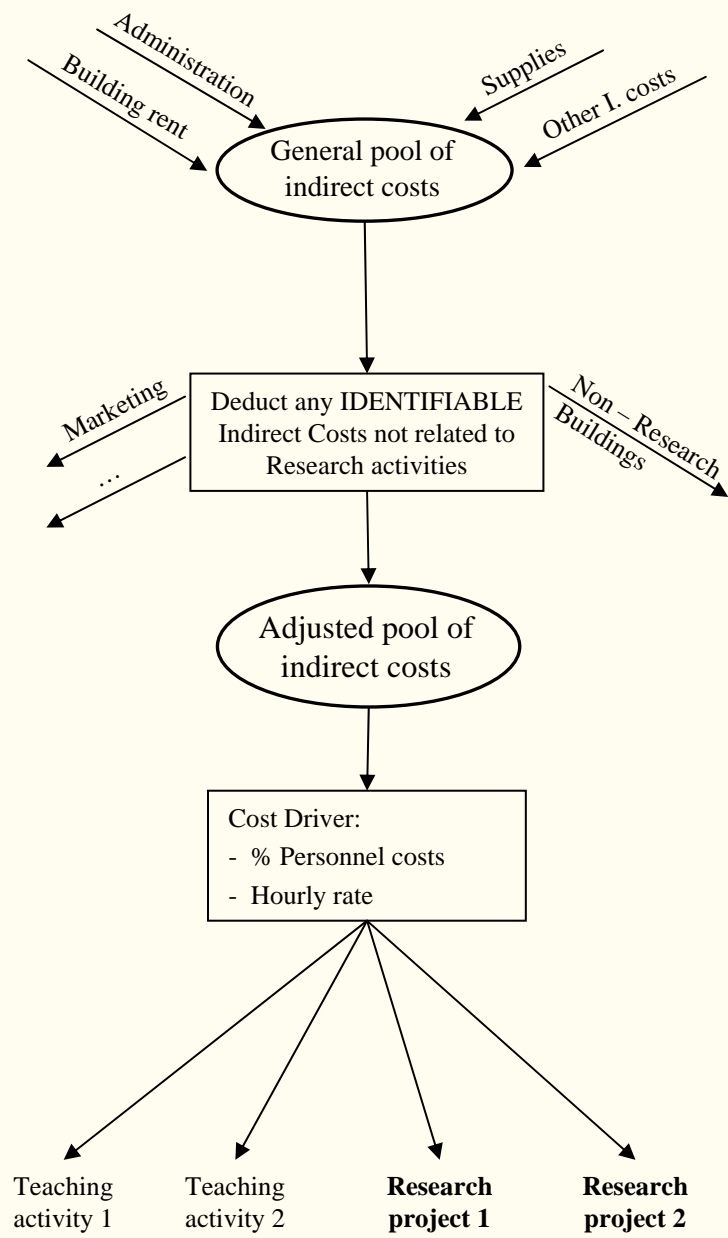
- The use of this method is optional, however “Simplified” does not mean “Simple”
 - > accounting system which enables to identify all eligible indirect costs
 - > a reliable cost driver to allocate the indirect costs
 - > facilitate the transition from AC to full cost project accounting
- Is called ‘Simplified’ because the calculation is done at ‘entity’ level (i.e. not by departments, activities, etc).
- Foreseen for beneficiaries who do not aggregate their indirect costs at a detailed level but at entity level (e.g. beneficiaries without analytical accounting system or with cash-based accounting system).



