



NL Agency
Ministry of Economic Affairs

Personnel costs

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13th October 2011
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Agentschap NL, International Innovation

Universities, companies, research organisations

- Information on FP7
- Advise and feedback on project proposals
- Workshops and training
- Strategic support for frequent participants

Ministries

- Evaluation of FP7-performance
- Policy support

European Union

- NCP Network
- Active in a number of EU support actions



Eligible costs

Direct, *examples:*

- Personnel
- Travel
- Consumables
- Equipment
- Subcontracting

Indirect, *examples:*

- Secretariate, administration
- Housing, office supplies, lab

Non-eligible costs

Identifiable indirect taxes, incl. VAT

Duties

Interest owed

Provisions for future losses or charges

Exchange losses, cost related to return on capital

Costs declared/incurred/reimbursed in another EC project

Debt and debt service charges, excessive or reckless expenditure



Personnel costs

Salaries plus social security charges (holiday pay, pension contribution, health insurance etc.)

Timesheets

Productive hours calculation

In-house consultant



Example of Productive hours calculation

Hours employment contract	2088
Holidays	- 288
Illness	- 40
Other non productive	- 80
Productive hours <u>example</u>	1680



Subcontracting

Identify cost category as subcontracting

Check if tendering process was followed

Check for analysis on best value for money, transparency and equal treatment

Check for existing framework contracts



Indirect costs

FP6	FP7	
Full Cost (FC)	Real indirect costs	<ul style="list-style-type: none">- Analytical accounting system- Overhead calculation on the level of the departments
Full Cost (FC)	Simplified method	<ul style="list-style-type: none">- Lack of analytical accounting- Overhead calculation on the level of the legal entity
Full Cost Flat rate (FCF)	Standard flat rate	<ul style="list-style-type: none">- Standard flat rate for indirect costs- 20% of total direct eligible costs, excluding subcontracting
Full Cost Flat rate (FCF)	Special transition flat rate	<ul style="list-style-type: none">- Special flat rate for indirect costs- 60% of total direct eligible costs, excluding subcontracting



Special transition flat rate

- SME's, non-profit public bodies, education establishments and research organisations
- Unable to identify with certainty real indirect costs
- Lack of analytical accounting system
- 60% flat rate until end of FP7



Flat rates for third countries

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



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Payments & Audits

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Payment by Commission

EC contribution is a maximum amount which is paid through the coordinator

- pre-financing
- interim payments
- final payment



Payment by Commission

Pre-Financing

- Paid in advance
- Within 45 days after start date
- Guarantee fund deduction (5%)



