



**EUROPEAN COMMISSION**  
DG Research and Innovation  
Directorate J Common Support Centre  
**Unit J.2 Common Audit Service**

## **FRAMEWORK CONTRACT FOR SERVICES**

**2015/RTD/J2/OP/PP-03181-2015**

1. The European Union ('the Union'), represented by the European Commission ('the contracting authority'), represented for the purposes of signing this framework contract by Ms Liliane De Wolf, Acting Director for Directorate J, Directorate General for Research and Innovation, Directorate J Common Support Centre,

of the one part and

2. *[Full official name]*

*[Official legal form ]*

*[Statutory registration number or ID or passport number]*

*[Full official address]*

*[VAT registration number]*

*[appointed as the leader of the group by the members of the group that submitted the joint tender]*

*([collectively] 'the contractor'), represented for the purposes of the signature of this framework contract by [forename, surname, function of legal representative and name of company in the case of a joint tender],*

on the other part,

HAVE AGREED

to the **special conditions**, the **general conditions for framework contracts** for services and the following annexes:

**Annex I** – Tender specifications (reference No 2015/RTD/J2/OP/PP-03181-2015)

**Annex II** – Contractor's tender (reference No [complete] of [insert date])

**Annex III** – Model for specific contracts

**Annex IV** – Working Practice

**Annex V** – Daily Subsistence Allowances

which form an integral part of this framework contract ('the FWC').

This FWC sets out:

1. the procedure by which the contracting authority may order services from the contractor;
2. the provisions that apply to any specific contract which the contracting authority and the contractor may conclude under this FWC; and
3. the obligations of the parties during and after the duration of this FWC.

All documents issued by the contractor (end-user agreements, general terms and conditions, etc.) except its tender are held inapplicable, unless explicitly mentioned in the special conditions of this FWC. In all circumstances, in the event of contradiction between this FWC and documents issued by the contractor, this FWC prevails, regardless of any provision to the contrary in the contractor's documents.

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## **I. SPECIAL CONDITIONS**

### **I.1. ORDER OF PRIORITY OF PROVISIONS**

If there is any conflict between different provisions in this FWC, the following rules must be applied:

- (a) The provisions set out in the special conditions take precedence over those in the other parts of the FWC.
- (b) The provisions set out in the general conditions take precedence over those in the specific contract (Annex III)
- (c) The provisions set out in the specific contract (Annex III) take precedence over those in the other Annexes.
- (d) The provisions set out in the tender specifications (Annex I) take precedence over those in the tender (Annex II).
- (e) The provisions set out in the FWC take precedence over those in the specific contracts,
- (f) The provisions set out in the specific contracts take precedence over those in the requests for services
- (g) The provisions set out in the requests for services take precedence over those in the specific tenders.

### **I.2. SUBJECT MATTER**

The subject matter of the FWC is the provision of audit services related to ex-post financial controls concerning Horizon 2020 - the Framework Programme for Research and Innovation and Research and Training Programme of the European Atomic Energy Community (2014-2018). The services are aimed at the verification whether the costs declared and paid on the basis of the EU grant agreements are in line with the financial provisions defined in specific grant agreements.

### **I.3. ENTRY INTO FORCE AND DURATION OF THE FWC**

- I.3.1** The FWC enters into force on the date on which the last party signs it.
- I.3.2** The implementation of the FWC cannot start before its entry into force.
- I.3.3** The FWC is concluded for a period of 24 months with effect from the date of its entry into force.
- I.3.4** The parties must sign any specific contract before the FWC expires.

The FWC continues to apply to such specific contracts after its expiry. The services relating to such specific contracts must be performed no later than 12 months after the expiry of the FWC.

### **I.3.5 Renewal of the FWC**

The FWC is renewed automatically 2 (two) times for 12 (twelve) months each time, unless one of the parties receives formal notification to the contrary at least 3 (three) months before the end of the on-going duration. Renewal does not change or postpone any existing obligations.

## **I.4. APPOINTMENT OF THE CONTRACTOR AND IMPLEMENTATION OF THE FWC**

### **I.4.1. Appointment of the contractor**

The contracting authority appoints the contractor for a multiple FWC in cascade in [complete] position.

### **I.4.2. Period of provision of the services**

The period for the provision of the services starts to run from the date determined in line with the Working Practice unless indicated otherwise in the specific contract.

### **I.4.3. Implementation of multiple FWC in cascade**

The FWC is implemented in line with the assignment procedure set forth in the Working Practice.

If the contractor does not accept the order or fails to observe the deadline or if it is in a situation of conflicting interests that may negatively affect the performance of the specific contract (see Article II.7), the contracting authority may place the order with the next contractor on the cascade.

If the contractor repeatedly refuses to sign specific contracts or repeatedly fails to satisfy the deadlines for response to conflict and capacity checks set forth in the Working Practice, the contractor may be considered in breach of its obligations under this FWC as set out in Article II.18.1 (c).

## **I.5. PRICES**

### **I.5.1. Maximum amount of the FWC and maximum prices**

The maximum amount covering all purchases under this FWC, including all renewals and reimbursement of expenses (in the case of Individual Assignments) is EUR 30,000,000 (thirty million). However, this does not bind the contracting authority to purchase for the maximum amount.

The prices of the services are as listed in Annex II.

### **Batch Assignments**

For Batch Assignments (as defined in Annex IV – Working Practice) the prices shall be calculated as follows:

- For an audit engagement in a Batch the price is equal to Price 1 in Annex II multiplied by the duration co-efficient. The duration of the Batch Assignments is determined in the specific contract.
- For an audit engagement with 200 days' duration the co-efficient is 1.
- For an audit engagement with the duration less than 200 days the price is uplifted in accordance with the following formula:

$$Pt = \frac{P}{1 - (200 - t) \times 0.2\%}$$

- For an audit engagements with the duration of more than 200 days the price is reduced in accordance with the following formula:

$$Pt = P - P \times (t - 200) \times 0.2\%$$

Where:

P – price for an audit engagement in a Batch of 200 days

t – duration of a Batch Assignment (in days) in accordance with the specific contract

Pt – price for an engagement in a Batch of a duration of t

- The total price for a Batch Assignment would be equal to the price of an audit engagement in this Batch multiplied by a number of audit engagements in the Batch.

## Individual Assignments

For Individual Assignments, the prices shall be calculated based on the “Daily Tariffs for Individual Assignments” in Annex II.

For the calculation of the total price for the Individual Assignment, the applicable daily rate for a country in which the Individual Assignment is going to be performed shall be multiplied by the agreed-upon number of man-days necessary for the completion of the Assignment. The contractor shall present the budget for Individual Assignments for the contracting authority's approval in line with Annex IV – Working Practice.

### I.5.2. Price revision index

Price revision is determined by the formula set out in Article II.20 and using the trend in the harmonised indices of consumer prices (HICP – MUICP) published for the first time in Eurostat's monthly ‘Data in Focus’ publication available on the website: <http://www.ec.europa.eu/eurostat/>

### I.5.3. Reimbursement of expenses

Reimbursement of expenses related to travel, accommodation and subsistence costs is applicable exclusively to the Individual Assignments in accordance with Article II.22.

The daily subsistence allowances referred to in Article II.22.4 (d) are listed in Annex V. They cover also the accommodation costs and therefore no further reimbursement of accommodation costs is possible based on Article II.22.4 (e).

## **I.6. PAYMENT ARRANGEMENTS**

### **I.6.1. Pre-financing**

Pre-financing is not applicable to this FWC.

### **I.6.2. Interim payment**

#### **For Batch Assignments**

1. The contractor (or leader in the case of a joint tender) may claim an interim payment equal to 50 % of the total price for the Batch Assignment referred to in the relevant specific contract in accordance with Article II.21.6.

The contractor (or leader in the case of a joint tender) must send an invoice in paper format for the interim payment as provided for in the tender specifications, accompanied by the Intermediate Assignment Report as defined in Annex IV – Working Practice (if not provided earlier). The Intermediate Assignment Report may be submitted when the field work has been completed, and all the Preliminary Audit Reports (as defined in Annex IV – Working Practice) have been submitted by the Audit Co-ordinator.

2. The contracting authority must approve the Intermediate Assignment Report and pay within 60 days from receipt of the invoice.

3. If the contracting authority has observations to make, it must send them to the Audit Co-ordinator and suspend the time limit for payment in accordance with Article II.21.7. The contractor (or leader in case of a joint tender) has 15 days to submit additional information or corrections or a new Intermediate Assignment Report if the contracting authority requires it.

4. The contracting authority must give its approval and pay within the remainder of the time-limit indicated in point 2 unless it rejects partially or fully the Intermediate Assignment Report.

5. Following receipt of a Preliminary Audit Report, the contracting authority may decide to stop an engagement. In this case, the interim payment of the 30% of the fixed-charge for the engagement in a Batch shall be made. The remaining balance on such an engagement shall not be paid. For the remaining engagements in the Batch the price will remain the same.

#### **For Individual Assignments**

1. The contractor (or leader in the case of a joint tender) may claim an interim payment equal to 50% of the total price for the Individual Assignment referred to in the relevant specific contract in accordance with Article II.21.6.

The contractor (or leader in the case of a joint tender) must send an invoice in paper format for the interim payment as provided for in the tender specifications, accompanied by the Preliminary Audit Report as defined in Annex IV – Working Practice (if not provided earlier).



2. The contracting authority must acknowledge the receipt of the Preliminary Audit Report and pay within 60 days from receipt of the invoice.
3. If the contracting authority has observations to make other than specific comments on the contents of the Preliminary Audit Report, it must send them to the Audit Co-ordinator and suspend the time limit for payment in accordance with Article II.21.7. The contractor (or leader in case of a joint tender) has 15 days to submit additional information or corrections or a new Preliminary Audit Report if the contracting authority requires it.
4. The contracting authority must give its approval and pay within the remainder of the time-limit indicated in point 2 unless it rejects the Preliminary Audit Report.

### **I.6.3. Payment of the balance**

#### **For Batch Assignments**

1. The contractor (or leader in the case of a joint tender) may claim the payment of the balance in accordance with Article II.21.6.

The contractor (or leader in the case of a joint tender) must send an invoice in paper format for payment of the balance due under a specific contract, as provided for in the tender specifications, accompanied by the Final Assignment Report as defined in Annex IV – Working Practice and the proposal for the liquidated damages in line with Article I.15 (if not provided earlier).

2. The contracting authority shall have 60 days from receipt to approve or reject the Final Assignment Report and the proposal for the liquidated damages and to pay the balance.
3. If the contracting authority has observations to make, it must send them to the contractor and suspend the time limit for payment in accordance with Article II.21.7. The contractor has 15 days to submit additional information or corrections or a new Final Assignment Report if the contracting authority requires it.
4. The contracting authority must give its approval and pay within the remainder of the time-limit indicated above unless it rejects partially or fully the Final Assignment Report.

#### **For Individual Assignments**

1. The contractor (or leader in the case of a joint tender) may claim the payment of the balance in accordance with Article II.21.6.

The contractor (or leader in the case of a joint tender) must send an invoice in paper format for payment of the balance due under a specific contract, as provided for in the tender specifications and accompanied by the Final Audit Report as defined in Annex IV – Working Practice and the proposal for the liquidated damages in line with Article I.15 (if not provided earlier).

2. The contracting authority shall have 60 days from receipt to acknowledge the receipt of the Final Audit Report and to approve or reject the proposal for liquidated damages and to pay the balance.

3. If the contracting authority has observations to make, it must send them to the contractor and suspend the time limit for payment in accordance with Article II.21.7. The contractor has 15 days to submit additional information or corrections or a new Final Audit Report if the contracting authority requires it.

4. The contracting authority must give its approval and pay within the remainder of the time-limit indicated in point 2 unless it rejects partially or fully the Final Audit Report.

#### **I.6.4. Performance guarantee**

Performance guarantee is not applicable to this FWC.

#### **I.6.5. Retention money guarantee**

Retention money guarantee is not applicable to this FWC.

### **I.7. BANK ACCOUNT**

Payments must be made to the contractor's (or leader's in the case of joint tender) bank account denominated in euro, identified as follows:

Name of bank:

Full address of branch:

Exact denomination of account holder:

Full account number including bank codes:

IBAN<sup>1</sup> code:

### **I.8. COMMUNICATION DETAILS**

For the purpose of this FWC, communications must be sent to the following addresses:

Contracting authority:

European Commission

Directorate-General for Research and Innovation

Directorate J - Common Support Centre

Unit J.2 - Common Audit Service

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<sup>1</sup> BIC or SWIFT code for countries with no IBAN code

B-1049 Brussels

E-mail: *[will be provided in the contract]*

Contractor:

*[Full name]*

*[Function]*

*[Company name]*

*[Full official address]*

E-mail: *[complete]*

By derogation from this Article, different contact details for the contracting authority or the contractor may be provided in specific contracts.

## **I.9. DATA CONTROLLER**

For the purpose of Article II.9, the data controller is the Director-General of the Directorate General for Research and Innovation.

## **I.10. EXPLOITATION OF THE RESULTS OF THE FWC**

### **I.10.1. Detailed list of modes of exploitation of the results**

In accordance with Article II.13.1 whereby the Union acquires ownership of the results as defined in this FWC, including the tender specifications, these results may be used for any of the following modes of exploitation:

- (a) use for its own purposes:
  - making available to the staff of the contracting authority;
  - making available to the persons and entities working for the contracting authority or cooperating with it, including contractors, subcontractors whether legal or natural persons, Union institutions, agencies and bodies, Member States' institutions;
  - installing, uploading, processing;
  - arranging, compiling, combining, retrieving;
  - copying, reproducing in whole or in part and in unlimited number of copies.
- (b) distribution to the beneficiary subject to an engagement: in hard copies and/or in electronic format,

The modes of exploitation may be defined in more details in the specific contract.

**I.10.2. Licence or transfer of pre-existing rights**

All pre-existing rights incorporated in the results, if any, are licensed to the Union as set out in Article II.13.2.

**I.10.3. Provision of list of pre-existing rights and documentary evidence**

The contractor must provide the contracting authority with a list of pre-existing rights as set out in Article II.13.4 together with the invoice for payment of the balance at the latest.

**I.11. TERMINATION BY EITHER PARTY**

Either party may terminate the FWC and/or the FWC and specific contracts by sending formal notification to the other party with one month written notice.

If the FWC or a specific contract is terminated:

- (a) neither party is entitled to compensation;
- (b) the contractor is entitled to payment only for the services provided before termination takes effect.

The second, third and fourth paragraphs of Article II.18.4 apply.

**I.12. APPLICABLE LAW AND SETTLEMENT OF DISPUTES**

**I.12.1** The FWC is governed by Union law, complemented, where necessary, by the law of the Kingdom of Belgium.

**I.12.2** The courts of Brussels have exclusive jurisdiction over any dispute regarding the interpretation, application or validity of the FWC.

**I.13. INTERINSTITUTIONAL FWC**

Not applicable

**I.14. SERVICE PROVIDED ON THE PREMISES OF THE CONTRACTING AUTHORITY**

Not applicable

**I.15. IMPLEMENTATION OF LIQUIDATED DAMAGES**

**I.15.1** The period of delay as defined in Article II.15 is the difference between the duration (in calendar days) of a Batch or an Individual Assignment determined in a specific contract and the number of the calendar days actually spent on the completion of an Individual Assignment or particular audit engagements included in a Batch.

**1.15.2** Annex IV – Working Practice, specifies the events triggering the launching and the completion of an Individual Assignment or an audit engagement in a Batch.

- I.15.3** If the contracting authority has not respected the time limits envisaged for any work step in Annex IV – Work Practice, or if the contractor can prove that the beneficiary subject to the engagement has either not co-operated in the conduct of the engagement or has not respected the time limits envisaged for the response to the Draft Audit Report and that the contractor has timely taken all necessary action toward the beneficiary and the contracting authority, the respective part of the delay caused by the contracting authority or the beneficiary shall not be taken into account for the purpose of the calculation of the period of delay.
- I.15.4** The contracting authority shall determine which particular engagements from the Batch should be taken into consideration for the purpose of the calculation of the period of delay for the entire Batch Assignment. The contracting authority will pick up to 8 (eight) engagements in the Batch and will ask the contractor to disclose all the factors which may be relevant for the reduction of the period of delay in line with paragraph 3.
- I.15.5** The period of delay for the completion of an entire Batch is deemed to be equal to the longest delay period of any of the engagements included in this Batch as chosen by the contracting authority in line with paragraph 4.
- I.15.6** By derogation from Article II.15, for Batch Assignments the daily rate for liquidated is modified to 0.2 (zero point two) per cent of the reference amount per calendar day of delay.
- I.15.7** For Individual Assignments the daily rate for liquidated damages is 0.3 (zero point three) per cent of the reference amount per calendar day of delay.
- I.15.8** The reference amount is the total amount to be invoiced for an entire Batch or an Individual Assignment as specified in a specific contract, including any reductions due to the engagements being stopped or cancelled by the contracting authority.
- I.15.9** When justified by the nature of an Individual Assignment, the parties may agree to use paragraphs 4 to 6 also for a specific contract for such an Assignment.
- I.15.10** The contracting authority shall provide the contractors with a description of the procedure and the methodology for the calculation of liquidated damages in Annex IV – Working Practice.

## **I.16. OTHER CONSEQUENCES OF DELAYS**

- I.16.1** In the event a contractor fails to deliver Preliminary Audit Reports for 80% of the engagements in a Batch within a period equal to 50% of the Batch duration (the reference date), the contracting authority reserves the right to exclude such contractor from the assignment process concerning the first new Batch that would be launched after the reference date or to relegate the contractor to the last position in the cascade for the assignment process concerning this new Batch.

**I.16.2** For the purposes of the calculation of the ratio of the Preliminary Audit Reports being delivered within the period mentioned in paragraph 1, the contracting authority services will disregard the engagements for which the Preliminary Audit Reports could not be delivered due to matters directly attributable to the contracting authority or due to force majeure. The contracting authority will also disregard the engagements for which it agreed that the field visit is postponed after the 75th day from the start date of the Batch Assignment.

## **I.17. CONFLICTS OF INTEREST**

Without prejudice to Articles II.1 and II.7, in Annex IV – Working Practice the contracting authority has defined the situations in which the existence of conflict of interest is automatically assumed. The contracting authority has also defined in Annex IV – Working Practice the period in which the contractor undertakes to refrain from proposing or accepting any engagement for services to be rendered directly or indirectly for the benefit of the beneficiary subject to an engagement under this FWC.

## **I.18. RESTRICTIONS CONCERNING ADVOCACY SERVICES**

The contractor agrees to refrain from proposing or accepting any engagement which implies advocacy services being rendered by the contractor or any of its subcontractors in this FWC in relation to their clients' participation in any Horizon 2020 actions.

## **I.19. REPLACEMENT OF THE MEMBER OF PERSONNEL**

Without prejudice to Article II.4.9, the contractor must immediately replace any member of personnel who has caused disruption at the premises of the beneficiary subject to the audit. The contractor bears the costs of replacing its personnel and is responsible for any delay in providing the services resulting from the replacement of personnel.

## **SIGNATURES**

For the contractor,

For the contracting authority,

[Company name/forename/surname/position]

[forename/surname/position]

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Done at [place], [date]

Done at [place], [date]

In duplicate in English.

## **II. GENERAL CONDITIONS FOR THE FRAMEWORK CONTRACT FOR SERVICES**

### **II.1. DEFINITIONS**

For the purpose of this FWC, the following definitions (indicated in *italics* in the text) apply:

**‘Back office’**: the internal system(s) used by the parties to process electronic invoices;

**‘Confidential information or document’**: any information or document received by either party from the other or accessed by either party in the context of the *implementation of the FWC*, that any of the parties has identified in writing as confidential. It may not include information that is publicly available;

**‘Conflict of interest’**: a situation where the impartial and objective *implementation of the FWC* by the contractor is compromised for reasons involving family, emotional life, political or national affinity, economic interest, or any other shared interest with the contracting authority or any third party related to the subject matter of the FWC;

**‘Creator’**: means any natural person who contributes to the production of the *result*;

**‘EDI message’** (electronic data interchange): a message created and exchanged through the electronic transfer, from computer to computer, of commercial and administrative data using an agreed standard;

**‘e-PRIOR’**: the service-oriented communication platform that provides a series of web services and allows the exchange of standardised electronic messages and documents between the parties. This is done either through web services, with a machine-to-machine connection between the parties’ *back office* systems (*EDI messages*), or through a web application (the *supplier portal*). The Platform may be used to exchange electronic documents (e-documents) such as electronic requests for services, electronic specific contracts, electronic acceptance of services and electronic invoices between the parties. Technical specifications (i.e. the *interface control document*), details on access and user manuals are available at the following website:

[http://ec.europa.eu/dgs/informatics/supplier\\_portal/documentation/documentation\\_en.htm](http://ec.europa.eu/dgs/informatics/supplier_portal/documentation/documentation_en.htm)

**‘Force majeure’**: any unforeseeable, exceptional situation or event beyond the control of the parties that prevents either of them from fulfilling any of their obligations under the FWC. The situation or event must not be attributable to error or negligence on the part of the parties or on the part of the subcontractors and must prove to be inevitable despite their exercising due diligence. Defaults of service, defects in equipment or material or delays in making them available, labour disputes, strikes and financial difficulties may not be invoked as *force majeure*, unless they stem directly from a relevant case of *force majeure*;

**‘Formal notification’** (or ‘formally notify’): form of communication between the parties made in writing by mail or email, which provides the sender with compelling evidence that the message was delivered to the specified recipient;

**‘Fraud’:** any intentional act or omission affecting the Union’s financial interests relating to the use or presentation of false, incorrect or incomplete statements or documents or to non-disclosure of information in violation of a specific obligation;

**‘Implementation of the FWC’:** the purchase of services envisaged in the FWC through the signature and *performance of specific contracts*;

**‘Interface control document’:** the guideline document which lays down the technical specifications, message standards, security standards, checks of syntax and semantics, etc. to facilitate machine-to-machine connection. This document is updated on a regular basis;

**‘Irregularity’:** any infringement of a provision of Union law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the Union’s budget.