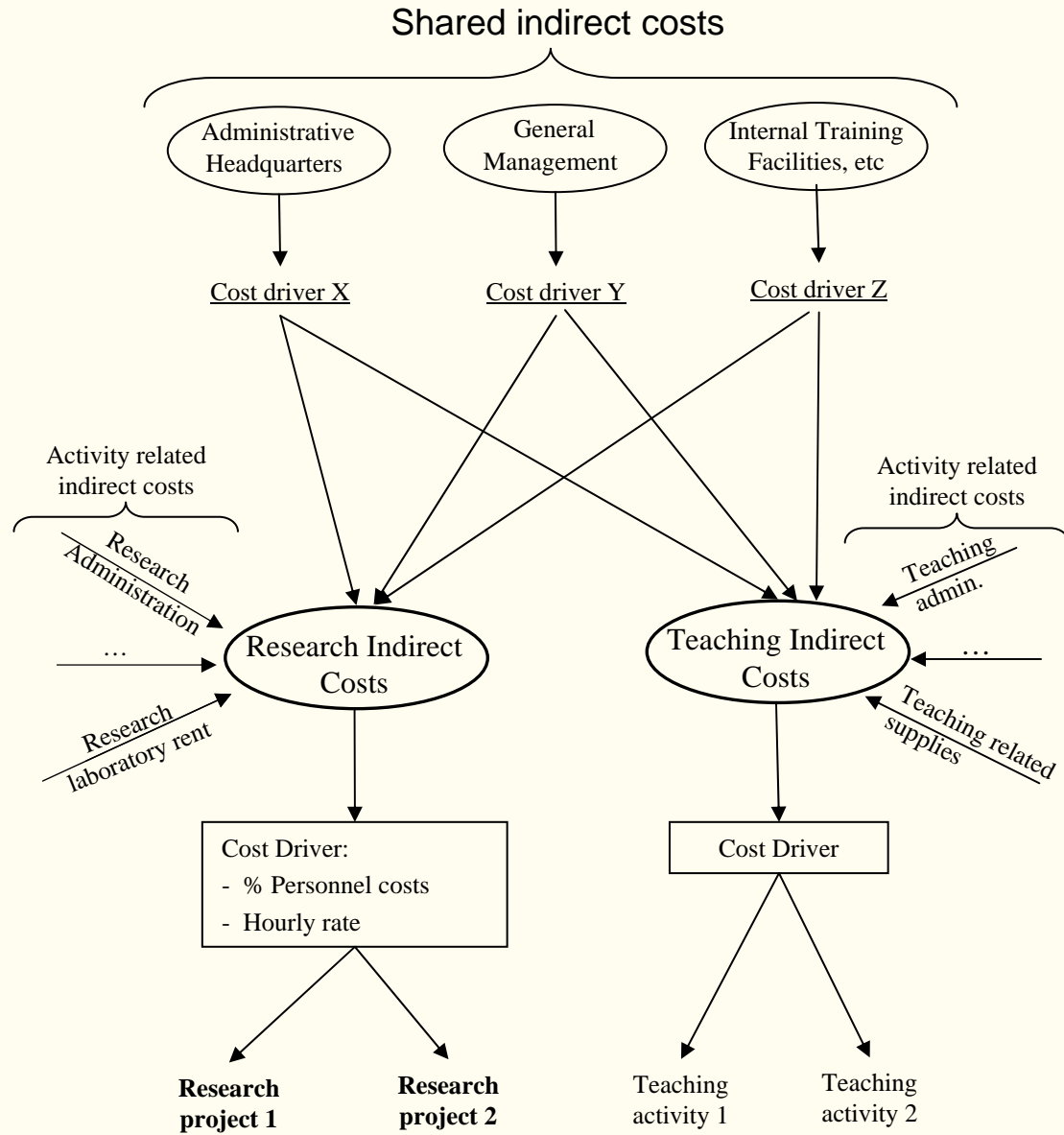
Indirect costs - Common errors

- Cost driver used for allocating indirect costs is an unsubstantiated estimation
- Identifiable indirect costs not related to research charged to the project.
- For flat-rate beneficiaries: indirect costs are also applied on subcontracting and resources made available by third parties not used on the premises of the beneficiary
- Only research hours (and not all productive hours) are used for the allocation of the indirect costs to the projects (calculation of overhead rate)

Simplified Method



Analytical system





Revised Guidance Notes for Beneficiaries and Auditors

- First update of the Guidance Notes for Beneficiaries and Auditors (version 19 March 2008) < experience, new developments and feedback (users,...)
- Modifications introduced:
 - text aligned in accordance with Commission decision of 2nd October 2008 modifying Annex VII Forms D & E of the FP7 Model GA (C(2008)5489): compliance with financial regulation and FP7 rules for participations, corrections of manifest mistakes, correction of inadequate audit-related wording
 - CFS: specific paragraph (6.5) under Part II added to meet the requirements for Marie Curie Grants
 - update of the eligibility threshold based on FP7 participations for the submission of a Certificate on the Methodology for both personnel and indirect costs (Part I – 5.2.1)



Additional Information



Guidance notes for beneficiaries and auditors on FP7 Audit Certification

http://cordis.europa.eu/fp7/find-doc_en.html#guidance



FP6 / FP7 Audit certification policy website

http://cordis.europa.eu/audit-certification/home_en.html



FP7 Certification FAQs

ftp://ftp.cordis.europa.eu/pub/fp7/docs/faq-certification_en.pdf



And in case of doubts, don't forget: **Research Enquiry Service**

<http://ec.europa.eu/research/enquiries>



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