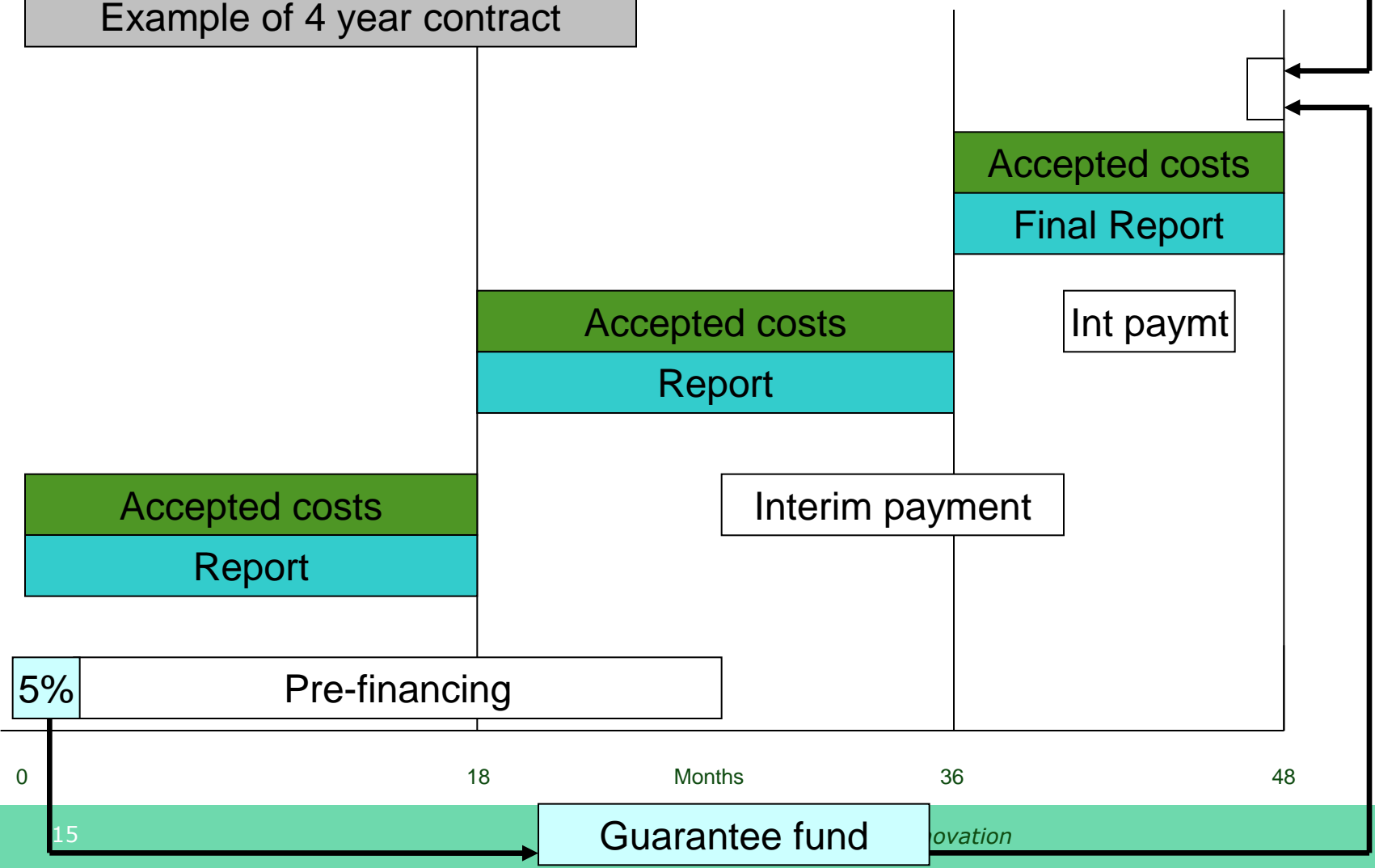
Interim payments & final payment

- Depends on submission of periodic reports
 - overview progress of work
 - milestones and deliverables
 - financial statement (C-form)
 - within 60 after respective period
- paid upon approval of periodic reports: within 105 days after receipt of periodic reports
- The amount of each interim payment depends on how much costs are justified and accepted for the reporting period
- All Form C's in FORCE by coordinator



Final payment:
Total funding -/
Payments thus far

Example of 4 year contract





Certificate on the financial statements

Each partner needs to submit a CFS to the Commission when:

- requesting an EC contribution which, including the sum of previous requests, exceeds € 375.000

Certificate is prepared and certified by:

- external (local) auditor or
- established competent public officer
- according to terms of reference of Annex VII, form D



Certificate on the financial statements

Certificate is a report on factual findings

Specific format of Form D is obligatory

Agreed upon procedures (ISRS 4400) are described in detail

- Personnel: recalculate rates (hourly rate, overheads), time recording, conditions to be met by employment contracts, use of average costs
- Subcontracting: amounts, value for money
- Other direct costs: depreciation rules, travel costs, consumables



Certificate on the financial statements

Depending on the factual findings, your auditor may have to note 'exceptions' in the report

Exceptions will be judged by the Commission, and can always have impact on approval and payments

Discussions on how to write down exceptions are to be expected



After reception the Commission may:

- Approve (in part or as a whole)
- Make approval subject to certain conditions
- Reject providing appropriate justification
- Suspend time limit for payments because:
 - Incomplete
 - Clarification/additional information needed
 - Doubts on eligibility of costs
 - Additional checks being done
- Suspend payment

The Commission may proceed with an interim payment in part



Preparing audit on CFS

A good preparation of the audit is essential

Start the auditing process in time

Foreseeing moment of exceeding € 375.000

Many declaration problems are caused by last-minute organised audits

Consult your auditor at the beginning of the project



Relationship with your auditor

Auditors apply rules

Rules are available in FP7:

- Annex VII, Form D
- Procedures annex to Form D
- Guidance notes for Auditors

Auditors need proof, evidence, facts

If standard information is not available,
(a combination of) alternative information
can be valuable and decisive



Relationship with your auditor

NCP's can play intermediate role between FP7 participants and their auditors

Explain and confirm EC interpretation of rules in case of disputes

Provide information to auditors



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Third parties

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Third parties

Subcontractors

Third parties carrying out part of the work

Third parties making resources available



Subcontracting

Identify cost category as subcontracting

Check if tendering process was followed

Check for analysis on best value for money, transparency and equal treatment

Check for existing framework contracts



Most frequent errors

- Insufficient documentation to show the existence of fair procurement procedures
- Subcontracting is not mentioned in Annex I
- No amendments are made for subcontracting
- Subcontracting between consortium partners
- Subcontractor identified as 'third party carrying out the work' (Special Clause 10), while the subcontractor is no linked (affiliated) entity



Errors we also see

- Subcontractor is identified as ‘third party making its resources available’, while it is carrying out the work
- Subcontractor is identified as hiring out its personnel to the beneficiary, charged under personnel costs (in-house consultant), while it is carrying out the work



EC too strict sometimes?