**‘Notification’** (or ‘notify’): form of communication between the parties made in writing including by electronic means;

**‘Order form’:** a simplified form of specific contract by which the contracting authority orders services under this FWC;

**‘Performance of a specific contract’:** the execution of tasks and delivery of the purchased services by the contractor to the contracting authority;

**‘Personnel’:** persons employed directly or indirectly or contracted by the contractor to implement the FWC;

**‘Pre-existing material’:** any material, document, technology or know-how which exists prior to the contractor using it for the production of a *result* in the *implementation of the FWC*;

**‘Pre-existing right’:** any industrial and intellectual property right on *pre-existing material*; it may consist in a right of ownership, a licence right and/or right of use belonging to the contractor, the *creator*, the contracting authority as well as to any other third parties;

**‘Professional conflicting interest’:** a situation in which the contractor’s previous or ongoing professional activities affect its capacity to implement the FWC or to perform a specific contract to an appropriate quality standard.

**‘Related person’:** any person who has the power to represent the contractor or to take decisions on its behalf;

**‘Request for services’:** a document from the contracting authority requesting that the contractors in a multiple FWC provide a specific tender for services whose terms are not entirely defined under the FWC;

**‘Result’:** any intended outcome of the *implementation of the FWC*, whatever its form or nature, which is delivered and finally or partially approved by the contracting authority. A *result* may be further defined in this FWC as a deliverable. A *result* may, in addition to materials produced by the contractor or at its request, also include *pre-existing materials*;



**‘Specific contract’:** a contract implementing the FWC and specifying details of a service to be provided;

**‘Substantial error’:** any infringement of a contract provision resulting from an act or omission, which causes or might cause a loss to the Union’s budget.

**‘Supplier portal’:** the *e-PRIOR* portal, which allows the contractor to exchange electronic business documents, such as invoices, through a graphical user interface; its main features can be found in the supplier portal overview document available on: [http://ec.europa.eu/dgs/informatics/supplier\\_portal/doc/um\\_supplier\\_portal\\_overview.pdf](http://ec.europa.eu/dgs/informatics/supplier_portal/doc/um_supplier_portal_overview.pdf)

## **II.2. ROLES AND RESPONSIBILITIES IN THE EVENT OF A JOINT TENDER**

In the event of a joint tender submitted by a group of economic operators and where the group does not have legal personality or legal capacity, one member of the group is appointed as leader of the group.

## **II.3. SEVERABILITY**

Each provision of this FWC is severable and distinct from the others. If a provision is or becomes illegal, invalid or unenforceable to any extent, it must be severed from the remainder of the FWC. This does not affect the legality, validity or enforceability of any other provisions of the FWC, which continue in full force and effect. The illegal, invalid or unenforceable provision must be replaced by a legal, valid and enforceable substitute provision which corresponds as closely as possible with the actual intent of the parties under the illegal, invalid or unenforceable provision. The replacement of such a provision must be made in accordance with Article II.11. The FWC must be interpreted as if it had contained the substitute provision as from its entry into force.

## **II.4. PROVISION OF SERVICES**

**II.4.1** Signature of the FWC does not guarantee any actual purchase. The contracting authority is bound only by specific contracts implementing the FWC.

**II.4.2** The contractor must provide services of high quality standards, in accordance with the state of the art in the industry and the provisions of this FWC, in particular the tender specifications and the terms of its tender.

**II.4.3** The contractor must comply with the minimum requirements provided for in the tender specifications. This includes compliance with applicable obligations under environmental, social and labour law established by Union law, national law and collective agreements or by the international environmental, social and labour law provisions listed in Annex X to Directive 2014/24/EU<sup>2</sup>.

**II.4.4** The contractor must obtain any permit or licence required in the State where the services are to be provided.

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<sup>2</sup> OJ L 94 of 28.03.2014, p. 65

**II.4.5** All periods specified in the FWC are calculated in calendar days, unless otherwise specified.

**II.4.6** The contractor must not present itself as a representative of the contracting authority and must inform third parties that it is not part of the European public service.

**II.4.7** The contractor is responsible for the *personnel* who carry out the services and exercises its authority over its *personnel* without interference by the contracting authority. The contractor must inform its *personnel* that:

- (a) they may not accept any direct instructions from the contracting authority; and
- (b) their participation in providing the services does not result in any employment or contractual relationship with the contracting authority.

**II.4.8** The contractor must ensure that the *personnel* implementing the FWC and any future replacement personnel possess the professional qualifications and experience required to provide the services, as the case may be on the basis of the selection criteria set out in the tender specifications.

**II.4.9** At the contracting authority's reasoned request, the contractor must replace any member of *personnel* who:

- (a) does not have the expertise required to provide the services; or
- (b) has caused disruption at the premises of the contracting authority.

The contractor bears the cost of replacing its *personnel* and is responsible for any delay in providing the services resulting from the replacement of *personnel*.

**II.4.10** The contractor must record and report to the contracting authority any problem that affects its ability to provide the services. The report must describe the problem, state when it started and what action the contractor is taking to resolve it.

## **II.5. COMMUNICATION BETWEEN THE PARTIES**

### **II.5.1. Form and means of communication**

Any communication of information, notices or documents under the FWC must:

- (a) be made in writing in paper or electronic format in the language of the contract;
- (b) bear the FWC number and, if applicable, the specific contract number;
- (c) be made using the relevant communication details set out in Article I.8; and
- (d) be sent by mail, email or, for the documents specified in the special conditions, via *e-PRIOR*.

If a party requests written confirmation of an e-mail within a reasonable time, the other party must provide an original signed paper version of the communication as soon as possible.

The parties agree that any communication made by email has full legal effect and is admissible as evidence in judicial proceedings.

### **II.5.2. Date of communications by mail and email**

Any communication is deemed to have been made when the receiving party receives it, unless this FWC contract refers to the date when the communication was sent.

E-mail is deemed to have been received by the receiving party on the day of dispatch of that e-mail, provided that it is sent to the e-mail address indicated in Article I.8. The sending party must be able to prove the date of dispatch. In the event that the sending party receives a non-delivery report, it must make every effort to ensure that the other party actually receives the communication by email or mail. In such a case, the sending party is not held in breach of its obligation to send such communication within a specified deadline.

Mail sent to the contracting authority is deemed to have been received by the contracting authority on the date on which the department responsible referred to in Article I.8 registers it.

*Formal notifications* are considered to have been received by the receiving party on the date of receipt indicated in the proof received by the sending party that the message was delivered to the specified recipient.

### **II.5.3. Submission of e-documents via e-PRIOR**

1. If provided for in the special conditions, the exchange of electronic documents (e-documents) such as requests for services, specific contracts and invoices between the parties is automated through the use of the *e-PRIOR* platform. This platform provides two possibilities for such exchanges: either through web services (machine-to-machine connection) or through a web application (the *supplier portal*).
2. The contracting authority takes the necessary measures to implement and maintain electronic systems that enable the *supplier portal* to be used effectively.
3. In the case of machine-to-machine connection, a direct connection is established between the parties' *back offices*. In this case, the parties take the measures necessary on their side to implement and maintain electronic systems that enable the machine-to-machine connection to be used effectively. The electronic systems are specified in the *interface control document*. The contractor (or leader in the case of a joint tender) must take the necessary technical measures to set up a machine-to-machine connection and at its own cost.
4. If communication via the *supplier portal* or via the web services (machine-to-machine connection) is hindered by factors beyond the control of one party, it must *notify* the other immediately and the parties must take the necessary measures to restore this communication.
5. If it is impossible to restore the communication within two working days, one party must *notify* the other that alternative means of communication specified in Article II.5.1 will be used until the *supplier portal* or the machine-to-machine connection is restored.
6. When a change in the *interface control document* requires adaptations, the contractor (or leader in the case of a joint tender) has up to six months from receipt of the *notification* to implement this change. This period can be shortened by mutual agreement of the parties. This period does not apply to urgent measures required by the security policy of the contracting authority to ensure integrity, confidentiality and non-repudiation of information and the availability of *e-PRIOR*, which must be applied immediately.

#### **II.5.4. Validity and date of e-documents**

1. The parties agree that any e-document, including related attachments exchanged via *e-PRIOR*:
  - (a) is considered as equivalent to a paper document;
  - (b) is deemed to be the original of the document;
  - (c) is legally binding on the parties once an *e-PRIOR* authorised person has performed the 'sign' action in *e-PRIOR* and has full legal effect; and
  - (d) constitutes evidence of the information contained in it and is admissible as evidence in judicial proceedings.
2. The parties expressly waive any rights to contest the validity of such a document solely on the grounds that communications between the parties occurred through *e-PRIOR* or that the document has been signed through *e-PRIOR*. If a direct connection is established between the parties' *back offices* to allow electronic transfer of documents, the parties agree that an e-document, sent as mentioned in the *interface control document*, qualifies as an *EDI message*.
3. If the e-document is dispatched through the *supplier portal*, it is deemed to have been legally issued or sent when the contractor (or leader in the case of a joint tender) is able to successfully submit the e-document without any error messages. The generated PDF and XML document for the e-document are considered as a proof of receipt by the contracting authority.
4. In the event that an e-document is dispatched using a direct connection established between the parties' *back offices*, the e-document is deemed to have been legally issued or sent when its status is 'received' as defined in the *interface control document*.
5. When using the *supplier portal*, the contractor (or leader in the case of a joint tender) can download the PDF or XML message for each e-document for one year after submission. After this period, copies of the e-documents are no longer available for automatic download from the *supplier portal*.

#### **II.5.5. Authorised persons in e-PRIOR**

The contractor submits a request for each person who needs to be assigned the role of 'user' in *e-PRIOR*. These persons are identified by means of the European Communication Authentication Service (ECAS) and authorised to access and perform actions in *e-PRIOR* within the permissions of the user roles that the contracting authority has assigned to them.

User roles enabling these *e-PRIOR* authorised persons to sign legally binding documents such as specific tenders or specific contracts are granted only upon submission of supporting documents proving that the authorised person is empowered to act as a legal representative of the contractor.

### **II.6. LIABILITY**

- II.6.1** The contracting authority is not liable for any damage or loss caused by the contractor, including any damage or loss to third parties during or as a consequence of *implementation of the FWC*.

- II.6.2** If required by the relevant applicable legislation, the contractor must take out an insurance policy against risks and damage or loss relating to the *implementation of the FWC*. It must also take out supplementary insurance as reasonably required by standard practice in the industry. Upon request, the contractor must provide evidence of insurance coverage to the contracting authority.
- II.6.3** The contractor is liable for any loss or damage caused to the contracting authority during or as a consequence of *implementation of the FWC*, including in the event of subcontracting, but only up to an amount not exceeding three times the total amount of the relevant specific contract. However, if the damage or loss is caused by the gross negligence or wilful misconduct of the contractor or of its *personnel* or subcontractors, the contractor is liable for the whole amount of the damage or loss.
- II.6.4** If a third party brings any action against the contracting authority in connection with the *implementation of the FWC*, including any action for alleged breach of intellectual property rights, the contractor must assist the contracting authority in the legal proceedings, including by intervening in support of the contracting authority upon request.  
If the contracting authority's liability towards the third party is established and that such liability is caused by the contractor during or as a consequence of the *implementation of the FWC*, Article II.6.3 applies.
- II.6.5** If the contractor is composed of two or more economic operators (i.e. who submitted a joint tender), they are all jointly and severally liable to the contracting authority for the *implementation of the FWC*.
- II.6.6** The contracting authority is not liable for any loss or damage caused to the contractor during or as a consequence of *implementation of the FWC*, unless the loss or damage was caused by wilful misconduct or gross negligence of the contracting authority.

## **II.7. CONFLICT OF INTEREST AND PROFESSIONAL CONFLICTING INTERESTS**

- II.7.1** The contractor must take all the necessary measures to prevent any situation of *conflict of interest* or *professional conflicting interest*.
- II.7.2** The contractor must *notify* the contracting authority in writing as soon as possible of any situation that could constitute a *conflict of interest* or a *professional conflicting interest* during the *implementation of the FWC*. The contractor must immediately take action to rectify the situation.

The contracting authority may do any of the following:

- (a) verify that the contractor's action is appropriate;
- (b) require the contractor to take further action within a specified deadline;
- (c) decide not to award a specific contract to the contractor.

**II.7.3** The contractor must pass on all the relevant obligations in writing to:

- (a) its *personnel*;
- (b) any natural person with the power to represent it or take decisions on its behalf;
- (c) third parties involved in the *implementation of the FWC*, including subcontractors.

The contractor must also ensure that the persons referred to above are not placed in a situation which could give rise to conflicts of interest.

**II.8. CONFIDENTIALITY**

**II.8.1.** The contracting authority and the contractor must treat with confidentiality any information or documents, in any format, disclosed in writing or orally, relating to the *implementation of the FWC* and identified in writing as confidential.

**II.8.2.** Each party must:

- (a) not use *confidential information or documents* for any purpose other than to perform its obligations under the FWC or a specific contract without the prior written agreement of the other party;
- (b) ensure the protection of such *confidential information or documents* with the same level of protection as its own *confidential information or documents* and in any case with due diligence;
- (c) not disclose, directly or indirectly, *confidential information or documents* to third parties without the prior written agreement of the other party.

**II.8.3** The confidentiality obligations set out in this Article are binding on the contracting authority and the contractor during the *implementation of the FWC* and for as long as the information or documents remain confidential unless:

- (a) the disclosing party agrees to release the receiving party from the confidentiality obligation earlier;
- (b) the *confidential information or documents* become public through other means than a breach of the confidentiality obligation;
- (c) the applicable law requires the disclosure of the *confidential information or documents*.

**II.8.4** The contractor must obtain from any natural person with the power to represent it or take decisions on its behalf, as well as from third parties involved in the *implementation of the FWC* a commitment that they will comply with this Article. At the request of the contracting authority, the contractor must provide a document providing evidence of this commitment.

## **II.9. PROCESSING OF PERSONAL DATA**

- II.9.1** Any personal data included in the FWC must be processed in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data. Such data must be processed by the data controller solely for the purposes of the implementation, management and monitoring of the FWC. This does not affect its possible transmission to bodies entrusted with monitoring or inspection tasks in application of Union law.
- II.9.2** The contractor has the right to access its personal data and the right to rectify any such data. The contractor should address any queries concerning the processing of its personal data to the data controller.
- II.9.3** The contractor has right of recourse at any time to the European Data Protection Supervisor.
- II.9.4** If the FWC requires the contractor to process any personal data, the contractor may act only under the supervision of the data controller, in particular with regard to the purposes of the processing, the categories of data that may be processed, the recipients of the data and the means by which the data subject may exercise its rights.
- II.9.5** The contractor must grant *personnel* access to the data to the extent strictly necessary for the implementation, management and monitoring of the FWC.
- II.9.6** The contractor must adopt appropriate technical and organisational security measures, giving due regard to the risks inherent in the processing and to the nature of the personal data concerned, in order to:
- (a) prevent any unauthorised person from gaining access to computer systems processing personal data, and especially:
    - (i) unauthorised reading, copying, alteration or removal of storage media;
    - (ii) unauthorised data inputting, as well as any unauthorised disclosure, alteration or erasure of stored personal data;
    - (iii) unauthorised use of data processing systems by means of data transmission facilities;
  - (b) ensure that authorised users of a data-processing system can access only the personal data to which their access right refers;
  - (c) record which personal data have been communicated, when and to whom;
  - (d) ensure that personal data being processed on behalf of third parties can be processed only in the manner prescribed by the contracting authority;

- (e) ensure that, during communication of personal data and transport of storage media, the data cannot be read, copied or erased without authorisation;
- (f) design its organisational structure in such a way that it meets data protection requirements.

## **II.10. SUBCONTRACTING**

- II.10.1** The contractor must not subcontract and have the FWC implemented by third parties beyond the third parties already mentioned in its tender without prior written authorisation from the contracting authority.
- II.10.2** Even if the contracting authority authorises subcontracting, the contractor remains bound by its contractual obligations and is solely responsible for the *implementation of the FWC*.
- II.10.3** The contractor must ensure that the subcontract does not affect the rights of the contracting authority under this FWC, particularly those under Articles II.8, II.13 and II.24.
- II.10.4** The contracting authority may request the contractor to replace a subcontractor found to be in a situation provided for in points (d) and (e) of Article II.18.1.

## **II.11. AMENDMENTS**

- II.11.1** Any amendment to the FWC or a specific contract must be made in writing before all contractual obligations have been fulfilled. A specific contract does not constitute an amendment to the FWC.
- II.11.2** Any amendment must not make changes to the FWC or a specific contract that might alter the initial conditions of the procurement procedure or result in unequal treatment of tenderers or contractors.

## **II.12. ASSIGNMENT**

- II.12.1** The contractor must not assign any of the rights and obligations arising from the FWC, including claims for payments or factoring, without prior written authorisation from the contracting authority. In such cases, the contractor must provide the contracting authority with the identity of the intended assignee.
- II.12.2** Any right or obligation assigned by the contractor without authorisation is not enforceable against the contracting authority.



## **II.13. INTELLECTUAL PROPERTY RIGHTS**

### **II.13.1. Ownership of the rights in the results**

The Union acquires irrevocably worldwide ownership of the *results* and of all intellectual property rights under the FWC. The intellectual property rights so acquired include any rights, such as copyright and other intellectual or industrial property rights, to any of the *results* and to all technological solutions and information created or produced by the contractor or by its subcontractor in *implementation of the FWC*. The contracting authority may exploit and use the acquired rights as stipulated in this FWC. The Union acquires all the rights from the moment the contracting authority approves the *results* delivered by the contractor. Such delivery and approval are deemed to constitute an effective assignment of rights from the contractor to the Union.

The payment of the price includes any fees payable to the contractor about the acquisition of ownership of rights by the Union including for all forms of exploitation and of use of the *results*.

### **II.13.2. Licensing rights on pre-existing materials**

Unless provided otherwise in the special conditions, the Union does not acquire ownership of *pre-existing rights* under this FWC.

The contractor licenses the *pre-existing rights* on a royalty-free, non-exclusive and irrevocable basis to the Union, which may use the *pre-existing materials* for all the modes of exploitation set out in this FWC or in specific contracts. All *pre-existing rights* are licensed to the Union from the moment the *results* are delivered and approved by the contracting authority.

The licensing of *pre-existing rights* to the Union under this FWC covers all territories worldwide and is valid for the duration of intellectual property rights protection.

The payment of the price as set out in the specific contracts is deemed to also include any fees payable to the contractor in relation to the licensing of *pre-existing rights* to the Union, including for all forms of exploitation and of use of the *results*.

Where *implementation of the FWC* requires that the contractor uses *pre-existing materials* belonging to the contracting authority, the contracting authority may request that the contractor signs an adequate licence agreement. Such use by the contractor will not entail any transfer of rights to the contractor and is limited to the needs of this FWC.

### **II.13.3. Exclusive rights**

The Union acquires the following exclusive rights:

- (a) reproduction: the right to authorise or prohibit direct or indirect, temporary or permanent reproduction of the *results* by any means (mechanical, digital or other) and in any form, in whole or in part;
- (b) communication to the public: the exclusive right to authorise or prohibit any display, performance or communication to the public, by wire or wireless means, including the

- making available to the public of the *results* in such a way that members of the public may access them from a place and at a time individually chosen by them; this right also includes the communication and broadcasting by cable or by satellite;
- (c) distribution: the exclusive right to authorise or prohibit any form of distribution of *results* or copies of the *results* to the public, by sale or otherwise;
  - (d) rental: the exclusive right to authorise or prohibit rental or lending of the *results* or of copies of the *results*;
  - (e) adaptation: the exclusive right to authorise or prohibit any modification of the *results*;
  - (f) translation: the exclusive right to authorise or prohibit any translation, adaptation, arrangement, creation of derivative works based on the *results*, and any other alteration of the *results*, subject to the respect of moral rights of authors, where applicable;
  - (g) where the *results* are or include a database: the exclusive right to authorise or prohibit the extraction of all or a substantial part of the contents of the database to another medium by any means or in any form; and the exclusive right to authorise or prohibit the re-utilization of all or a substantial part of the contents of the database by the distribution of copies, by renting, by on-line or other forms of transmission;
  - (h) where the *results* are or include a patentable subject-matter: the right to register them as a patent and to further exploit such patent to the fullest extent;
  - (i) where the *results* are or include logos or subject-matter which could be registered as a trademark: the right to register such logo or subject-matter as a trademark and to further exploit and use it;
  - (j) where the *results* are or include know-how: the right to use such know-how as is necessary to make use of the *results* to the full extent provided for by this FWC, and the right to make it available to contractors or subcontractors acting on behalf of the contracting authority, subject to their signing of adequate confidentiality undertakings where necessary;
  - (k) where the *results* are documents:
    - (i) the right to authorise the reuse of the documents in conformity with the Commission Decision of 12 December 2011 on the reuse of Commission documents (2011/833/EU), to the extent it is applicable and the documents fall within its scope and are not excluded by any of its provisions; for the sake of this provision, 'reuse' and 'document' have the meaning given to it by this Decision;
    - (ii) the right to store and archive the *results* in line with the document management rules applicable to the contracting authority, including digitisation or converting the format for preservation or new use purposes;
  - (l) where the *results* are or incorporate software, including source code, object code and, where relevant, documentation, preparatory materials and manuals, in addition to the other rights mentioned in this Article:
    - (i) end-user rights, for all uses by the Union or by subcontractors which result from this FWC and from the intention of the parties;
    - (ii) the rights to decompile or disassemble the software;
  - (m) to the extent that the contractor may invoke moral rights, the right for the contracting authority, except where otherwise provided in this FWC, to publish the *results* with or without mentioning the *creator(s)*' name(s), and the right to decide when and whether the *results* may be disclosed and published.

The contractor warrants that the exclusive rights and the modes of exploitation may be exercised by the Union on all parts of the *results*, be they created by the contractor or consisting of *pre-existing materials*.

Where *pre-existing materials* are inserted in the *results*, the contracting authority may accept reasonable restrictions impacting on the above list, provided that the said materials are easily identifiable and separable from the rest, that they do not correspond to substantial elements of the *results*, and that, should the need arise, satisfactory replacement solutions exist, at no additional costs to the contracting authority. In such case, the contractor will have to clearly inform the contracting authority before making such choice and the contracting authority has the right to refuse it.

#### **II.13.4. Identification of pre-existing rights**

When delivering the *results*, the contractor must warrant that, for any use that the contracting authority may envisage within the limits set in this FWC, the *results* and the *pre-existing material* incorporated in the *results* are free of claims from *creators* or from any third parties and all the necessary *pre-existing rights* have been obtained or licensed.

To that effect, the contractor must establish a list of all *pre-existing rights* to the *results* of this FWC or parts thereof, including identification of the rights' owners. If there are no *pre-existing rights* to the *results*, the contractor must provide a declaration to that effect. The contractor must provide this list or declaration to the contracting authority together with the invoice for payment of the balance at the latest.

#### **II.13.5. Evidence of granting of pre-existing rights**

Upon request by the contracting authority, the contractor must provide evidence that it has the ownership or the right to use all the listed *pre-existing rights*, except for the rights owned or licensed by the Union. The contracting authority may request this evidence even after the end of this FWC.

This evidence may refer, for example, to rights to: parts of other documents, images, graphs, fonts, tables, data, software, technical inventions, know-how, IT development tools, routines, subroutines or other programs ('background technology'), concepts, designs, installations or pieces of art, data, source or background materials or any other parts of external origin.

This evidence must include, as appropriate:

- (a) the name and version number of a software product;
- (b) the full identification of the work and its author, developer, *creator*, translator, data entry person, graphic designer, publisher, editor, photographer, producer;
- (c) a copy of the licence to use the product or of the agreement granting the relevant rights to the contractor or a reference to this licence;
- (d) a copy of the agreement or extract from the employment contract granting the relevant rights to the contractor where parts of the *results* were created by its *personnel*;
- (e) the text of the disclaimer notice if any.

Provision of evidence does not release the contractor from its responsibilities if it is found that it does not hold the necessary rights, regardless of when and by whom this fact is revealed.

The contractor also warrants that it possesses the relevant rights or powers to execute the transfer and that it has paid or has verified payment of all due fees including fees due to collecting societies, related to the final *results*.

#### **II.13.6. Quotation of works in the result**

In the *result*, the contractor must clearly point out all quotations of existing works. The complete reference should include as appropriate, the following: name of the author, title of the work, date and place of publication, date of creation, address of publication on the internet, number, volume and other information that allows the origin to be easily identified.

#### **II.13.7. Moral rights of creators**

By delivering the *results*, the contractor warrants that the *creators* will not object to the following on the basis of their moral rights under copyright:

- (n) that their names be mentioned or not mentioned when the *results* are presented to the public;
- (o) that the *results* be divulged or not after they have been delivered in their final version to the contracting authority;
- (p) that the *results* be adapted, provided that this is done in a manner which is not prejudicial to the *creator's* honour or reputation.

If moral rights on parts of the *results* protected by copyright may exist, the contractor must obtain the consent of *creators* regarding the granting or waiver of the relevant moral rights in accordance with the applicable legal provisions and be ready to provide documentary evidence upon request.

#### **II.13.8. Image rights and sound recordings**

If natural persons appear in a *result* or their voice or any other private element is recorded in a recognisable manner, the contractor must obtain a statement by these persons (or, in the case of minors, by the persons exercising parental authority) giving their permission for the described use of their image, voice or private element and, on request, submit a copy of the permission to the contracting authority. The contractor must take the necessary measures to obtain such consent in accordance with the applicable legal provisions.

#### **II.13.9. Copyright notice for pre-existing rights**

When the contractor retains *pre-existing rights* on parts of the *results*, reference must be inserted to that effect when the *result* is used as set out in Article I.10.1, with the following disclaimer: ‘© — year — European Union. All rights reserved. Certain parts are licensed under conditions to the EU’, or with any other equivalent disclaimer as the contracting authority may consider best appropriate, or as the parties may agree on a case-by-case basis. This does not apply where inserting such reference would be impossible, notably for practical reasons.

### **II.13.10. Visibility of Union funding and disclaimer**

When making use of the *results*, the contractor must declare that they have been produced under a contract with the Union and that the opinions expressed are those of the contractor only and do not represent the contracting authority's official position. The contracting authority may waive this obligation in writing or provide the text of the disclaimer.

### **II.14. FORCE MAJEURE**

**II.14.1** If a party is affected by *force majeure*, it must immediately *notify* the other party, stating the nature of the circumstances, their likely duration and foreseeable effects.

**II.14.2** A party is not liable for any delay or failure to perform its obligations under the FWC if that delay or failure is a *result* of *force majeure*. If the contractor is unable to fulfil its contractual obligations owing to *force majeure*, it has the right to remuneration only for the services actually provided.

**II.14.3** The parties must take all necessary measures to limit any damage due to *force majeure*.

### **II.15. LIQUIDATED DAMAGES**

#### **II.15.1. Delay in delivery**

If the contractor fails to perform its contractual obligations within the applicable time limits set out in this FWC, the contracting authority may claim liquidated damages for each day of delay using the following formula:

$$0.3 \times (V/d)$$

where:

*V* is the price of the relevant purchase or deliverable or *result*;

*d* is the duration specified in the relevant specific contract for delivery of the relevant purchase or deliverable or *result* or, failing that, the period between the date specified in Article I.4.2 and the date of delivery or performance specified in the relevant specific contract, expressed in days.

Liquidated damages may be imposed together with a reduction in price under the conditions laid down in Article II.16.

#### **II.15.2. Procedure**

The contracting authority must *formally notify* the contractor of its intention to apply liquidated damages and the corresponding calculated amount.

The contractor has 30 days following the date of receipt to submit observations. Failing that, the decision becomes enforceable the day after the time limit for submitting observations has elapsed.

If the contractor submits observations, the contracting authority, taking into account the relevant observations, must *notify* the contractor:

- (a) of the withdrawal of its intention to apply liquidated damages; or
- (b) of its final decision to apply liquidated damages and the corresponding amount.

#### **II.15.3. Nature of liquidated damages**

The parties expressly acknowledge and agree that any amount payable under this Article is not a penalty and represents a reasonable estimate of fair compensation for the damage incurred due to failure to provide the services within the applicable time limits set out in this FWC.

#### **II.15.4. Claims and liability**

Any claim for liquidated damages does not affect the contractor's actual or potential liability or the contracting authority's rights under Article II.18.

### **II.16. REDUCTION IN PRICE**

#### **II.16.1. Quality standards**

If the contractor fails to provide the service in accordance with the FWC or a specific contract ('unperformed obligations') or if it fails to provide the service in accordance with the expected quality levels specified in the tender specifications ('low quality delivery'), the contracting authority may reduce or recover payments proportionally to the seriousness of the unperformed obligations or low quality delivery. This includes in particular cases where the contracting authority cannot approve a *result*, report or deliverable as defined in Article I.6 after the contractor has submitted the required additional information, correction or new version.

A reduction in price may be imposed together with liquidated damages under the conditions of Article II.15.

#### **II.16.2. Procedure**

The contracting authority must *formally notify* the contractor of its intention to reduce payment and the corresponding calculated amount.

The contractor has 30 days following the date of receipt to submit observations. Failing that, the decision becomes enforceable the day after the time limit for submitting observations has elapsed.

If the contractor submits observations, the contracting authority, taking into account the relevant observations, must *notify* the contractor:

- (a) of the withdrawal of its intention to reduce payment; or
- (b) of its final decision to reduce payment and the corresponding amount.

### **II.16.3. Claims and liability**

Any reduction in price does not affect the contractor's actual or potential liability or the contracting authority's rights under Article II.18.

## **II.17. SUSPENSION OF THE IMPLEMENTATION OF THE FWC**

### **II.17.1. Suspension by the contractor**

If the contractor is affected by *force majeure*, it may suspend the provision of the services under a specific contract.

The contractor must immediately *notify* the contracting authority of the suspension. The *notification* must include a description of the *force majeure* and state when the contractor expects to resume the provision of services.

The contractor must *notify* the contracting authority as soon as it is able to resume *performance of the specific contract*, unless the contracting authority has already terminated the FWC or the specific contract.

### **II.17.2. Suspension by the contracting authority**

The contracting authority may suspend the *implementation of the FWC* or *performance of a specific contract* or any part of it:

- (a) if the procedure for awarding the FWC or a specific contract or the *implementation of the FWC* proves to have been subject to *substantial errors, irregularities* or *fraud*;
- (b) in order to verify whether the presumed *substantial errors, irregularities* or *fraud* actually occurred.

The contracting authority must *formally notify* the contractor of the suspension. Suspension takes effect on the date of *formal notification*, or at a later date if the *formal notification* so provides.

The contracting authority must *notify* the contractor as soon as possible whether:

- (a) it is lifting the suspension; or
- (b) it intends to terminate the FWC or a specific contract under Article II.18.1(f) or (j).

The contractor is not entitled to compensation for suspension of any part of the FWC or a specific contract.

## II.18. TERMINATION OF THE FWC

### II.18.1. Grounds for termination by the contracting authority

The contracting authority may terminate the FWC or a specific contract in the following circumstances:

- (a) if provision of the services under a pending specific contract has not actually started within 15 days of the scheduled date and the contracting authority considers the new date proposed, if any, unacceptable, taking into account Article II.11.2;
- (b) if the contractor is unable, through its own fault, to obtain any permit or licence required for *implementation of the FWC*;
- (c) if the contractor does not implement the FWC or perform the specific contract in accordance with the tender specifications or *request for service* or is in breach of another substantial contractual obligation or repeatedly refuses to sign specific contracts. Termination of three or more specific contracts in these circumstances also constitutes grounds for termination of the FWC;
- (d) if the contractor or any person that assumes unlimited liability for the debts of the contractor is in one of the situations provided for in points (a) and (b) of Article 106(1) of the Financial Regulation<sup>3</sup>;
- (e) if the contractor or any *related person* is subject to any of the situations provided for in points (c) to (f) of Article 106(1) or to Article 106(2) of the Financial Regulation.
- (f) if the procedure for awarding the FWC or the *implementation of the FWC* prove to have been subject to *substantial errors, irregularities or fraud*;
- (g) if the contractor does not comply with applicable obligations under environmental, social and labour law established by Union law, national law, collective agreements or by the international environmental, social and labour law provisions listed in Annex X to Directive 2014/24/EU;
- (h) if the contractor is in a situation that could constitute a *conflict of interest* or a *professional conflicting interest* as referred to in Article II.7;
- (i) if a change to the contractor's legal, financial, technical, organisational or ownership situation is likely to substantially affect the *implementation of the FWC* or substantially modify the conditions under which the FWC was initially awarded;
- (j) in the event of *force majeure*, where either resuming implementation is impossible or the necessary ensuing amendments to the FWC or a specific contract would mean that the tender specifications are no longer fulfilled or result in unequal treatment of tenderers or contractors;
- (k) if the needs of the contracting authority change and it no longer requires new services under the FWC; in such cases ongoing specific contracts remain unaffected;
- (l) if the termination of the FWC with one or more of the contractors means that the multiple FWC with reopening of competition no longer has the minimum required level of competition.

<sup>3</sup> Regulation (EU, EURATOM) No 966/2012 on the financial rules applicable to the general budget of the Union, as amended <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32012R0966>



### **II.18.2. Grounds for termination by the contractor**

The contractor may terminate the FWC or a specific contract if:

- (a) it has evidence that the contracting authority has committed *substantial errors, irregularities or fraud* in the procedure for awarding the FWC or the *implementation of the FWC*;
- (b) the contracting authority fails to comply with its obligations, in particular the obligation to provide the information needed for the contractor to implement the FWC or to perform a specific contract as provided for in the tender specifications.

### **II.18.3. Procedure for termination**

A party must *formally notify* the other party of its intention to terminate the FWC or a specific contract and the grounds for termination.

The other party has 30 days following the date of receipt to submit observations, including the measures it has taken to continue fulfilling its contractual obligations. Failing that, the decision to terminate becomes enforceable the day after the time limit for submitting observations has elapsed.

If the other party submits observations, the party intending to terminate must *formally notify* it either of the withdrawal of its intention to terminate or of its final decision to terminate.

In the cases referred to in points (a) to (d), (g) to (i), (k) and (l) of Article II.18.1 and in Article II.18.2, the date on which the termination takes effect must be specified in the *formal notification*.

In the cases referred to in points (e), (f) and (j) of Article II.18.1, the termination takes effect on the day following the date on which the contractor receives *notification* of termination.

In addition, at the request of the contracting authority and regardless of the grounds for termination, the contractor must provide all necessary assistance, including information, documents and files, to allow the contracting authority to complete, continue or transfer the services to a new contractor or internally, without interruption or adverse effect on the quality or continuity of the services. The parties may agree to draw up a transition plan detailing the contractor's assistance unless such plan is already detailed in other contractual documents or in the tender specifications. The contractor must provide such assistance at no additional cost, except if it can demonstrate that it requires substantial additional resources or means, in which case it must provide an estimate of the costs involved and the parties will negotiate an arrangement in good faith.

### **II.18.4. Effects of termination**

The contractor is liable for damage incurred by the contracting authority as a result of the termination of the FWC or a specific contract including the cost of appointing another contractor to provide or complete the services, unless the damage was caused by the situation specified in Article II.18.1(j), (k) or (l) or in Article II.18.2. The contracting authority may claim compensation for such damage.

The contractor is not entitled to compensation for any loss resulting from the termination of the FWC or a specific contract, including loss of anticipated profits, unless the loss was caused by the situation specified in Article II.18.2.

The contractor must take all appropriate measures to minimise costs, prevent damage and cancel or reduce its commitments.

Within 60 days of the date of termination, the contractor must submit any report, deliverable or *result* and any invoice required for services that were provided before the date of termination.

In the case of joint tenders, the contracting authority may terminate the FWC or a specific contract with each member of the group separately on the basis of points (d), (e) or (g) of Article II.18.1, under the conditions set out in Article II.11.2

## **II.19. INVOICES, VALUE ADDED TAX AND E-INVOICING**

### **II.19.1. Invoices and value added tax**

Invoices must contain the contractor's (or leader's in the case of a joint tender) identification data, the amount, the currency and the date, as well as the FWC reference and reference to the specific contract.

Invoices must indicate the place of taxation of the contractor (or leader in the case of a joint tender) for value added tax (VAT) purposes and must specify separately amounts not including VAT and amounts including VAT.

The contracting authority is exempt from all taxes and duties, including VAT, in accordance with Articles 3 and 4 of the Protocol on the privileges and immunities of the European Union.

The contractor (or leader in the case of a joint tender) must complete the necessary formalities with the relevant authorities to ensure that the supplies and services required for *implementation of the FWC* are exempt from taxes and duties, including VAT.

### **II.19.2. E-invoicing**

If provided for in the special conditions, the contractor (or leader in the case of a joint tender) submits invoices in electronic format if the conditions regarding electronic signature specified by Directive 2006/112/EC on VAT are fulfilled, i.e. using a qualified electronic signature or through electronic data interchange.

Reception of invoices by standard format (pdf) or email is not accepted.

## **II.20. PRICE REVISION**

If a price revision index is provided in Article I.5.2, this Article applies to it.

Prices are fixed and not subject to revision during the first year of the FWC.

At the beginning of the second and every following year of the FWC, each price may be revised upwards or downwards at the request of one of the parties.

A party may request a price revision in writing no later than three months before the anniversary date of entry into force of the FWC. The other party must acknowledge the request within 14 days of receipt.

At the anniversary date, the contracting authority must communicate the final index for the month in which the request was received, or failing that, the last provisional index available for that month. The contractor establishes the new price on this basis and communicates it as soon as possible to the contracting authority for verification.

The contracting authority purchases on the basis of the prices in force at the date on which the specific contract enters into force.

The price revision is calculated using the following formula:

$$Pr = Po \times \left( \frac{Ir}{Io} \right)$$

where: Pr = revised price;

Po = price in the tender;

Io = index for the month in which the FWC enters into force;

Ir = index for the month in which the request to revise prices is received.

## **II.21. PAYMENTS AND GUARANTEES**

### **II.21.1. Date of payment**

Payments are deemed to be effected on the date when they are debited to the contracting authority's account.

### **II.21.2. Currency**

Payments are made in euros or in the currency provided for in Article I.7.

### **II.21.3. Conversion**

The contracting authority makes any conversion between the euro and another currency at the daily euro exchange rate published in the Official Journal of the European Union, or failing that, at the monthly accounting exchange rate, as established by the European Commission

and published on the website indicated below, applicable on the day when it issues the payment order.

The contractor makes any conversion between the euro and another currency at the monthly accounting exchange rate, established by the Commission and published on the website indicated below, applicable on the date of the invoice.

[http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/infoeuro/infoeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm)

#### **II.21.4. Costs of transfer**

The costs of the transfer are borne as follows:

- (a) the contracting authority bears the costs of dispatch charged by its bank;
- (b) the contractor bears the costs of receipt charged by its bank;
- (c) the party causing repetition of the transfer bears the costs for repeated transfer.

#### **II.21.5. Pre-financing, performance and money retention guarantees**

If, as provided for in Article I.6, a financial guarantee is required for the payment of pre-financing, as performance guarantee or as retention money guarantee, it must fulfil the following conditions:

- (a) the financial guarantee is provided by a bank or a financial institution approved by the contracting authority or, at the request of the contractor and with the agreement of the contracting authority, by a third party;
- (b) the guarantor stands as first-call guarantor and does not require the contracting authority to have recourse against the principal debtor (the contractor).

The contractor bears the cost of providing such guarantee.

Pre-financing guarantees must remain in force until the pre-financing is cleared against interim payments or payment of the balance. Where the payment of the balance takes the form of a debit note, the pre-financing guarantee must remain in force for three months after the debit note is sent to the contractor. The contracting authority must release the guarantee within the following month.

Performance guarantees cover compliance with substantial contractual obligations until the contracting authority has given its final approval for the service. The performance guarantee must not exceed 10 % of the total price of the specific contract. The contracting authority must release the guarantee fully after final approval of the service, as provided for in the specific contract.