In case of buying products or services
'from the shelf' which are delivered with
minor adjustments

Procurement rules in case of multiple small
subcontracts necessary for carrying out part
of the project (health projects):

- Involvement of multiple hospitals
- Involvement of patient organisations
- Management of clinical trials



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IPR in FP7 projects

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IPR result from knowledge

Knowledge

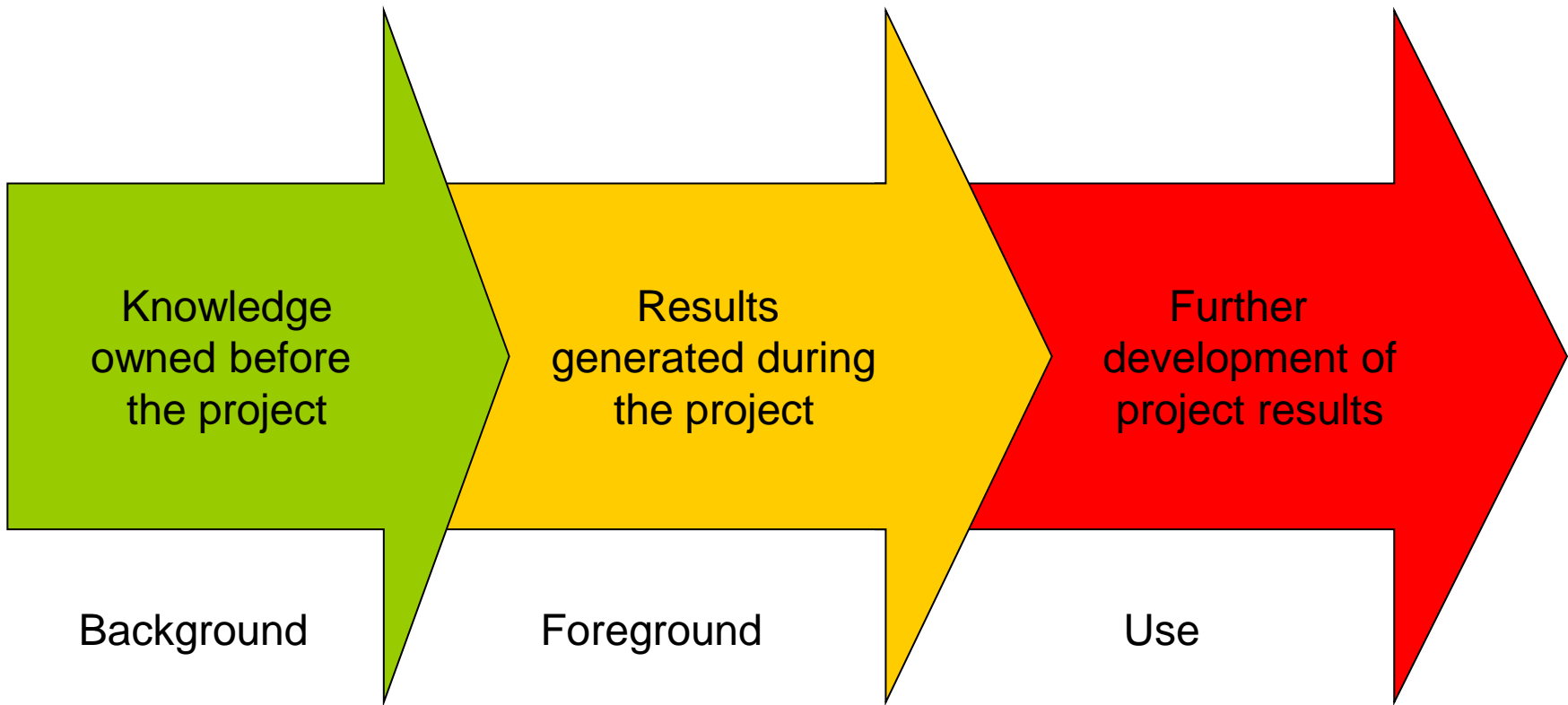
- Scientific publications
- Printed books, leaflets, websites, databases
- Technologies, concepts, products, production processes

IPR

- Copyrights and related rights
- Patents
- Design rights
- Plant variety rights
- Topographies of semiconductor products
- Database rights
- Trademarks



FP7 terminology





Foreground in FP7

Ownership of foreground

- Each participant owns the foreground it generates

Joint ownership

- If foreground is generated by more than one participant, and resulting ownership can not be separated

Protection, dissemination and use of foreground

- Generated project results should be protected, publiced and exploited



Background in FP7

Background

- Held by owners prior to signing of the Grant Agreement
- Needed for carrying out the project or for using its results

Exclusion of background

- Participants can specify background which they consider not needed for carrying out the project or using its results
- Background specified in negative list or positive list
- List is attachment to Consortium Agreement



Access rights to IPR

Licences and user rights to foreground or background

Access rights for implementation of the project

Access rights for use of the project results



Access rights conditions

Access rights are limited to participants of the same project

Upon written request

Must be granted if need is proved

Royalty-free or under fair and reasonable conditions



Checklist IPR issues

Negotiate and agree on beforehand on:

- Ownership of foreground
- Available background
- Background needed
- Licenses on background
- License or access fees
- Liability resulting from IPR
- IPR rules for exchanged research personnel
- IPR applications and management of IPR
- Compensation for non-exploited foreground
- Rules on scientific publications