Retention money guarantees cover full delivery of the service in accordance with the specific contract including during the contract liability period and until its final approval by the contracting authority. The retention money guarantee must not exceed 10 % of the total price of the specific contract. The contracting authority must release the guarantee after the expiry of the contract liability period as provided for in the specific contract.

The contracting authority must not request a retention money guarantee for a specific contract where it has requested a performance guarantee.

#### **II.21.6. Interim payments and payment of the balance**

The contractor (or leader in the case of a joint tender) must send an invoice for interim payment, as provided for in Article I.6 or in the tender specifications or in the specific contract.

The contractor (or leader in the case of a joint tender) must send an invoice for payment of the balance within 60 days of the end of the period of provision of the services, as provided for in Article I.6, in the tender specifications or in the specific contract.

Payment of the invoice and approval of documents does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information they contain.

Payment of the balance may take the form of recovery.

#### **II.21.7. Suspension of the time allowed for payment**

The contracting authority may suspend the payment periods specified in Article I.6 at any time by *notifying* the contractor (or leader in the case of a joint tender) that its invoice cannot be processed. The reasons the contracting authority may cite for not being able to process an invoice are:

- (a) because it does not comply with the FWC;
- (b) because the contractor has not produced the appropriate documents or deliverables; or
- (c) because the contracting authority has observations on the documents or deliverables submitted with the invoice.

The contracting authority must *notify* the contractor (or leader in the case of joint tender) as soon as possible of any such suspension, giving the reasons for it.

Suspension takes effect on the date the contracting authority sends the *notification*. The remaining payment period resumes from the date on which the requested information or revised documents are received or the necessary further verification, including on-the-spot checks, is carried out. Where the suspension period exceeds two months, the contractor (or leader in the case of a joint tender) may request the contracting authority to justify the continued suspension.

Where the payment periods have been suspended following rejection of a document referred to in the first paragraph of this Article and the new document produced is also rejected, the contracting authority reserves the right to terminate the specific contract in accordance with Article II.18.1(c).

#### **II.21.8. Interest on late payment**

On expiry of the payment periods specified in Article I.6, the contractor (or leader in the case of a joint tender) is entitled to interest on late payment at the rate applied by the European

Central Bank for its main refinancing operations in euros (the reference rate) plus eight points. The reference rate is the rate in force, as published in the C series of the *Official Journal of the European Union*, on the first day of the month in which the payment period ends.

Suspension of the payment period as provided for in Article II.21.7 is not considered as giving rise to late payment.

Interest on late payment covers the period running from the day following the due date for payment up to and including the date of payment as defined in Article II.21.1.

However, when the calculated interest is EUR 200 or less, it must be paid to the contractor (or leader in the case of a joint tender) only if it requests it within two months of receiving late payment.

## **II.22. REIMBURSEMENTS**

**II.22.1** If provided for in the special conditions or in the tender specifications, the contracting authority must reimburse expenses directly connected with the provision of the services either when the contractor provides it with supporting documents or on the basis of flat rates.

**II.22.2** The contracting authority reimburses travel and subsistence expenses on the basis of the shortest itinerary and the minimum number of nights necessary for overnight stay at the destination.

**II.22.3** The contracting authority reimburses travel expenses as follows:

- (a) travel by air: up to the maximum cost of an economy class ticket at the time of the reservation;
- (b) travel by boat or rail: up to the maximum cost of a first class ticket;
- (c) travel by car: at the rate of one first class rail ticket for the same journey and on the same day;

In addition, the contracting authority reimburses travel outside Union territory if it has given its prior written approval for the expenses.

**II.22.4** The contracting authority reimburses subsistence expenses on the basis of a daily subsistence allowance as follows:

- (a) for journeys of less than 200 km for a return trip, no subsistence allowance is payable;
- (b) the daily subsistence allowance is payable only on receipt of supporting documents proving that the person concerned was present at the destination;

- (c) the daily subsistence allowance takes the form of a flat-rate payment to cover all subsistence expenses, including meals, local transport including transport to and from the airport or station, insurance and sundries;
- (d) the daily subsistence allowance is reimbursed at the flat rates specified in Article I.5.3;
- (e) accommodation is reimbursed on receipt of supporting documents proving the necessary overnight stay at the destination, up to the flat-rate ceilings specified in Article I.5.3.

**II.22.5** The contracting authority reimburses the cost of shipment of equipment or unaccompanied luggage if it has given its prior written approval for the expense.

## **II.23. RECOVERY**

**II.23.1** If an amount is to be recovered under the terms of the FWC, the contractor must repay the contracting authority the amount in question.

### **II.23.2. Recovery procedure**

Before recovery, the contracting authority must *formally notify* the contractor of its intention to recover the amount it claims, specifying the amount due and the reasons for recovery and inviting the contractor to make any observations within 30 days of receipt.

If no observations have been submitted or if, despite the observations submitted, the contracting authority decides to pursue the recovery procedure, it must confirm recovery by *formally notifying* a debit note to the contractor, specifying the date of payment. The contractor must pay in accordance with the provisions specified in the debit note.

If the contractor does not pay by the due date, the contracting authority may, after informing the contractor in writing, recover the amounts due:

- (a) by offsetting them against any amounts owed to the contractor by the Union or by the European Atomic Energy Community;
- (b) by calling in a financial guarantee if the contractor has submitted one to the contracting authority;
- (c) by taking legal action.

### **II.23.3. Interest on late payment**

If the contractor does not honour the obligation to pay the amount due by the date set by the contracting authority in the debit note, the amount due bears interest at the rate indicated in Article II.21.8. Interest on late payments will cover the period starting on the day after the due date for payment and ending on the date when the contracting authority receives the full amount owed.

Any partial payment is first entered against charges and interest on late payment and then against the principal amount.

#### **II.23.4. Recovery rules in the case of joint tender**

If the contract is signed by a group (joint tender), the group is jointly and severally liable under the conditions set out in Article II.6 (liability). The contracting authority first claims the full amount to the leader of the group.

If the leader does not pay by the due date and if the amount cannot be offset in accordance with Article II.23.2 (a), the contracting authority may claim the full amount to any other member of the group by *notifying* the debit note already sent to the leader under Article II.23.2.

#### **II.24. CHECKS AND AUDITS**

**II.24.1** The contracting authority and the European Anti-Fraud Office may check or require an audit on the *implementation of the FWC*. This may be carried out either by OLAF's own staff or by any other outside body authorised to do so on its behalf.

Such checks and audits may be initiated at any moment during the provision of the services and up to five years starting from the payment of the balance of the last specific contract issued under this FWC.

The audit procedure is initiated on the date of receipt of the relevant letter sent by the contracting authority. Audits are carried out on a confidential basis.

**II.24.2** The contractor must keep all original documents stored on any appropriate medium, including digitised originals if authorised under national law, for a period of five years starting from the payment of the balance of the last specific contract issued under this FWC.

**II.24.3** The contractor must grant the contracting authority's staff and outside personnel authorised by the contracting authority the appropriate right of access to sites and premises where the FWC is implemented and to all the information, including information in electronic format, needed to conduct such checks and audits. The contractor must ensure that the information is readily available at the moment of the check or audit and, if so requested, that information is handed over in an appropriate format.

**II.24.4** On the basis of the findings made during the audit, a provisional report is drawn up. The contracting authority or its authorised representative must send it to the contractor, who has 30 days following the date of receipt to submit observations. The contractor must receive the final report within 60 days following the expiry of the deadline to submit observations.

On the basis of the final audit findings, the contracting authority may recover all or part of the payments made in accordance with Article II.23 and may take any other measures which it considers necessary.



**II.24.5** In accordance with Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspection carried out by the Commission in order to protect the European Communities' financial interests against *fraud* and other *irregularities* and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office, the European Anti-Fraud Office may carry out investigations, including on the spot checks and inspections, to establish whether there has been *fraud*, corruption or any other illegal activity under the contract affecting the financial interests of the Union. Findings arising from an investigation may lead to criminal prosecution under national law.

The investigations may be carried out at any moment during the provision of the services and up to five years starting from the payment of the balance of the last specific contract issued under this FWC.

**II.24.6** The Court of Auditors has the same rights as the contracting authority, particularly right of access, for the purpose of checks and audits.

## **ANNEX III**

Model for specific contracts

## SPECIFIC CONTRACT

No [complete]

**implementing framework contract No 2016/H2020/FC/CAS**

1. The European Union ('the Union'), represented by the European Commission ('the contracting authority'), represented for the purposes of signing this specific contract by Ms Liliane De Wolf, Acting Director for Directorate J, Directorate General for Research and Innovation, Directorate J Common Support Centre

and

2. [Full official name]

[Official legal form]

[Statutory registration number or ID or passport number]

[Full official address]

[VAT registration number]

([collectively] "the contractor"), represented for the purposes of signing this specific contract by [forename, surname and function of legal representative,]

## HAVE AGREED

### **ARTICLE 1 SUBJECT MATTER**

- 1.1 This specific contract implements framework contract (FWC) No 2016/H2020/FC/CAS signed by the parties on [complete date].
- 1.2 In accordance with the provisions set out in the FWC and in this specific contract and [its][their] annex[es], which form an integral part of it, the contractor must provide the [services specified in Annex [complete].]

### **ARTICLE 2 ENTRY INTO FORCE AND DURATION**

- 2.1 This specific contract enters into force if both parties have already signed it.
- 2.2 The provision of the services starts from the [date when the announcement letters were sent to the beneficiaries, or the date on which the audit input files were provided to the Contractor, whichever is later] [insert date].
- 2.3 The provision of the services must not exceed [complete] [days]. The parties may extend the duration by written agreement before it elapses and before expiry of the FWC.

### **ARTICLE 3 PRICE**

- 3.1 The maximum amount covering all services to be provided under this specific contract [including reimbursement of expenses] is EUR [amount in figures and in words] ,.
- 3.2 [Reimbursement of expenses is not applicable to this specific contract.] [Within the maximum price payable, up to EUR [amount in figures and in words] is earmarked for expenses, which must be reimbursed in accordance with the FWC].

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*[Option: for contractors for which VAT is due in Belgium]*

[In Belgium, use of this contract constitutes a request for VAT exemption No 450, Article 42, paragraph 3.3 of the VAT code (circular 2/1978), provided the invoice includes the statement: 'Exonération de la TVA, Article 42, paragraphe 3.3 du code de la TVA (circulaire 2/1978)' or an equivalent statement in the Dutch or German language.]

*[Option: for contractors for which VAT is due in Luxembourg]*

[In Luxembourg, the contractor must include the following statement in the invoices: "Commande destinée à l'usage officiel de l'Union européenne. Exonération de la TVA Article 43 § 1 k 2ième tiret de la loi modifiée du 12.02.79. 'In the case of intra-Community purchases, the statement to be included in the invoices is: "For the official use of the European Union. VAT Exemption / European Union/ Article 151 of Council Directive 2006/112/EC.'"]

#### **ARTICLE 4 COMMUNICATION DETAILS**

For the purpose of this specific contract, communications must be sent to the following addresses:

Contracting authority:

European Commission

Directorate-General for Research and Innovation

Directorate J – Common Support Centre

Unit J.2 – Common Audit Service

B-1049 Brussels

E-mail: *[will be provided in the contract]*

Contractor:

*[Full name]*

*[Function]*

*[Company name]*

*[Full official address]*

E-mail: *[complete]*

#### **Annexes**

*Request for service*

#### **Signatures**

For the contractor,

*[Company name/forename/surname/function]*

signature:

Done at *[place]*, *[date]*

In duplicate in English.

For the contracting authority,

Liliane De Wolf, Acting Director for  
RTD.J

signature:

Done at *[place]*, *[date]*



## **ANNEX IV**

## **WORKING PRACTICE**

### **1. GENERAL INFORMATION**

#### **1.1. THE AUDIT CO-ORDINATOR**

##### **1.1.1 The Audit Co-ordinator must:**

- Maintain all contacts with the Contracting Authority (CA) and the auditors. He/she will be the single access point with the CA and will regularly meet with the CA, typically on a monthly basis.
- Transmit in due time to the CA all the required documentation (including working papers) and reports on behalf of the auditors and as specified in the Framework Contract for Services (FWC) and each specific contract.
- Transfer to the auditors all the documents related to the engagements to be carried out on behalf of the CA.
- Ensure that the auditors are familiar with the Horizon 2020<sup>1</sup> legal framework, relevant provisions of Grant Agreements and manuals and guidelines made publicly available by the CA such as the Annotated Grant Agreement ([http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference\\_docs.html](http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html)) or otherwise communicated by the CA.
- Provide proper instructions and ensure monitoring of the auditors on the work to be carried out, in particular ensure that the auditors have full understanding of the indicative Audit Programme.
- Ensure consistency in the approach (the Audit Co-ordinator is in particular responsible for quality control and completeness of Audit Reports).
- Ensure that the auditors' work is carried out in conformity and in application of any relevant legal interpretation, guidance note or audit approach, procedure or practice issued or applied by the CA and of which the Audit Co-ordinator has been made aware.
- Ensure that the auditors are familiar with the requirements of the FWC and each specific contract.
- Ensure that there is no conflict of interest with reference to the beneficiaries to be subject to an engagement. In the case there is a conflict of interest the Audit Co-ordinator will inform the CA without delay.

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<sup>1</sup> Whenever the Working Practice refers to Horizon 2020, it must be read as a reference to Horizon 2020 and Euratom.



- Clarify and resolve to the extent possible any problems that the auditors may encounter during an audit and inform the CA without delay.
- 1.1.2 If necessary, the Audit Co-ordinator may request a meeting with the CA to clarify any problems that have not been resolved or shall make himself available for a meeting on request of the CA.
- 1.1.3 It is the responsibility of the Audit Co-ordinator to ensure that the time table for the engagements is respected. In particular, the Audit Co-ordinator is responsible for adopting and monitoring the application of comprehensive common procedures and policies, including the relationship with the beneficiaries and the scheduling of the field work, to ensure that the deadlines referred to in Points 5 to 7 are respected.
- 1.1.4 The Audit Co-ordinator must inform the CA of possible problems with the beneficiaries without delay. These problems may include among others problems in establishing contacts with the beneficiary, non-cooperation, lack of supporting documents for the costs claimed, inappropriate bookkeeping and/or suspicion of fraud.
- 1.1.5 The Audit Co-ordinator must review all Audit Reports for quality, completeness and consistency before sending them to the CA. The Audit Co-ordinator must implement appropriate quality review procedures in line with professional audit standards in order to ensure that the Audit Reports are free of material errors in form and content.
- 1.1.6 The Audit Co-ordinator must also review all Audit Reports in the context of potential inconsistency of findings or conclusions with the audit reports (audit results) previously issued by the Commission services and inform the CA in due time. The CA is responsible for the provision of previous reports to the contractor before the start of the engagement (see point 4.1.7).
- 1.1.7 In cases where there is disagreement with beneficiaries on the conclusions of the Audit Reports, the Audit Co-ordinator shall provide the CA without delay with all the elements to verify, support and defend the conclusions reached, including when the particular engagement affected has already been finalised in line with point 6.2.12. The same applies to situations where there is an external inquiry (such as an intervention of the European Ombudsman).

## **1.2. THE CONTRACTING AUTHORITY (CA)**

- 1.2.1 The CA is solely responsible for the execution of the Horizon 2020 and Euratom related ex-post controls covering the amounts declared to and paid by Commission services (Directorates General, Executive Agencies, Joint Undertakings and others).
- 1.2.2 Irrespective whether an engagement relates to Grant Agreements signed with one or more Commission services, the CA will be the only contact point for the Audit Co-ordinator.



## **2. WORK TO BE UNDERTAKEN**

### **2.1. AUDITS BASED ON THE INDICATIVE AUDIT PROGRAMME**

- 2.1.1. The contractor will carry out complete financial audits aimed at verifying whether the costs declared and paid on the basis of the EU Grant Agreements, taking into account the costs accepted and any adjustments made "ex-ante" by the Commission services are claimed according to the financial provisions defined in each specific Grant Agreement on the basis of an indicative Audit Programme attached as Annex 1 to this document.
- 2.1.2. The Audit Programme is presented on an indicative basis in order to illustrate the audit scope, the audit steps and techniques applied by the CA in the course of the audits carried out by the CA auditors. The contractor should follow the Audit Programme in order to ensure consistency between the audits carried out by the CA and by other contractors.
- 2.1.3. In addition to the indicative Audit Programme, the CA will also present the contractors with guidelines concerning the financial and non-financial consequences of particular findings to be calculated (applied) by the contractors. The contractor should follow the Audit Programme in order to ensure consistency between the audits carried out by the CA and by other contractors.
- 2.1.4. Without prejudice to point 2.1.2, the contractor may modify the application of the Audit Programme or the guidelines received from the CA based on their audit judgment in individual circumstances. However, in such cases, the contractor should make the CA aware about deviations from the Audit Programme or the guidelines. The CA shall advise the contractor on the form in which such deviations should be communicated.
- 2.1.5. The contractor will produce an Audit Report describing the findings and their consequences in terms of the eligibility of the underlying costs and compliance with the provisions of the Grant Agreements. The Audit Report will include an audit opinion. An indicative template of the Audit Report is attached as Annex 2 to this document.
- 2.1.6. The Audit Report will determine the adjustments to be proposed in relation to costs paid to the beneficiary (with the indication whether the underlying errors are systemic or recurrent) and will also disclose errors without a direct financial impact on the eligibility of particular costs.
- 2.1.7. The contractor will also be required to present the breakdown of financial errors by error type. The CA will provide the matrix to be used for the purpose of such error typology. Annex 1 and Annex 2 may be subject to minor changes introduced by the CA. These changes will not be applicable to engagements for which the contractor has started the execution of the engagement (e.g. by sending a list of documents to be prepared by a beneficiary or by performing on-the-spot visit) unless the contractor proposes to apply them with an immediate effect.

2.1.8. The changes to the Standard Audit Programme cannot significantly increase the scope of the work described in Annex 1. For example, they may be introduced in order to align Annex 1 with any change to the legal acts, legal interpretation, guidance note or audit approach or practice applied by the CAS. The same applies *mutatis mutandis* to Annex 2. The changes may also imply a reduction of the scope of the work described in Annex 1 and Annex 2 to this document.

2.1.9. For the purpose of point 2.1.8 the changes are considered significant if, taken all together and over a period of one year, they imply an increase in the number of control procedures to be performed of more than 5%, *ceteris paribus*.

## **2.2. OTHER ENGAGEMENTS**

Apart from the services referred to above, the contractor may be asked to perform other services. As an example, the work to be carried out may consist of:

- compliance audits or agreed upon procedures engagements focusing on specific contractual obligations,
- follow up audits with respect to the beneficiaries' compliance regarding the implementation of recommendations of previous audits or the implementation of audit findings to non-audited periods /projects (extension of audit findings),
- system-based reviews;
- technical assistance in ex-post controls to the CA;
- risk-based audits aimed at fraud detection.

### **3. BATCH AND INDIVIDUAL ASSIGNMENTS**

#### **3.1. BATCH ASSIGNMENTS**

- 3.1.1. Batch Assignments entail the performance of up to 100 audits concerning participants established in 28 EU Member States or within the Associated Countries  
([http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/hi/3cpart/h2020-hi-list-ac\\_en.pdf](http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-list-ac_en.pdf)).
- 3.1.2. The exact size of a Batch will be determined after the assignment procedure referred to in point 5 is completed.
- 3.1.3. Engagements included in a Batch will cover the financial statements for a maximum of 9 reporting periods. These costs claims will belong to one or more actions.
- 3.1.4. The duration of Batch Assignments will be determined in the Specific Contract and can be between 150 and 250 calendar days.

#### **3.2. INDIVIDUAL ASSIGNMENTS**

- 3.2.1. Individual Assignments encompasses all other services, including audits concerning participants established in countries other than Member States and Associated Countries.
- 3.2.2. Individual Assignments will usually concern one participant.
- 3.2.3. The CA and the contractor may agree for an Individual Assignment to concern more than one participant, e.g., beneficiaries and their associated third parties, several beneficiaries contributing costs to a joint research unit or several beneficiaries. Similar agreement may concern engagements related to beneficiaries with very low participations (simplified scope, desk reviews, etc.).
- 3.2.4. If the Individual Assignments cover more than one participant, the CA and the contractor may agree to use certain provisions related to Batch Assignments with respect to these engagements (such as a summary price or the application of the provisions on liquidated damages). The CA will propose such an agreement along with the list of the beneficiaries to be subject to an engagement and the ultimate arrangements in this matter must be documented in the Specific Contract for the engagement.

## **4. ASSIGNMENT PROCEDURES**

### **4.1. BATCH ASSIGNMENTS**

- 4.1.1. The CA will provide the contractor with a list of beneficiaries to be subject to a given Batch Assignment as request for services. The list will be accompanied with the information on the planned duration of the Batch Assignment.

Within 14 calendar days after receipt of the list from the CA, the contractor will provide the CA with the list of the beneficiaries with respect to which the contractor is available for providing services, as well as the lists of beneficiaries with which the contractor has got conflict of interest and/or for which he does not have capacity to perform the engagement. Should the contractor fail to provide any of these lists within this time limit, he will be considered as being unavailable to provide the service within the meaning of point 4.1.3.

- 4.1.2. Without prejudice to Article II.1 and II.7 of the FWC<sup>2</sup> conflict of interest will always be assumed if there is a commercial relationship between the contractor and any of the beneficiaries to be subject to the engagement or if the contractor has had a commercial relationship with such beneficiary within the last three years before the receipt by the contractor of a list of beneficiaries as referred to in point 4.1.1.

The beneficiaries with whom the contractor had a conflict of interest or does not have the capacity to perform the services can be grouped in a new Batch and assigned to the next contractor in the cascade determined in line with the FWC.

- 4.1.3. The contractor shall be considered unavailable if he fails to inform the CA of the existence or non-existence of a conflict of interest or capacity issues within 14 calendar days after receipt of the request for service.

In this case, without further notice, the contractor will have released the CA from any contractual obligation and will have waived any rights towards the CA in relation to the proposed Batch Assignment without this involving termination of the FWC or payment of compensation by the CA for services specified in the request of services.

In this case too, the CA will have the right to send a request for services to the second contractor with whom the FWC has been concluded and in the case of his unavailability, to the third contractor.

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<sup>2</sup> Article II.1 of the FWC defines conflict of interest as "*a situation where the impartial and objective implementation of the FWC by the contractor is compromised for reasons involving family, emotional life, political or national affinity, economic interest, or any other shared interest with the contracting authority or any third party related to the subject matter of the FWC*".

- 4.1.4. The contractor acknowledges that the undertaking to abstain from any contact likely to compromise his independence concerns not only independence in fact but also independence in appearance. For this reason the contractor agrees to refrain from proposing or accepting any engagement for services to be rendered directly or indirectly for the benefit of the beneficiary subject to the engagement in the period of 12 (twelve) months after the date of the signing of the Final Audit Report.
- 4.1.5. For the purposes of points 4.1.2 and 4.1.4 above, the contractor shall ensure that the same rules and limitations are applied to the contractor's network as defined in Article 2(7) of the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 (OJ L157/87 of 9 June 2006).
- 4.1.6. After due acceptance by the contractor of a final list of beneficiaries subject to engagements, the CA will prepare a Specific Contract. The Specific Contract shall be signed by the contractor within 14 calendar days after receipt and returned to the CA. On an exceptional basis, in the event specific audits cannot be carried out as planned, the CA reserves the right to remove certain beneficiaries from the list before the Specific Contract is signed.
- 4.1.7. Immediately after the Specific Contract is signed the CA will supply the Audit Co-ordinator with the following information (audit input files):
- a list of beneficiaries, Grant Agreements and periods to be subject to an engagement;
  - copies of related financial statements;
  - a copy of the Grant Agreement applied and any special conditions,
  - copies of any other documents relevant for the engagement;
  - copies of previously issued audit reports.
- 4.1.8. Without unnecessary delay the CA will inform all beneficiaries to be subject of the forthcoming audit by sending a Letter of Announcement and remind them of their contractual obligations relating to such audits. Within 5 calendar days a copy of this letter will be sent to the Audit Co-ordinator.
- 4.1.9. The dates for the engagement to take place at the premises of the beneficiary will need to be agreed upon between the contractor and that beneficiary. Without prejudice to point 6.2.2., the latter should be given reasonable time to prepare all the documentation necessary to justify the costs declared and paid.

## **4.2. INDIVIDUAL ASSIGNMENTS**

- 4.2.1. Unless specified otherwise, in the case of a proposed Individual Assignment, the contractor shall return a duly justified estimate of the resources (man-days) to be allocated for the execution thereof within 14 calendar days after receipt of the request for service. Should the CA consider the estimate reasonable and appropriate, it shall send a specific contract to the contractor. The contractor shall indicate its approval to carry out the assignment requested by the CA by signing and returning the

specific contract to the CA without delay and not later than within 14 calendar days. Points 4.1.1, 4.1.2, 4.1.4 and 4.1.5 apply *mutatis mutandis*.

4.2.2. The contractor shall be considered unavailable if:

- he fails to inform the CA of the existence or non-existence of a conflict of interest within 14 calendar days after receipt of the request for service sent by the CA;
- he fails to return the justified estimate or the specific contract within 14 calendar days after receipt;
- the CA is in disagreement with the contractor on his estimate of the resources to be allocated.

In these cases, without further notice, the contractor will have released the CA from any contractual obligation and will have waived any rights towards the CA in relation to the proposed Individual Assignment without this involving termination of the framework contract or payment of compensation by the CA for services specified in the specific contract.

In this case too, the CA will have the right to send a request for services to the next contractor with whom a framework contract has been concluded and in the case of his unavailability, to the third contractor.

4.2.3. In duly justified cases, in particular where the scope of the engagement cannot be determined unilaterally by the CA, the assignment procedure for Individual Assignments may include additional steps. For example, the CA may arrange for a preliminary meeting/teleconference between the contractor, the CA or the beneficiaries subject to an engagement. The purpose of the meeting could be to explain the objectives of the engagement, determine the scope, identify possible problem areas and define practical details concerning the commencement of the engagement.

Where necessary, within the deadline set by the CA (not shorter than 14 calendar days from the preliminary meeting/teleconference or from the CA enquiry if a meeting/teleconference was not organised) the contractor having assessed the scope and nature of the work required, shall send to the CA<sup>3</sup>:

- a) Minutes of the preliminary meeting (when applicable)
- b) A proposal detailing:
  - The issues envisaged, if any;
  - The audit approach;
  - The detailed work plan;
  - Composition of the team, including qualifications, competences, experiences and grade (CVs);
  - Commencement date;
  - Duration of the engagement;
  - Budgeted cost in euro.

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<sup>3</sup> The example in point 4.2.3 refers to audits but can be analogically applied also to other engagements



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- 4.2.4. After the proposal is accepted, the CA will prepare a specific contract. Attention is drawn to the provisions of point 4.1.3 and the consequences of “unavailability”.
- 4.2.5. Prior to the signature of a specific contract, the CA is under no obligation to refund the contractor for costs incurred.

## **5. REPORTING PROCEDURES AND TIME LIMITS – GENERAL**

- 5.1. The contractor is required to provide the services within the time limit specified in each specific contract. In doing so, he needs to take into account the reporting procedures specified below and the time limits accorded to the audited beneficiaries and the CA. The contractor is required to provide all the Final Audit Reports within the specified time limits unless otherwise provided for in this Working Practice section or a specific contract.

Based on the CA's needs, the specific contract will specify the duration of the engagement.

- 5.2. Monthly Audit Status Reports (MASR) shall be provided (in a format such as provided in *Annex 3* to this document) by the Audit Co-ordinator for all the engagements in progress, both Batch and Individual Assignments.

Each engagement shall be listed in such a way as to enable an easy identification of the underlying specific contract. All engagements comprised in a Batch Assignment shall be listed together.

- 5.3. All Preliminary, Draft and Final Audit reports shall be made available to the CA in electronic format (and also in paper copy where this is indicated in the Working Practice). Please refer to point 8 for details.

All changes made in Preliminary and Draft Audit Reports must be shown in "track change modus" (or similar format) in order that the changes can easily be identified by the CA.

- 5.4. If not explicitly stated otherwise in the specific contract, the start date of a Batch Assignment or the Individual Assignment is the date on which the CA has sent out the letters of announcement. The CA will immediately inform the contractor about this date.

If not explicitly stated otherwise in the specific contract all Final Audit Reports are due within the duration of the Batch (150-250 calendar days).

The completion date of a Batch Assignment is the date on which the contractor has actually submitted (make available) to the CA the last of all final audit reports to be delivered, duly signed and dated, both in a standard Microsoft® Word format (or equivalent) and in a standard Adobe® PDF format (or equivalent). Accompanying tables shall also be provided in a standard Microsoft® Excel format (or equivalent).

## **6. REPORTING PROCEDURES AND TIME LIMITS FOR BATCH ASSIGNMENTS**

- 6.1. At least two working days before the first MASR meeting after the assignment of the Batch, the Audit Co-ordinator presents a schedule showing planned dates for the fieldwork (where possible already agreed upon with the beneficiaries), for each engagement of a Batch Assignment. Updates to the schedule are presented at least two working days before subsequent MASR meetings and are discussed on these meetings (when necessary). The CA accepts the schedules or with or without reservations.
- 6.2. Standard workflow for the reporting on engagements:
  - 6.2.1. Within 10 calendar days after the start date of the Batch the contractor contacts the beneficiaries in order to arrange for a fieldwork visit.
  - 6.2.2. The contractor should make necessary effort to commence the on-the-spot visit within 20 calendar days after the date the letter announcing the engagement has been received by the beneficiary.
  - 6.2.3. As soon as the contractor has completed the fieldwork of an engagement, he arranges an exit meeting with the beneficiary and presents and explains all findings. The exit meeting has to be properly documented in working papers and summarised in the report.
  - 6.2.4. Within 20 calendar days after the exit meeting the contractor issues a Preliminary Audit Report in a standard Microsoft® Word format (or equivalent) and submits it to the CA via the Audit Co-ordinator. Annexes to the Preliminary Audit Report shall be provided in a standard Microsoft® Excel format (or equivalent).
  - 6.2.5. The CA either approves the Preliminary Audit Report within 20 calendar days or, if necessary, asks for justified alterations or amendments or additional fieldwork necessary to substantiate findings. In the latter cases the contractor may perform the former work step again within 10 calendar days until the Preliminary Audit Report is approved. The CA responds to the revised Preliminary Audit Report within 10 calendar days by accepting it or requesting further amendments. This step may be repeated until the CA is satisfied with the Preliminary Audit Report. For justified reasons the CA can also decide to stop the engagement and the respective reporting process.
  - 6.2.6. The contractor submits the document as the Draft Audit Report to the beneficiary immediately after the CA's acceptance. The contractor clearly indicates that the beneficiary has 30 calendar days to provide comments on the Draft Audit Report and monitors the submission of the beneficiary's comments.
  - 6.2.7. Within 20 calendar days after having received the beneficiary's comments, the contractor complements the Draft Audit Report with the comments received from the beneficiary and the reply to these comments and make

necessary changes to the Draft Audit Report. The contractor sends this document via the Audit Co-ordinator as Final Audit Report in a standard Microsoft® Word format (or equivalent). Annexes shall be provided in a standard Microsoft® Excel format (or equivalent).

- 6.2.8. If the beneficiary's comments are disregarded, sound reasoning must be given in the report.
  - 6.2.9. The same applies, *mutatis mutandis*, in the case of acceptance of the beneficiary's comments.
  - 6.2.10. In the case of findings giving rise to systemic or recurrent errors, the contractor shall collect any available comment or evidence useful to assess the nature of the error and the potential financial impact on the Grant Agreements falling outside the scope of the engagement. The contractor shall explicitly solicit a specific comment of the beneficiary in this regard.
  - 6.2.11. The CA approves the Final Audit Report within 20 calendar days or, if necessary, asks for justified alterations or amendments or additional fieldwork necessary to substantiate findings. In the latter cases the contractor may perform the former work step again within 10 calendar days until the Final Audit Report is approved. The CA responds to the revised Final Audit Report within 10 calendar days by accepting it or requesting further amendments. This step may be repeated until the CA accepts the Final Audit Report.
  - 6.2.12. Immediately after the CA's acceptance, the contractor issues the Final Audit Report, duly signed and dated, and submits it to the CA via the Audit Co-ordinator in both a standard Microsoft® Word format (or equivalent) and a standard Adobe® PDF format (or equivalent). Two signed paper copies are submitted within 10 calendar days after the approval. Annexes shall be provided in a standard Microsoft® Excel format (or equivalent).
- 6.3. The contractor is required to report on Batch accomplishments in the manner described in this document.
- 6.3.1. Once all preliminary audit reports have been submitted to the CA, the Audit Co-ordinator shall send to CA an Intermediate Assignment Report within 15 calendar days (in a format such as provided in Annex 7 to this document).
  - 6.3.2. Once all final audit reports have been approved by the CA, the Audit Co-ordinator shall send to CA a Final Assignment Report within 15 calendar days (in a format such as provided in Annex 8 to this document).
  - 6.3.3. A Final Assignment Report shall be accompanied by the proposed calculation of liquidated damages prepared in accordance with Article I.15 of the FWC and the methodology for the calculation of liquidated damages attached as Annex 4 to this document.

6.3.4. Invoices shall be issued by the contractor for amounts net of liquidated damages.

## **7. REPORTING PROCEDURES AND TIME LIMITS FOR INDIVIDUAL ASSIGNMENTS**

- 7.1. At the latest 2 working days before the first MASR meeting after the assignment of the Individual Assignment, the Audit Co-ordinator presents a schedule showing planned dates for the fieldwork (where possible already agreed upon with the beneficiaries), for each Individual Assignment. Updates to the schedule are presented at least two working days before subsequent MASR meetings and are discussed on these meetings (when necessary). The CA accepts the schedules or with or without reservations.
- 7.2. Unless agreed otherwise in the specific contract, the contractor shall arrange for the on-the-spot visit, produce Preliminary, Draft and Final Audit Reports as well as take other actions in the same manner as set forth in point 6 for Batch Assignments.

## **8. QUALITY REQUIREMENTS**

- 8.1. The contractor must provide high quality services. High quality requirements concern not only the ultimate deliverable (Final Audit Report) but also all the interim deliverables (Preliminary and Draft Audit Reports) and the engagement process as such contacts with beneficiaries, documentation collected to back up the contents of Audit Reports, speed and quality of response to comments and instructions of the CA, etc.
- 8.2. The CA will regularly assess various quality aspects related to the execution of the FWC and specific contracts, for example:
- Completeness and coherence of Audit Reports,
  - Quality of the language, structure and layout of Audit Reports,
  - The quality of explanations concerning findings and adjustments in Audit Reports,
  - The quality of the communication with the contractor, including the number of necessary revisions of Audit Reports,
  - The quality of the evidence supporting the findings and adjustments, as well as the evidence concerning the engagement process (contacts with beneficiaries),
  - Any indication that the beneficiaries may be unsatisfied with the way the engagement was carried out for reasons related to the contractor.

The CAS will provide feedback on the quality of services during MASR meetings or in other form if required.

- 8.3. In particular, for the purposes of Article II.16.1 of the FWC, it shall be assumed that more than four revisions necessary for the acceptance by CA of a Preliminary Report or a Draft Report indicate a low quality delivery and may trigger the procedure described in Article II.16.2 of the FWC. It is therefore imperative that the contractor (Audit Co-ordinator) timely identifies the cases where more than two revisions were requested. In such a case the contractor should immediately contact the CA in order to prevent the situation described in the first sentence above and undertake appropriate steps in good time in order to clarify the situation and produce the Audit Report which meet the quality standards and can be accepted by the CA.
- 8.4. The fact that CA may ask for access to working papers and other documents related to the performance of the FWC and specific contracts through the electronic data interchange (see Point 9), does not prevent the CA from carrying out quality checks at the premises of the contractor in line with Article II.24 of the FWC.

**9. ELECTRONIC DATA INTERCHANGE AND FUNCTIONAL MAILBOXES**

- 9.1. Unless otherwise requested by the CA, all the correspondence between the contractor and the CA should be made through electronic data interchange and functional mailboxes.
- 9.2. The electronic data interchange must be used for the making available to the CA all Audit Reports (with Annexes). It should also store all the comments sheets concerning particular engagements (for a template of a comments sheet refer to Annex 7 to this document).
- 9.3. The electronic data interchange must also be used for the making available to CAS all the documentation concerning work progress and accomplishments for the purposes of MASR meetings.
- 9.4. The electronic data interchange must also be used for making available on request of the CA the access to working papers and other documents related to the execution of particular engagements.
- 9.5. Once a new document is made available to CA through the electronic data interchange, an e-mail alert must be sent to the CA with a direct link to the document. The CA will provide the contractor with a specific e-mail address of a functional mailbox that will need to be used for the purposes of the communication with the CA.
- 9.6. The contractor will have to provide addresses of their functional mailboxes to which the correspondence from the CA will be sent.
- 9.7. No provision of the Working Practice shall be understood as limiting the use of electronic data interchange only to the documents mentioned above if the contractor proposes to utilise it to make other documents available to the CA on a regular basis.

ANNEXES

- Annex 1 Indicative Audit Programme
- Annex 2 Model Audit Report (Preliminary /Draft /Final)
- Annex 3 Monthly Assignment Status Report
- Annex 4 Methodology for the calculation of liquidated damages
- Annex 5 Intermediate Assignment Report
- Annex 6 Final Assignment Report
- Annex 7 Comments sheet template



## ANNEX 1

### Indicative audit programme

#### • DIRECT PERSONNEL COSTS - General Criteria

GA Ref:	Condition to be checked	No	Procedure to be performed
Art. 6.2. AGA page 63	Certified methodology	1	<p>If the Beneficiary has a certified methodology for claiming personnel costs: a) Verify that the costs have been declared using the certified methodology. b) Verify that the Beneficiary did not conceal information when presenting the methodology for certification.</p> <p>If the certified methodology has not been applied or if the Beneficiary concealed information to the EC for its approval report the incompliances or the concealed information and calculate the eligible costs based on actual costs without proposing an adjustment yet.</p>
Art 6.1.(i)	They must be actually incurred by the Beneficiary	2.1	<p>a) Obtain from the beneficiary the detailed breakdown of personnel costs included in the financial statements per reporting period, with reference to the financial/ fiscal year used in the computations. Reconcile the breakdown with the claimed costs. Adjust any negative reconciliation difference identified. Select for testing a sample of persons based on the following method. 1) If the total personnel costs declared are below the planning materiality level (5% of total costs declared) select for testing only the person with the highest amount declared. 2) If the total personnel costs declared are above the planning materiality level (5% of total costs declared) select for testing all the items with a value higher or equal to 10% of the costs declared for personnel costs and add randomly selected persons until you reach either 50% coverage of the personnel costs or a maximum number of 15 persons. A minimum of 5 persons must be selected unless the population is less than 5.</p>

		2.2	b) Obtain the supporting documentation (payrolls, payslips, bank statements, contracts, time records (timesheets), accounting records, usual accounting practices, usual cost accounting practices, usual remuneration practices, etc.) to be able to verify the personnel costs. c) Obtain from the Beneficiary details related to the basic remuneration, mandatory complements, variable complements, additional remuneration included in the computations. The detail should include type of personnel costs, name, duration of the contract, position of the person, information about method and productive hours used.
		2.3	d) Depending on which type of personnel is included in the selected persons, perform the relevant procedures from the sections 1 to 5. Perform the procedures for time records included in the section "Time Recording". Perform the applicable procedures from the section "Specific cases", which include the procedures for unit costs based on usual accounting practice. If systematic errors are identified request the Beneficiary to recalculate the declared costs for the action by removing the effect of the systematic errors for the whole population. Verify the accuracy and reliability of the recalculation performed by the Beneficiary.
Art 20.6.	Currency for financial statements and conversion into euro	3	For beneficiaries with accounting established in other currency than the euro, verify that the amounts have been converted into euro using the rate in accordance with Art.20.6.
Art 6.1 (ii)	They must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of the periodic report for the last reporting period and the final report ( <i>see Article 20</i> );	4.1	a) Reconcile the hours declared for the action with the provided time records (time-sheets or declaration for exclusive work). b) Verify that the hours recorded in the time records do not include hours during the suspension of the implementation of the action or outside the duration of the action. c) If hours are declared outside the duration of the action verify that they relate to the submission of the periodic report for the last reporting period and the final report. d) <b>Verify that the total number of hours declared in EU and Euratom grants for a person for a year may NOT be higher than the number of annual productive hours used for the calculation of the hourly rate.</b> e) Verify that all the persons selected for testing have been paid by tracing to supporting documents for a sample of months.

Art 6.1 (iv)	They must be incurred in connection with the action as described in Annex 1 and necessary for its implementation;	4.2	Select for testing a sample of at least 5 persons from the persons selected for testing and perform the procedures below. Review the CV, job profile, internet sources (Linkedin, etc.), scientific reporting and perform interviews in order to verify that 1) they have the necessary qualifications for the performance of the tasks attributed to them in the context of the H2020 action and 2) verify their involvement in the action. (e.g., ask them to describe their part in the project and the work performed, etc.)
Art 6.1 (v)	They must be identifiable and verifiable, in particular recorded in the beneficiary's accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices;	5.1	a) Verify if in accordance with the national accounting law the Beneficiary has the obligation to have its annual statutory accounts certified by an independent auditor. If yes 1) request the statutory auditor's report for the years covering the duration of the audited period or if the latter is not yet available - for the last 3 years for which a report is available. Verify if the auditor's report is qualified for reasons affecting the personnel costs. If the auditor's report on the Beneficiary's statutory annual accounts is not qualified for the personnel costs the costs are deemed to have been recorded in accordance with the accounting standards applicable in the country where the Beneficiary is established. If no 2) review the accounting records of the beneficiary and verify that the personnel costs declared in the financial statements were recorded in accordance with the accounting standards applicable in the country where the beneficiary is established;
		5.2	b) Review the accounting records of the beneficiary and verify that the personnel costs declared in the financial statements were recorded: 1) in the beneficiary's statutory accounting accounts and derive from the payroll system; 2) in accordance with the beneficiary's usual cost accounting practices; 3) Reconcile the project cost accounting with the General Ledger (GL) /analytical accounting books.
		5.3	Review the accounting records of the beneficiary and verify that: a) there are no corrections to the recorded personnel costs (netting off, credit entry, cancellation) which have not been taken into consideration by the Beneficiary when preparing the financial statements for the H2020 action. Special attention should be paid to costs which may be reimbursed under some circumstances by the social security: maternity leave, long duration illness etc. Periods of special leave, illness, maternity leave, etc. in the time recording or involvement in other projects if not working fully

			for the action increase the risk that there are amounts received from other sources to cover part of the salary. b) The personnel costs have not been re-invoiced by the beneficiary to another legal entity. c) In addition to accounting records review the contracts or equivalent and verify that the persons have not been funded by other sources (other grants and contracts funded by the EU budget, national funding, etc.).
		5.4	Obtain information from the Beneficiary whether the audited entity participates in other EU programmes, in particular Structural Funds, Social Fund, etc. and obtain a list of the other EU actions/projects running during the audited period. Obtain for 5 other actions/projects the list of persons declared under personnel costs. Verify that none of persons selected for testing are included in the cost claims of the 5 other projects/actions.
Art 6.1 (vi)	They must comply with the applicable national law on taxes, labour and social security	6.1	a) Verify if in accordance with the national accounting law the Beneficiary has the obligation to have its annual statutory accounts certified by an independent auditor. If yes 1) request the statutory auditor's report for the years covering the duration of the audited period or if the latter is not yet available - for the last 3 years for which a report is available. Verify if the auditor's report is qualified for reasons affecting the personnel costs. If the auditor's report on the Beneficiary's statutory annual accounts is not qualified for the personnel costs the costs are deemed to comply with the applicable national law on taxes, labour and social security. If no 2) Review collective labour agreement, employment contracts (or equivalent appointing acts), payslips and verify if they comply with applicable national law on taxes, labour and social security, government acts or directives.
		6.2	b) Verify that the Beneficiary's name appears as the 'employer' in the employment contract. For seconded employees the 'employer' will be the entity which provided the seconded staff.
Art 6.2	They must not include any indirect costs	7	Review the personnel cost components included in the hourly rate and verify that no indirect costs are included. The beneficiary may not use estimations or key driver to apportion costs of indirect nature, as direct costs to the project. Only costs directly attributable to the action should be declared.

Art 6.1.(a), (iv), (vii); Art.35.1; Art. 6.5 (b); Art. 6.5 (a)(x).	Article 6.1.(a), (iv), (vii); Art.35.1; Art. 6.5 (b); Art. 6.5 (a)(x).	8	Confirm that the Beneficiary signed a representation letter stating that the costs charged to the action are: a) incurred in connection with the action as described in Annex 1; b) necessary for the implementation of the action; c) reasonable and justified; d) comply with the principle of sound financial management, in particular regarding economy and efficiency; e) costs are incurred in absence of conflict of interest; f) did not contain any costs declared under another EU or EURATOM grant g) costs incurred during suspension of the implementation of the action.
	c) reasonable and justified	8.1	Crosscheck the information included in the documents related to the implementation of the action (Annex I, minutes of project meetings, management reports, scientific reports) and inquiries of management with the extent and timing of the hours declared for the action in order to verify their reasonability.
Art. 6.3	<b>Costs incurred by linked third parties</b> are eligible if they fulfil - mutatis mutandis - the general specific conditions for eligibility set out in Art. 6.1 and Art. 6.2 and Art. 14.1.1 (on linked third parties)	9.1	Verify that the costs incurred by linked third parties fulfil - mutatis mutandis - the general specific conditions for eligibility set out in Art. 6.1 and Art. 6.2
		9.2	a) Verify that the third parties for whom costs were incurred and claimed, are included in the GA including amendments. b) Verify that their participation in the action has not been terminated.
Art. 6.4	<b>In-kind contributions provided free of charge</b> are eligible direct costs (for the beneficiary [or linked third party]), if the costs incurred by the third party fulfil — mutatis mutandis — the general and specific conditions for eligibility set out in this Article (Article 6.1 and 6.2) and Article 12.1.	10.1	a) Verify that the seconded staff free of charge fulfil — mutatis mutandis — the general conditions and specific conditions for costs to be eligible (see Article 6.1 and 6.2)
		10.2	Verify that the seconded staff free of charge fulfils the additional eligibility conditions set out in Article 12.1.: a) Verify that the Third Parties and their contributions were foreseen in Annex 1 or approved by the EC / Agency. b) Verify that the beneficiaries limited the costs declared for in-kind contributions free of charge up to the costs incurred by the third parties for the seconded persons, corresponding to the time the person has worked for the action. Obtain the

			supporting documents that demonstrate the actual cost borne by the Third Party (e.g., payslips, accounting entries, etc.). Please note that if the seconded person is working in the premises of the third party the direct costs actually incurred by the third party may be increased by a flat rate of 25% on these costs. (Page 126 AGA). Refer also to section Specific cases - Costs related to public officials.
Art. 6.5 (a) (i) & Art. 6.2. (AGA 1.1.3)	<b>Ineligible costs (other than those not meeting the general and specific criteria):</b> - costs related to return on capital	11.1	Identify items related to return on capital (e.g. dividends, equity shares, etc.) included in the costs claimed. However, complements based on overall financial performance of the organisation (e.g. profitability or surplus) may be accepted as variable complements, if they fulfil the conditions of eligibility in Art.6.1 and Art. 6.2.
Art. 6.5 (a) (ii)	- debt and debt service charges	11.2	Identify items related to debt and debt service charges (e.g. loans on principal and/or interest, over a period of time) included in the costs claimed.
Art. 6.5 (a) (iii)	- provision for future losses or debts	11.3	Identify provisions for future losses or debts included in the claimed remuneration components, for example redundancy payments.
Art. 6.5 (a)(iv)	- interest owed	11.4	Identify items related to interest payments on borrowed capital in the costs claimed.
Art. 6.5 (a)(v)	- excessive expenditure	11.5	Compare the hourly rate of each person included in the sample with the average hourly rates of personnel performing similar tasks and responsibilities or with the applicable SME owner unit cost rate. Consider if the costs declared are excessive by applying professional judgement. Calculate the resulting hourly rate for comparison purposes in case the employee signs a 'declaration on exclusive work for the action'.
Art. 6.5 (a) (v)	- reckless expenditure	11.6	Compare the hourly rate of each person included in the sample with the average hourly rates of personnel performing similar tasks and responsibilities or with the applicable SME owner unit cost rate. Consider if the costs declared are reckless by applying professional judgement. Calculate the resulting hourly rate for comparison purposes in case the employee signs a 'declaration on exclusive work for the action'.
Art. 6.5 (a) (vi)	- currency exchange losses	11.7	Identify any currency exchange losses included in the costs claimed.

Art. 6.5(a)(vii)	- bank costs	11.8	Identify any bank costs included in the costs claimed.
Art. 6.5(a)(viii)	- deductible VAT	11.9	Identify any deductible VAT included in the costs claimed.
Art. 6.5(a)(x)	- costs incurred during suspension of the implementation of the action (according to Art. 49)	11.10	Identify any claimed costs during the project suspension periods.
Art. 6.5(b)	- costs declared under another EU or Euratom grant, in particular indirect costs if the beneficiary is already receiving an operating grant financed by the EU or Euratom budget in the same period.	11.11	In the Beneficiary receives an operating grant financed by the EU or Euratom budget in the same period as the action, verify that no indirect costs are claimed on the personnel costs for the financial years covered by the operating grant.
Art.18.1.	The Beneficiaries must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law.	12	If the Beneficiary has presented digital or digitalised accounting documents confirm that they are authorised by the applicable national law.

## PERSONNEL COSTS - Time Recording

Perform the following procedures in respect of time records:

GA Ref:	Condition to be checked	No	Procedure to be performed
Art. 18.1. at page AGA 159- 160	<b>For persons who do NOT work exclusively for the action</b> , the beneficiaries must: show the actual hours worked, with reliable time records (i.e. time-sheets) either on paper or in a computer-based time recording system. Time records must be dated and signed at least monthly by the person working for the action and his/her supervisor. If the time-recording system is computer-based, the signatures may be electronic (i.e. linking the electronic identity data (e.g. a password and user name) to the electronic validation data, with a documented and secure process for managing user rights and an auditable log of all electronic transactions).	1.1	<p>a) Obtain the time records of the Beneficiary for the persons working for the H2020 action. <b>Obtain an understanding of the time recording procedures of the Beneficiary. Review internal guidelines,</b> review the system and perform interviews.</p> <p>b) If the time-recording system is computer-based verify that 1) electronic signatures linking the electronic identity data with the electronic validation data require a password and a user name. 2) there is a documented and secure process for managing user rights and 3) an auditable log of all electronic transactions.</p> <p>Report if any of the 3 listed elements to be checked for computer-based time recording is not fulfilled. If the issues identified are significant request the beneficiary to provide alternative evidence to support the time relevant declared.</p>
	Time records should include: the title and number of the action, as specified in the GA; the beneficiary's full name, as specified in the GA; the full name, date and signature of the person working for the action; the number of hours worked for the action in the period covered by the time record; for reasons of assurance and legal certainty it is highly recommended that the number of hours is detailed per day (hours worked for the action in each day); the supervisor's full name and signature; a reference to the action tasks or work package described in	1.2	<p>a) Verify that the provided <b>time records</b>, including electronic time records, include the <b>minimum requirements: 1)</b> the title and number of the action, as specified in the GA; 2) the beneficiary's full name, as specified in the GA; 3) the full name, date and signature of the person working for the action; 4) the number of hours worked for the action in the period covered by the time record, with at least month level granularity; 5) the supervisor's full name and signature; 6) <b>a reference to the action tasks or work package described in Annex 1;</b> 7) <b>a brief description of the activities carried out, to understand and show what work was carried out.</b> b) Verify that the information included in the time records match records of the taken annual holidays, statutory holiday, sick leave, other leaves, and work-related travel.</p>



	Annex 1, to easily verify that the work carried out matches the work assigned and the person-months reported to the action; a brief description of the activities carried out, to understand and show what work was carried out. Information included in timesheets must match records of annual and sick leave taken, and work-related travel.		<p><b>Instructions on findings:</b></p> <p>a) Report any not fulfilled minimum requirement by the time recording system. If some information is missing, with the exception of condition no.4, offer the beneficiary the alternative of complementing the timesheets with the missing information. If this is not successful request alternative evidence. b) Request the beneficiary to provide alternative evidence to support the time declared and perform alternative procedures for the persons for whom condition no. 4 is not respected or 3 or more out of the 7 minimum requirements for time records are not fulfilled. c) If overall for the selected persons 3 or more exceptions have been identified by performing procedure b), request the beneficiary to provide alternative evidence to support the time declared and perform <b>alternative procedures for the persons for which exceptions have been identified. An exception is considered depending on nature to be an inconsistency between time sheets and human resources data of minimum 1 day and maximum one week (for example, an inconsistency of two weeks will be counted as two exceptions).</b> e) Propose the necessary adjustments to correct the inconsistencies identified.</p>
Art. 18, Page 159 AGA	<p>For <b>persons who work exclusively for the action</b> (regardless if they are full-time or part-time employees), the beneficiary may:</p> <ul style="list-style-type: none"> <li>– sign a ‘declaration on exclusive work for the action’ (one per reporting period), to confirm that the person worked exclusively for the action, either:</li> <li>– during the whole reporting period or</li> <li>– during a an uninterrupted time-period, covering at least a full natural month within the reporting period.</li> </ul> <p>The declaration must be dated and countersigned for acceptance by the person concerned.</p>	1.3	<p><b>For persons who work exclusively for the action</b>, if they submit a declaration: a) Verify that is signed by the person who worked exclusively for the action. Only one declaration per reporting period can be accepted. b) Verify that the declaration is dated and countersigned for acceptance by the person concerned. c) Verify that the period covered by the declaration represents an uninterrupted time-period of at least a full natural month within the reporting period. Intermittent (i.e. sporadic or random) periods of ‘exclusive’ dedication can NOT be subject of a declaration. If a person worked randomly for the action after an uninterrupted time-period covered by a declaration, time records for the period of random work should be available. d) <b>Review the CV and information found in the internet including the beneficiary website to identify if there are any contradictions with the declaration of exclusive work for the action.</b> e) <b>Cross check the declaration with the information included in the scientific reports.</b></p>

			<p><b>Instructions on findings:</b></p> <p>If one of the elements checked by procedures a), b) or c) are missing, offer the Beneficiary the opportunity to complete the declaration, if not the time records for the respective person and period are considered unreliable. Request alternative evidence and perform alternative procedures for the time included in the unreliable time records. For d) and e) <b>Reject the costs related to the hours for which there is contradiction between the declaration, the scientific reports and other evidence.</b></p>
Art. 18, Page 160 AGA	<p><b>If time records are not reliable</b>, the Commission/Agency may exceptionally accept 'alternative evidence' if it proves the number of hours worked on the action with a similar (or at least satisfactory) level of assurance (assessed against generally-accepted audit standards). Examples of possible alternative evidence (non-exhaustive list): travel documents proving participation in a project meeting (boarding pass, obliterated travel ticket, hotel invoice, etc.); agenda and minutes of the meeting; attendance lists; working papers; computer and laboratory log books; professional/personal diaries; documents related to presentations; scientific publications; correspondence such as letters, notes, memos, emails; etc. The auditors will use the following three criteria to assess how credible the alternative evidence is: 1. Clear identification of the person concerned 2. Clear link to the project under scrutiny 3. Possibility to quantify time spent on project-related tasks. Alternative evidence will only be accepted if these three criteria are met.</p>	2	<p>Request the Beneficiary to provide alternative evidence for the persons for who there are no time records (or self-declaration) and for the persons for who instruction on findings c) and d) from procedure 1.2 above is applicable. Draw the attention of the Beneficiary that the alternative evidence provided will be verified against the 3 criteria listed. Highlight the necessity that for each piece of alternative evidence the time spent on the project should be quantified. Review the alternative evidence received and verify for each piece of alternative evidence if all the 3 criteria mentioned in the condition to be checked are fulfilled. Verify that there is no contradiction between the pieces of evidence provided or overall.</p> <p><b>Instructions on findings:</b></p> <p>a) Accept the hours related to the alternative evidence for which all the 3 criteria are met and there is no contradiction between the pieces of evidence and overall. b) If the accepted number of hours based on alternative evidence is below ■% of the declared hours, request alternative evidence for all the persons declared.</p>

## **PERSONNEL COSTS - Specific Cases**

**Review the selected persons for testing and identify if any of the specific cases listed below are applicable. Perform the relevant procedures. It includes the procedures to verify unit costs based on the usual accounting practice.**

<b>GA Ref:</b>	<b>Condition to be checked</b>	<b>No</b>	<b>Procedure to be performed</b>
AGA page 51	<b>Teleworking</b> - Remuneration costs of employees (or equivalent) not working on the premises of the beneficiary (i.e. teleworking) may be accepted as eligible if it is the beneficiary's usual practice (i.e. if clear rules are available). The system in place must make it possible to both identify and record the hours worked for the action.	1	a) Determine if authorizing teleworking (not working on the premises) is the usual practice of the Beneficiary. Review the internal guidelines and procedures of the Beneficiary for personnel and observe if not working on the premises is regulated in these documents. Certain research work requires employees to work off the premises of the employer at a research site. This is not considered teleworking but a usual work activity. Take this into account and corroborate information from time records, reports/results from work done, research logs etc. b) Assess if the internal guidelines and procedures of the Beneficiary for personnel have been set up based on objective criteria regardless of the source of funding. c) Review the time recording system in place and verify if it allows both identifying and recording the hours worked for the action for persons teleworking (not working on the premises) of the Beneficiary.
AGA page 51	<b>Benefits in kind</b> - Costs of benefits in-kind provided by the beneficiary to its personnel (e.g. costs of a company car made available to certain categories of employees for their own use) or of benefits equivalent to financial ones (e.g. costs of lunch vouchers) may be accepted as eligible if they are justified and registered as personnel costs in conformity with the beneficiary's usual remuneration practices. Like all costs, they must fulfil the eligibility conditions set out in Article 6.	2	a) Review the components of the remuneration and identify benefits in-kind (company car, lunch vouchers, other coupons with purchasing power, subscriptions for sport centres, etc.). b) Verify if they are registered as personnel costs in the Beneficiary's accounts. c) Verify if they are justified in accordance with the usual Beneficiary's remuneration practices? d) Assess if the usual remuneration practices of the Beneficiary for personnel have been set up based on objective criteria regardless of the source of funding. e) Verify that the eligibility conditions of Article 6 are being fulfilled.

AGA page 51	<b>Recruitment costs</b> - Recruitment costs are generally not eligible as direct personnel costs, because the beneficiary is required to have the necessary human resources to implement the action. If a beneficiary needs to recruit additional personnel during the action duration, the related costs would be considered part of the entity's normal indirect costs, which under Horizon 2020 are covered by a 25% flat-rate of the eligible direct costs.	3	Identify any claimed costs related to the recruitment procedures (job analysis, announcement, evaluation, selection, etc.).
AGA page 51	<b>Remuneration of students</b> working for the beneficiary under a scholarship, internship or other similar agreement (not employees) - Like any personnel costs, personnel costs of students (including PhDs) are eligible if they fulfil the conditions set out in Article 6. In this context, fellowships/scholarship/stipends are assimilated to salaries provided that: a) this remuneration complies with the applicable national law on taxes, labour and social security. b) the assignment of tasks respects the laws in force in the place of establishment of the beneficiary. c) the students have the necessary qualifications for the performance of the tasks attributed to them in the context of the H2020 action. Thus, if the agreement is training-oriented (i.e. aimed at helping the student to acquire professional skills) its cost can NOT be charged to the grant.	4	a) Review the claimed personnel costs and identify any included costs for students, including <b>PhD</b> (scholarship, internship or other similar agreement (not employees)). b) Verify that the eligibility conditions of Article 6 are being fulfilled. c) <b>Verify that their remuneration (fellowships/scholarship/stipends) complies with the applicable national law on taxes, labour and social security. Verify there is a legal basis for students' remuneration for work.</b> d) Verify that the assignment of the tasks to the students respects the laws in force in the place of establishment of the beneficiary. (e.g., the maximum time they are allowed to work having in mind their teaching/studying activities) e) <b>Verify that they have the necessary qualifications for the performance of the tasks attributed to them in the context of the H2020 action and verify their involvement in the action.</b> If the agreement is training-oriented (i.e. aimed at helping the student to acquire professional skills) its cost can NOT be charged to the grant.
AGA page 52	<b>Academic fees</b> - If a student works for a university and is exempt from paying (part of) the academic fees, those fees (or part of them) are	5	a) Review the claimed personnel costs and identify if the Beneficiary included any exempted academic fees for students. b) Verify that the student's contract includes the amount of waived fees as part of his/her remuneration. c) Verify that the value

	eligible as a personnel cost if the student's contract included the amount of waived fees as part of his/her remuneration. The other conditions set out in Article 6 have to be fulfilled as well (e.g. the full remuneration, included the value of the waived fees, must be recorded in the university's accounts).		of the included waived fees is recorded in the university's accounts. d) Verify that the eligibility conditions of Article 6 are being fulfilled.
AGA page 52	<p><b>Parental leave</b> - Salaries and social security contributions paid during parental leave (either maternity leave or parental leave) are eligible as part of the basic salary only if:</p> <ul style="list-style-type: none"> <li>– they are mandatory under national law, under the relevant collective labour agreement (e.g. statutory maternity pay) or under the employment contract</li> <li>– the beneficiary has actually incurred them</li> <li>– they are not reimbursed by national (central, regional or local) authorities (i.e. only the net amounts paid by the beneficiary are eligible)</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>– the employee worked for the action during the financial year used for calculating the personnel costs.</li> </ul>	6	<p>a) Review the claimed personnel costs and identify any costs related to parental leave. Inquire if there was any parental leave taken in the periods in the audit scope. b) Verify if parental leave payments are mandatory under national law, under the relevant collective labour agreement (e.g. statutory maternity pay) or under the employment contract. c) Verify that the beneficiary has actually incurred the costs for parental leave. Review accounting records, payroll, bank statements and payslips. d) Verify that parental leave is not reimbursed by national (central, regional or local) authorities. e) Verify that the employee for whom parental leave was paid, actually worked for the audited project/action, during the financial year used for calculating the personnel costs.</p>
AGA page 52	<p><b>Costs related to public officials</b> - For public bodies, the costs related to public officials paid directly from central, regional or local government budgets may be considered eligible, if they fulfil the conditions set out in Article 6 (applied to the central, regional or local government employing the public officials). In this case, the public officials will be considered as</p>	7	<p>a) Review the claimed personnel costs and identify any costs related to public officials. b) Verify for these costs that the eligibility conditions of Article 6 applied to the central, regional or local government employing the public officials are being fulfilled. c) Verify for these costs that they fulfil the eligibility conditions of Article 12 as in-kind contributions (resources made available) provided by a third party (the government) free of charge.</p>

	in-kind contributions (resources made available) provided by a third party (the government) free of charge (see Article 12).		
AGA page 52	<b>Supplementary contracts</b> - Supplementary contracts (whatever their form, i.e. a contract additional to the main contract between a beneficiary and its employee) for carrying out tasks for specific actions (e.g. international projects) are acceptable, if it is the beneficiary's usual practice and it is authorised under national law. However, the difference between the remuneration paid in the additional contract and the standard remuneration package (basic remuneration) in the first non-action-related contract is considered 'additional remuneration'. As such it is subject to the specific cost eligibility conditions explained above for additional remuneration and, if eligible, to the eligibility ceiling.	8	a) Review the claimed personnel costs and identify any remuneration based on supplementary contracts. b) Review internal procedures of the Beneficiary and perform interviews in order to determine if it is the usual practice of the Beneficiary to use Supplementary contracts. c) Assess if the usual remuneration practices of the Beneficiary have been set up based on objective criteria regardless of the source of funding. d) Verify that supplementary contracts are authorized under national law of the Beneficiary. e) Consider the difference between the remuneration paid in the supplementary contract and the standard remuneration package (basic remuneration) in the first non-action-related contract as 'additional remuneration' f) Verify the additional remuneration arising from the supplementary contracts against the additional remuneration conditions. g) Verify the additional remuneration arising from the supplementary contracts against the eligibility ceiling for additional remuneration.
Art. 6.2. ,AGA page 61	<b>People working exclusively on the action</b> - For persons who sign the 'declaration on exclusive work for the action' the number of hours worked in the action during the period covered by the declaration will be the pro-rata (corresponding to the period of exclusive dedication) of the annual productive hours used to calculate the hourly rate.	9	Refer to the calculation example from AGA page 61. Perform the computation of eligible costs for the people working exclusively on the action. When the declaration covers time worked in the last months of the reporting period for which the full financial/ fiscal year is not yet closed, use the hourly rates from the last closed full financial/fiscal year.
Art. 6.2. ,AGA page 61	<b>Employees hired during on-going financial year</b> - (at the end of the reporting period) — Since these employees did not work for the beneficiary	10	Refer to the calculation example from AGA page 61. Determine the pro-rata of the annual productive hours correctly and calculate the eligible costs for employees for who there is no closed financial/ fiscal year based on the actual costs incurred in the

	during the last financial year, the hourly rate can only be calculated on the basis of his/her personnel costs incurred during the reporting period.		current financial/ fiscal year on-going at the end of the reporting period.
Art. 6.2. ,AGA page 62	<b>End-of-contract indemnities</b> - Since the entitlement to end-of-contract indemnities is most often generated over a period of time longer than a financial year, the beneficiary may charge the corresponding part of the indemnity in the reporting period in which the employee's contract ends. However, the indemnity may be accepted only if: a) arise from the applicable national labour law; b) is recorded in the accounts of the beneficiary and c) is incurred during the action duration (although the actual payment may take place latter). Only the part of the indemnity that corresponds to the time worked by the person on the action can be charged (i.e. pro-rata of the total time during which the entitlement was generated).	11	a) Review the personnel costs claimed and identify if any end-of- contract indemnities have been included (Review employment legislation, payroll records and general ledger, etc.) b) Verify that the end-of contract indemnities arise from the applicable national labour law. c) Verify that the end-of contract indemnities are recorded in the accounts of the beneficiary. d) Verify that the end-of contract indemnities are incurred during the action duration (although the actual payment may take place latter). e) Verify that only the part of the end of contract indemnity that corresponds to the time worked by the person on the action was charged (i.e. pro-rata of the total time during which the entitlement was generated).
Art. 6.2. ,AGA page 62	<b>Employment contract remunerated "per hour"</b> - Some employment contracts do not establish a fixed salary and a number of hours to be worked, but an amount to be paid for each hour worked by the employee. In those cases, individual annual productive hours (i.e. option 2) can only be applied if all of the following conditions are fulfilled: a) the employment contract explicitly fixes the hourly rate to be paid b) the employment contract established that the salary is the result	12	a) Review employment contracts and the personnel costs claimed and identify if there is any employee which has an employment contract remunerated per hour, and for which individual productive hours (option 2) is used. b) Verify that the 4 conditions mentioned in the condition to be checked are fulfilled.  <b>Instructions on findings:</b>  a) If all the conditions are fulfilled, recalculate the individual annual productive hours (option2) as: {total salary paid to the employee in the financial year divided by hourly rate fixed in the employment contract}. b) If one of the conditions is not fulfilled, calculate the eligible costs using 1720 hours (option 1).

	of multiplying the hourly rate by the number of hours worked c) the total salary paid under the employment contract is identifiable and supported by auditable documents (e.g. payslips and declarations to the tax authorities) d) the employment contract is the only contract between the person and the entity (i.e. there is no other parallel contract). If those conditions are fulfilled, the 'individual annual productive hours' may be calculated as follows: {total salary paid to the employee in the financial year divided by hourly rate fixed in the employment contract}.		
Art. 6.2. ,AGA page 62	<b>Personnel costs on the basis of the usual accounting practices</b> - For personnel costs declared on the basis of the beneficiary's usual cost accounting practices (units costs i.e. 'average personnel costs'), the hourly rate must be calculated in accordance with the beneficiary's usual cost accounting practices for determining the hourly rates of its personnel. The GA sets the following conditions: a) the cost accounting practices used must be applied in a consistent manner, based on objective criteria, regardless of the source of funding.	13	a) Obtain an understanding of the usual cost accounting practice by reviewing the necessary supporting documentation (manuals, procedures, internal regulations, etc). Perform interviews with the responsible persons. b) Assess if the usual cost accounting has been set up based on objective criteria regardless of the source of funding. c) Verify that the usual cost accounting was applied in other 5 non H2020 actions. d) Verify that the usual cost accounting practices have been correctly applied for the H2020 action under review. (proper calculation of the hourly rates and allocation to staff) e) Verify that the beneficiary declared in Annex 2 of the GA including amendments the use of personnel costs on the basis of the usual accounting practices.
Art. 6.2. page 62-63 AGA	b) The hourly rate must be calculated using the actual personnel costs recorded in the beneficiary's accounts, excluding any ineligible cost or costs already included in other budget categories.	14.1	a) Verify that the hourly rate is calculated using the actual personnel costs recorded in the beneficiary's accounts. Budgeted or estimated figures are not costs actually incurred and may only be acceptable as eligible components of the hourly rate if 1. They are relevant, i.e. clearly related to personnel costs; 2. Are used in a reasonable way, i.e. they do not play a major role in calculating the hourly rate; 3. Correspond to objective and verifiable information, i.e. their basis is clearly defined and the



			beneficiary can show how they were calculated. If the budgeted or estimated figures represent less than 5% of the declared unit cost, it is considered that they do not play a major role and can be accepted. If the budgeted or estimated component is higher than 5%, then it needs to be compared with the actual costs. 1. If the actual costs cannot be determined the budgeted component will be considered ineligible. OR 2. If the actual costs can be determined adjustment will be proposed only if there are negative adjustments in the favour of the EC (due to the use of the budgeted elements) higher than 5% compared to the declared unit cost.
		14.2	b) Exclude any cost considered ineligible by the Commission but included in the beneficiary's usual accounting practices when calculating the personnel costs for the action. c) Exclude from the calculation of the personnel costs for the action the costs that are already included in other budget categories (double funding of the same costs). Pay special attention to components of indirect nature which may be included in the pool of costs used to calculate the hourly rate charged to the H2020 action.
Art. 6.2. ,AGA page 63	c) Personnel costs on the basis of the usual accounting practices (average personnel costs): the hourly rate must be calculated using the number of annual productive hours.	15	Verify if the calculation of the hourly rate was based on the number of annual productive hours in accordance with one of the three methods allowed by the grant. Follow the procedures related to productive hours from section "Employees".

**A.1. DIRECT PERSONNEL COSTS – Employees**

GA Ref:	Condition to be checked	No	Procedure to be performed
Art. 6.2. AMGA pages 42, 51, 58	a) The personnel costs per person must be calculated as follows: {[hourly rate]x[number of actual hours]} + {[additional remuneration] for non-profit organisations}. b) The hourly rates for personnel costs declared as actual costs, must be calculated as follows: actual costs (excluding the additional remuneration) divided by annual productive hours.	1	a) Verify that the personnel costs per person are calculated using the following formula: {[hourly rate]x[number of actual hours]} + {[additional remuneration] only for non-profit organisations} b) Verify that the hourly rates for personnel costs declared as actual costs are calculated as actual costs (excluding the additional remuneration) divided by annual productive hours.
Art.6.2.A 1 AGA Page 42	<b>Personnel costs</b> are eligible, a) if they are related to personnel working for the beneficiary under an employment contract (or equivalent appointing act) and b) assigned to the action ('costs for employees (or equivalent)'). c) They must be limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).	2.1	a) Review the employment contracts, collective labour agreement (or equivalent appointing acts) to verify if the persons are personnel working for the beneficiary or whether they are seconded from another organisation. For the duration of the action cross <b>check the information with the payroll records.</b> b) <b>Review contracts (or equivalent), job description, internal written instructions, organisation chart or other evidence to support the management decision that the personnel was assigned to the action.</b> Verify <b>that the persons were not supposed to fully work for another action/ project.</b> c) Verify that the salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration arise from national law or the employment contract, collective labour agreement (or equivalent appointing act).
AGA page 45	Basic remuneration refers to the ' <b>basic salary</b> ' of the employee plus 'complements' that fulfil the eligibility conditions explained in point 1.1.3. The basic salary includes (and is limited to): – a) the salary stated on the beneficiary's payroll (except for any part of that salary which must be	2.2	a) <b>Review the employment contracts and personnel costs components in order to identify the "basic remuneration" and the "additional remuneration".</b> The two main features that help characterising a remuneration component as basic or additional are: hourly rate (no change to hourly rate would indicate basic remuneration, while a higher hourly rate would indicate generally additional remuneration) and kind of work or expertise (usual kind of work or expertise according to the contract or

	<p>considered as 'additional remuneration', even if that part is also registered in the payroll)</p> <ul style="list-style-type: none"> <li>– b) social security contributions (mandatory parts to be paid by the employee and the beneficiary that employs him/her) — except any part included in additional remuneration.</li> <li>– c) taxes included in the remuneration (e.g. income tax to be paid by the employee retained by the beneficiary who employs him/her) — except any part included in additional remuneration.</li> <li>– d) other costs included in the remuneration (e.g. a fee paid by the beneficiary for a complementary health insurance scheme for the employee) — except any part included in additional remuneration.</li> </ul>		<p>different/additional work or expertise). Refer to the tables on pages 46 and 51 of AGA for more details. Review the contracts to check if they remunerate time or duties. Refer to tables on pages 65 to 69 for more details. b) Verify that the basic salary is limited to: the salary stated on the beneficiary's payroll; social security contributions; taxes included in the remuneration and other costs included in the remuneration.</p> <p>For exceptions verify if they are eligible as "complements" or "additional remuneration". In case of doubt, make the classification also taking into account the classification of the component under national tax law (i.e. if the tax authorities explicitly consider it as part of the basic remuneration of the employee or as additional remuneration).</p>
AGA page 45	<p>The <b>complements</b> may include:</p> <ul style="list-style-type: none"> <li>– mandatory complements to the basic salary resulting from national law, collective labour agreement or the employment contract. Example (mandatory complement): a 13th month payment; complement for hazardous work or night shifts; transportation allowance, expatriation allowance etc.</li> <li>– variable complements if they fulfil the eligibility conditions set out in point 1.1.3. Example (variable complement acceptable as basic remuneration): The contract of a professor includes as part of his/her usual tasks both teaching and research; it foresees a basic fixed</li> </ul>	2.3	<p>Verify that a) the mandatory complements to the basic salary result from national law, collective labour agreement or the employment contract and are correctly calculated; b) the variable complements fulfil the eligibility conditions set out in point 1.1.3.</p> <p>For exceptions verify if they are eligible as "additional remuneration".</p>

	remuneration of 1 000 EUR/month plus a variable part of 10 EUR/hour for each hour spent on research activities.		
AGA page 47	<p>1.1.3 The costs for employees (or equivalent) must comply with the following conditions for eligibility: <b>For basic salary and mandatory complements:</b></p> <p>a) fulfil the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b)). Payments of dividends to employees (profit distribution) are ineligible under Article 6.5(a)(i). (However, complements based on the overall financial performance of the organisation (e.g. profitability or surplus) may be accepted as variable complements, if they fulfil the conditions set out below.) Any part of the remuneration which is calculated with reference to commercial targets (e.g. x € for reaching a sales target, x % on sales) or fund raising targets (e.g. x € premium per externally funded project gained, x % of the external funding gained) is ineligible. The reason is that they are neither incurred in connection with the work described in Annex 1 of the action nor necessary for its implementation.</p>	2.4	<p>a) Verify that the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b)) are fulfilled. Payments of dividends to employees (profit distribution) are ineligible under Article 6.5(a). Refer to section "General". b) Identify if there are components of remuneration that were granted with reference to commercial targets and/or fund raising activities. Example (not eligible because linked to fund raising target): A premium paid as a reward for having obtained a specific grant is not eligible.</p>
AGA page 47	<p>b) be fixed (conditions and amount or percentage) and mandatory according to national law, collective labour agreements or the employment contract</p> <p>Example: The employment contract between the entity and the person fixes a gross salary of EUR</p>	2.5	<p>a) Verify that the complement is fixed and mandatory according to national law, collective labour agreement or the employment contract. b) Verify that the requirements regarding social charges and other taxes in relation to the mandatory complements were correctly calculated, incurred and paid in accordance with national law (or equivalent act).</p>

	3000 per month plus a transportation allowance of EUR 5 per working day.		For exceptions verify if they are eligible as "variable complements" or "additional remuneration". Propose the necessary adjustments if the requirements regarding social charges and other taxes were not correctly fulfilled or if costs were not incurred.
AGA page 47	c) be paid to the employee (or benefit to him/her) for his/her usual work, duties or tasks (as defined in the employment contract/equivalent appointing act). Therefore, they can NOT depend on the participation in a specific action/project. A 'payment linked to a specific action/project' is a payment the employee would not have received if s/he had not participated in the work of the action/project (i.e. the triggering event is the participation in the action/project (e.g. an EU action), not the performance of the tasks defined in the employment contract/equivalent appointing act). Any part of the remuneration linked to tasks other than those covered by the basic remuneration, in particular amounts triggered by the participation in a specific action/project, are NOT eligible as part of the basic remuneration. (They may however still be eligible as additional remuneration; see below.)	2.6	<p>Verify that the complement is paid (or benefit to him/her) for his/her usual work, duties or tasks (as defined in the employment contract/equivalent appointing act). The complement cannot depend on the participation in a specific action/project. A 'payment linked to a specific action/project' is a payment the employee would not have received if she/he had not participated in the work of the action/project (i.e. the triggering event is the participation in the action/project (e.g. an EU action), not the performance of the tasks defined in the employment contract/equivalent appointing act).</p> <p>Any part of the remuneration linked to tasks other than those covered by the basic remuneration, in particular amounts triggered by the participation in a specific action/project, are NOT eligible as part of the basic remuneration. For exceptions verify if they are eligible as "variable complements" or "additional remuneration".</p>
AGA page 48	<b>For variable complements</b> (in addition to the first and third conditions above): a) the variable complement is authorised by national law, collective labour agreement or the employment contract/equivalent appointing act. Examples: 1. The collective labour agreement establishes that all researchers may receive a complement	2.7	Verify also for variable complements that: a) the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b)) are fulfilled. Payments of dividends to employees (profit distribution) are ineligible under Article 6.5(a). Refer to section "General". b) Identify if there are components of remuneration that were granted with reference to commercial targets and/or fund raising activities. c) Verify that the variable complement is authorised by national law, collective labour agreement or the employment

	between EUR 100 and EUR 200 per month based on their seniority. 2. The national law authorises public universities to pay a complement based on merit of the employees. 3. The contract fixes a premium of EUR 1000 for each research paper published in peer reviewed international research journals.		contract/equivalent appointing act.  <b>Instructions on findings:</b> a-b) Propose adjustments for the identified ineligible costs included in the costs claimed. c) For exceptions verify if they are eligible as "additional remuneration".
AGA page 48	b) the amount to be actually paid as variable complement is determined on the basis of objective conditions which are, at least, established and documented in the internal regulations of the beneficiary. Example: Based on the provisions of the collective labour agreement (see first example above), the internal regulations of the employer provide that: all researchers with seniority between 3 and 5 years will receive a complement of EUR 150 and all researchers with seniority above 5 years will receive a complement of EUR 180. The variable complement must NOT be paid to the employee at the sole discretion of the manager (arbitrary complement). The decision to grant the complement must be based on objective conditions, which should be documented in a procedure and be verifiable. Example: National law authorises public universities to pay a complement based on merit or performance of the employees and the internal regulations of the public university provide for an annual assessment exercise to determine the 'merit points' of each employee. The internal regulations also set up the objective	2.8	a) Verify that the amount to be actually paid as variable complement is determined on the basis of conditions which are established and documented in the internal regulations of the beneficiary (including decisions of a board of directors). b) Verify if the conditions are "objective", based on predefined criteria, merits, seniority levels, or other objectively defined conditions. The variable complement should NOT be paid to the employee at the sole discretion of the manager (arbitrary complement). c) Verify that the usual remuneration practices in respect of variable complements of the Beneficiary have been set up based on objective criteria regardless of the source of funding. d) Verify that variable complements were calculated in accordance with the usual remuneration practice of the Beneficiary e) Verify that the requirements regarding social charges and other taxes in relation to the variable complements were correctly calculated, incurred and paid in accordance with national law (or equivalent act).  For exceptions verify if they are eligible as "additional remuneration". Propose the necessary adjustments if the usual remuneration practice of the Beneficiary or the requirements regarding social charges and other taxes were not fulfilled or if costs were not incurred.

	criteria based on which the 'merit points' are decided. The internal regulations provide that all researchers with more than 10 'merit points' will receive a complement of EUR 1000.		
AGA page 46	By contrast, additional remuneration refers to payments made on top of the employee's usual remuneration, which result in a higher hourly rate. <b>Additional remuneration</b> includes not only the extra salary, but also the social security contributions, taxes and other costs included in the remuneration that result from that extra salary. Example (additional remuneration): a 'bonus' for participating in a project; an additional contract for specific tasks with a salary higher than the one under the main contract. Example (not additional remuneration, but basic remuneration): additional salary paid to the employee for additional hours worked on its standard work or expertise as defined in the employment contract (e.g. overtime or additional contract for those additional hours), if the additional hours are remunerated according to the standard salary conditions of the employee (i.e. do not result in a higher hourly rate). Note that the standard salary conditions may provide for a mandatory complement for those additional hours (e.g. overtime during night shifts).	2.9	Verify that the requirements regarding social charges and other taxes in relation to the additional remuneration were correctly calculated, incurred and paid in accordance with national law (or equivalent act).
Art. 6.2 A.1, AGA page 42, 48-	Beneficiaries that are non-profit legal entities may also declare as personnel costs <b>additional remuneration</b> for personnel assigned to the action (including payments on the basis of	2.10	a) Verify that the Beneficiary is a non-profit legal entity by reviewing its legal registration. b) Review the personnel costs claimed and review if the persons worked the full year, if they work full time or if they work exclusively for the action. Review contracts, time records and other supporting documentation. c) Calculate

49, 58-60-61	<p>supplementary contracts regardless of their nature), if:</p> <p>(a) it is part of the beneficiary's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;</p> <p>(b) the criteria used to calculate the supplementary payments are objective and generally applied by the beneficiary, regardless of the source of funding used.</p> <p>Additional remuneration for personnel assigned to the action is eligible up to the following amount: (a) if the person works full time and exclusively on the action during the full year: up to EUR 8 000;</p> <p>(b) if the person works exclusively on the action but not full-time or not for the full year: up to the corresponding pro-rata amount of EUR 8 000, or</p> <p>(c) if the person does not work exclusively on the action: up to a pro-rata amount calculated as follows:</p> <p>{{EUR 8 000 divided by the number of annual productive hours (see below)},</p> <p>multiplied by the number of hours that the person has worked on the action during the year}.</p>		<p>and take into consideration the maximum eligibility threshold for additional remuneration for each person and for each year considering their working patterns.</p>
AGA page 48-49	<p>For additional remuneration (only for non-profit legal entities):a) fulfil the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, linked to the action, etc.; see Article 6.1(a) and (b)). Additional remuneration</p>	2.11	<p>Verify for additional remuneration that: a) the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b)) are fulfilled. Refer to section "General". b) Identify if there are components of remuneration that were granted with reference to commercial targets and/or fund raising activities. c) Verify that the additional remuneration is actually triggered</p>



	that is not directly linked to the participation in the EU action (e.g. additional remuneration based on the participation in another project) is not eligible. See example in AGA. b) be paid to the employee (or benefits him/her) for the performance of additional work or different expertise than his/her usual tasks. The work to be carried out (or expertise used) must be different from the standard work or expertise (defined in the employment contract/equivalent appointing act and covered by the standard remuneration package). This difference must be verifiable.		by the H2020 action.(e.g. additional remuneration is not based on the participation in another project). d) Verify that the work carried out (or expertise used) to be paid as additional remuneration is different from the standard work or expertise (defined in the employment contract/equivalent appointing act and covered by the standard remuneration package).  <b>Instructions on findings:</b> a-b) Propose adjustments for the identified ineligible costs included in the costs claimed. c-d) For exceptions verify if they are eligible as "complements".
AGA page 49	c) be part of the beneficiary's usual remuneration practices and be consistently applied whenever the same kind of work or expertise is required d) be calculated on the basis of criteria that are objective and generally applied by the beneficiary, regardless of the source of funding used. [i)The objective criteria must be related to the additional work or expertise. ii) The system for making additional payments should be established in the beneficiary's internal rules (or at least be documented and known by the employees). (Like for variable complements, the additional remuneration must NOT be paid to the employee at the sole discretion of the management (arbitrary complement).) iii) However, the additional remuneration does not have to be the same for all persons working in the same project. The objective criteria used to determine the additional remuneration may	2.12	a) Verify that the additional remuneration is determined on the basis of criteria which are established and documented in the internal regulations of the beneficiary (e.g., remuneration practices). b) Verify if the criteria are "objective" and are related to the additional work or expertise. The additional remuneration should NOT be paid to the employee at the sole discretion of the manager (arbitrary complement). c) Verify that the usual remuneration practices in respect of additional remuneration of the Beneficiary have been set up based on objective criteria regardless of the source of funding. d) Verify that the additional remuneration is not subject to budget availability (i.e. only to be paid if there is remaining funds in the project budget). e) Verify the beneficiary's usual remuneration practices for additional remuneration have been consistently applied whenever the same kind of work or expertise is required, by reviewing 5 non-EU transactions. f) Verify that the additional remuneration has been calculated in accordance with the usual remuneration practice of the Beneficiary.  For exceptions verify if they are eligible as "complements". Propose the necessary adjustments if the usual remuneration practices of the Beneficiary were not correctly applied.

	<p>result in different amounts for persons working in the same project (e.g. the rule is that all teachers that carry out research on top of their usual teaching activities get an extra payment between 10% and 20 % of their salary, the precise percentage per teacher and project is determined according to the level of responsibility in the specific project). iv) The rules for additional remuneration may not differ according to where the funds come from. In particular, they cannot be set up for actions funded by a specific donor. (Additional remuneration schemes that are applicable only to EU actions are not acceptable.) v) Also, they may not be subject to budget availability (i.e. only to be paid if there is remaining funds in the project budget).] Refer to examples on page 48.</p>		
AGA page 50	<p>To avoid abuses, the rules for additional remuneration will be exceptionally also applied to the basic remuneration, if it has been artificially increased for participation in the EU action.</p> <p>Examples: 1. A researcher worked for the beneficiary, resigned, and subsequently signed a new contract with the beneficiary to work on the EU action for a higher salary. The rules for additional remuneration will apply to the difference between the salary it used to receive (before resigning) and the new higher salary (see point 1.1.4). 2. A researcher worked for the beneficiary, resigned, and subsequently signed a</p>	2.13	<p>a) Obtain information if the persons assigned to the EU action have been working before for the Beneficiary based on a different contract or a different type of contract compared to the one which is used to declare the costs for the H2020 action. b) Verify that the remuneration has not been artificially increased for participation in the EU action.</p>

	<p>new contract with a linked third party (or a third party providing in-kind contribution) to work on the EU action for a higher salary. The rules for additional remuneration will apply to the difference between the salary it used to receive (before resigning) and the new higher salary (see point 1.1.4). 3. Employees of a specific department/service of the company which is in charge of carrying out only EU actions are paid a higher salary than their homologues in other departments carrying out the same tasks requiring a similar level of expertise (i.e. the salary differential is attributable to the source of funding). The rules for additional remuneration will apply to the difference between the salaries of employees working for the specific department and those of employees of other departments carrying out the same tasks with the same level of expertise (see point 1.1.4).</p>		
<p>6.2 AGA page 52-53</p>	<p><b>Calculation of hourly rates (for personnel costs declared as "actual costs"):</b> 1. The hourly rate must be calculated by <b>financial year</b> (i.e. for 12-month period reported in the annual accounts of the Beneficiary) and has to always be based on <b>full closed financial year</b>. 2. If the financial year is different from the fiscal year the entity may use the fiscal year...</p>	<p>3.1</p>	<p>Obtain from the Beneficiary explanations regarding the calculation of the hourly rates. (The "additional remuneration" if applicable is treated in other procedures.) Verify that the hourly rates are correctly calculated, considering that a reporting period can overlap two separate financial years, therefore 2 rates need to be used. Verify that the Beneficiary did not use only one rate for the whole reporting period. At the end of the reporting period or in other situations when the financial year is not closed, data from the last full closed financial years needs to be used. If the Beneficiary decided to calculate hourly rates based on the fiscal years, verify that this method is applied consistently within the grant duration.</p>

6.2 AGA page 54	<b>Calculation of the annual productive hours, three options:</b> a) The option (chosen) must be applied not only to the person for whom the beneficiary declares costs, but per group of personnel employed under similar conditions. b) Productive hours must be calculated on the basis of all working activities; using only "billable hours" is NOT acceptable.	3.2	<p>a) Obtain from the Beneficiary explanations about the calculation method for the annual productive hours among the three options available. b) Verify that the option chosen is consistently applied per group of personnel employed under similar conditions (permanent employees, in-house employees, temporary employees, seconded from third party, etc.). Consistency is to be verified among the staff declared to the H2020 actions. c) During your review of the productive hours ensure that they are calculated on the basis of all the working activities and that billable hours only are not used.</p> <p><b>Instructions on findings:</b></p> <p>a) If the Beneficiary did not use the productive hours approach in a consistent manner follow the decision tree found at Page 55-59 in the AGMA in the column "What happens if you make a mistake" in order to correct the number of productive hours used for the calculation of the hourly rates. b) Revise the productive hours calculations if necessary and calculate the eligible costs using the revised calculations.</p>
6.2, AGA Table page 55, Option 1	<b>(Option 1) 1720 fixed hours</b> is the number of productive hours accepted for full-time employees (and it is pro-rata for employees working part-time or working only part of the year for the beneficiary).	3.2.1.	Obtain from the Beneficiary the full-time equivalent of each person for each financial or fiscal year. Review the employment contracts to verify that the full time equivalent used to compute the pro-rata to be applied to the 1720 hours has been correctly calculated. Identify if there are persons, not working full time for the Beneficiary or not working for the full year for the Beneficiary (table Page 55 AGA). Verify the correct application of the 1720 hours option.
Art. 6.2, AGA Table page 55- 57, Option 2	<b>(Option 2) Individual annual productive hours:</b> a) The number of productive hours is calculated on the basis of the 'annual workable hours' of the employee (i.e. the total number of hours for which an employee is working for the beneficiary, including the overtime worked and absences (such as sick leave or other types of special leave). b) "workable hours" are established	3.2.2.	For each financial or fiscal year: a) Trace the workable hours to supporting documentation. b) Trace the deductions for Saturdays and Sundays; annual leave; public holidays and other leaves to supporting documentation. c) Trace the overtime and absences to supporting documentation. (e.g. time records, human resources databases, etc.). d) Re-compute the annual productive hours based on provided documentation.

	according to one of the following: employment contract of the person concerned; applicable collective labour agreement'; national law on working time. It represents the number of hours one must be present at work under normal circumstances.		<b>Instructions on findings:</b> a) When not all annual workable hours were included, recalculate the productive hours to include all workable hours. b) Calculate the eligible cost using the revised productive hours if changes were necessary. c) If the workable hours are not defined or cannot be determined, apply the 1720 hours' option.
Art. 6.2, AGA Table page 57-59, Option 3	<b>(Option 3) Standard annual productive hours:</b> a) The number of productive hours is calculated on the basis of the 'standard annual productive hours' generally applied by the beneficiary for its personnel, in accordance with its usual cost accounting practices. b) The standard annual productive hours may be calculated for the entity as a whole, per category of personnel, per cost centre, etc. c) The beneficiary may include or exclude certain activities (e.g. general training, general meetings etc.) when calculating the standard annual productive hours, if this is in line with its usual cost accounting practices. d) The number of standard annual productive hours is at least 90% of the "standard annual workable hours".	3.2.3.	a) Determine which is the standard annual workable hours of the Beneficiary for each financial or fiscal year. Perform this procedure at the same level of detail as the Beneficiary is calculating the standard annual productive hours (entity as a whole, per category of personnel, per cost centre, etc.) To do this review the relevant employment contracts, collective labour agreement, the national law on working time categories and trace the deductions for Saturdays and Sundays; annual leave; public holidays and other leaves to supporting documentation. b) Verify that the number of standard annual productive hours is at least 90% of the standard annual workable hours. Depending on the result follow the instructions on findings in this respect. c) Obtain an understanding of the usual cost accounting practice by reviewing the necessary supporting documentation (manuals, procedures, internal regulations, etc.). Perform interviews with the responsible persons. d) Verify that the usual cost accounting has been set up based on objective criteria regardless of the source of funding. e) Verify that the usual cost accounting was applied in other 5 non H2020 actions. f) Verify that the exclusion of certain activities (e.g. general training, general meetings etc.) from the productive hours are mentioned/ approved in the usual cost accounting practices. g) Verify that the mentioned/ approved exclusions from the productive time are computed in accordance with the methodology defined in usual cost accounting of the Beneficiary. h) Verify that the usual cost accounting practices have been correctly applied for the H2020 action under review.

			<p><b>Instructions on findings:</b></p> <p>a) If the standard annual productive hours were calculated not in accordance with the beneficiary's usual cost accounting practices, adjust the number of annual productive hours by applying option 2 (individual productive hours), if possible; b) If the calculation method was not applied consistently, adjust the number of annual productive hours by applying option 2, if possible; c) If there is no applicable reference for the standard annual workable hours, apply option 1 (1720 hours); d) If the number of standard annual productive hours used by the beneficiary was lower than 90 % of standard annual workable hours, use either the 90 % of workable hours or 1720 hours, whichever is more favourable for the beneficiary. e) If the Beneficiary uses 90 % of standard annual workable hours instead of the number of annual productive hours arrived at by using its usual accounting practices (higher than 90 %), adjust the number of productive hours to the higher number.</p>
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**A.2. Direct personnel costs: Costs for natural persons working under a direct contract**

GA Ref:	Condition to be checked	No	Procedure to be performed
Art 6.2 A.2 Page 42 AGA	A.2 The costs for natural persons working under a direct contract with the beneficiary other than an employment contract are eligible personnel costs, if: (a) the person works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, on the beneficiary's premises; (b) the result of the work carried out belongs to the beneficiary, and (c) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.	0	
Article 6.2. (1.2.1) Page 63 AGA	This budget category covers typically the costs for in-house consultants and similar persons that worked on the action (i.e. self-employed natural persons working part-time or full-time for the action under a contract which is not governed by labour law for employees). This budget category does not cover persons provided by a temporary work agency. (Such costs may however be eligible as 'purchase of a service' (see Article 10) or as a 'subcontracting cost' (see Article 13)).	0	Arrange interviews with the beneficiary and review the list of persons selected for testing and identify natural persons working under a direct contract. Perform the procedures listed in this section for this type of personnel costs. For the sake of simplicity from now onwards the term "natural person" will be used in this section to refer to natural persons working under a direct contract.
Article 6.2. (1.2.2)	Costs for natural persons working under a direct contract may be declared as actual costs or on the basis of unit costs in accordance with the	1	a) If the beneficiary declared the costs for natural persons on the basis of unit costs in accordance with the usual accounting practices follow the relevant procedures in respect of unit costs already included in the section "Employees". b) If the

Page 63 AGA	usual cost accounting practices (i.e. 'average personnel costs'; see Article 5.2(a)).		Beneficiary claimed actual costs perform the procedures from this section. c) Obtain information if the natural persons declared on the EU action have been working before for the Beneficiary based on a different type of contract. d) Verify if the remuneration has been artificially increased for participation in the EU action.
Article 6.2. (1.2.3) Page 63 AGA	The costs must comply with the following conditions for eligibility: a) fulfil the general conditions for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc.; see Article 6.1(a) and (b)). b) there must be a direct contract between the natural person (individual) and the beneficiary. The contract cannot be with a third party legal entity (e.g. a temporary work agency).	2.1	a) Verify that the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b)) are fulfilled. Refer to section "General". b) Review the contracts and verify that the natural persons have a contract with the Beneficiary governed by labour law not applicable to employees. Verify that the contracts are with the natural persons and not companies, including temporary work agencies.  <b>Instructions on findings:</b> a) Propose adjustments for the identified ineligible costs included in the costs declared. b) For exceptions verify compliance with the eligibility criteria for 'purchase of a service' (see Article 10) or as a 'subcontracting cost' (see Article 13).
Article 6.2. (1.2.3) Page 63 AGA	c) the person must work under the beneficiary's instructions and, unless otherwise agreed with the beneficiary through a teleworking agreement, on the beneficiary's premises. It must be the beneficiary who decides on, designs and supervises all work. The consultant must report to the beneficiary.	2.2	a) If there is a telework agreement in place, perform the procedures related to Teleworking from the section "Specific cases" in order to verify if it can be accepted. Certain research work requires permanent persons to work off the premises of the employer at a research site. This is not considered teleworking but a usual work activity. Take this into account and corroborate information from time records, reports/results from work done, research logs etc. b) Verify that the person works under the beneficiary's instructions on the beneficiary's premises. Perform interviews, review contracts, lab logs, minutes of meetings, if available review presence system where the beneficiary keeps track when its personnel enter and leave the building, perform searches in the internet. Check if the natural person was living in another country or distant city; or also working at the same time for another entity in another city. c) Verify that the beneficiary decides, designs and supervises all work. Review contract and other supporting documentation. d) Verify that the natural person reports to the beneficiary. Review emails or other supporting documentation.



			For exceptions verify compliance with the eligibility criteria for 'purchase of a service' (see Article 10) or as a 'subcontracting cost' (see Article 13).
Article 6.2. (1.2.3) Page 63 AGA	d) the result of the work carried out must belong to the beneficiary. The work carried out, including any resulting patents or copyright, must belong to the beneficiary.	2.3	Review the contract and verify if there is a clause stipulating that the work carried out, including any resulting patents or copyright belongs to the beneficiary.
Article 6.2. (1.2.3) Page 63 AGA	e) not be significantly different from costs for personnel performing similar tasks under an employment contract with the beneficiary. The remuneration must be based on working hours, rather than on delivering specific outputs/products. This implies that the beneficiary must keep records of the hours worked for the action (e.g. time-sheets etc.; see Article 18.1.2).	2.4	<p>a) Verify that the hourly rates of natural persons are not significantly different from the hourly rates of personnel performing similar tasks and responsibilities under an employment contract with the beneficiary. A difference of up to 50% can be accepted, if justified by the Beneficiary. If there are no employees in the company with similar tasks report that this test was not applicable. b) Verify that the remuneration is based on working hours, rather than on delivering specific outputs/products.</p> <p><b>Instructions on findings:</b></p> <p>a) If hourly rate of natural persons is higher by more than 50% than the hourly rate of employees performing similar tasks and responsibilities, use the lower hourly rate to calculate the eligible costs. b) 'For exceptions verify compliance with the eligibility criteria for 'purchase of a service' (see Article 10) or as a 'subcontracting cost' (see Article 13).</p>
Article 6.2 (1.2.4) Page 64 AGA	Cost of natural persons working under a direct contract for a beneficiary must be calculated according to the same formula as the one explained in point 1.1.4 (i.e. hourly rate multiplied by the number of actual hours worked on the action). However, the hourly rate is different (since it is not based on the annual personnel costs as registered on the payroll). For the hourly rate, the beneficiaries must use one of the following options: a) if the contract specifies	3	<p>Verify that the beneficiary used for the hourly rate one of the following options: a) the hourly rates specified in the contract; b) the global amount specified in the contract divided by the number of hours to be worked under that contract.</p> <p>If the contract fixes only a global amount and does not specify the time to be worked, the costs can NOT be declared as personnel costs. Verify compliance with the eligibility criteria for 'purchase of a service' (see Article 10) or as a 'subcontracting cost' (see Article 13).</p>

	an hourly rate: this hourly rate must be used b) if the contract states a fixed amount for the services of the natural person and the number of hours to be worked: this global amount must be divided by the number of hours to be worked for the beneficiary under that contract. If the contract fixes only a global amount and does not specify the time to be worked, the costs can NOT be declared as personnel costs, but may be eligible as purchase of a service (see Article 10) or a subcontract (see Article 13).		
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**A.3. Personnel costs: SECONDED BY A THIRD PARTY**

<b>GA Ref:</b>	<b>Condition to be checked</b>	<b>No</b>	<b>Procedure to be performed</b>
Art 6.2. AGA 1.3.1 Page 70	This budget category covers the costs of persons that worked on the action and that were seconded by a third party as an "in kind contribution against payment" (see article 11).	0	Arrange interviews with the beneficiary and review the list of persons selected for testing and identify temporary transfers of seconded persons. Perform the procedures listed in this section for this type of personnel costs.
Art 11 - AGA 122	a) The beneficiaries may declare costs related to the payment of in-kind contributions as eligible (see Article 6.1 and 6.2), up to the third parties' costs for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services. b) The third parties and their contributions must be set out in Annex 1. The [Commission][Agency] may however approve in-kind contributions not set out in Annex 1 without amendment (see Article 55), if: they are specifically justified in the periodic technical report and their use does not entail changes to the Agreement which would call into question the decision awarding the grant or breach the principle of equal treatment of applicants. c) The beneficiaries must ensure that [the Agency,] the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards the third parties.	1	a) Verify that the Third Parties and their contributions were foreseen in Annex 1 or approved by the EC / Agency. b) Verify that the beneficiaries limited the costs declared for the payment of in-kind contributions up to the costs incurred by the third parties for the seconded persons, corresponding to the time the person has worked for the action. Obtain the supporting documents that demonstrate the actual cost borne by the Third Party (e.g., payslips, accounting entries, etc.). Please note that if the seconded person is working in the premises of the third party the direct costs actually incurred by the third party may be increased by a flat rate of 25% on these costs. (Page 120 AGA)

Art 6.2. AGA 1.3.2 Page 70	Costs for persons seconded by a third party may be declared as actual costs or on the basis of unit costs in accordance with the usual cost accounting practices (i.e. 'average personnel costs') (see Article 5.2(a)).	2	a) If the beneficiary declared the costs for persons seconded by a third party using actual costs, perform the procedures in respect of actual costs from the section "Employees". b) If the beneficiary declared the costs for persons seconded by a third party using unit costs, perform the procedures in respect of Personnel costs on the basis of the usual accounting practices from the section "Specific Cases".
Art 6.2. AGA 1.3.3 Page 70	The costs must comply with the following conditions for eligibility: a) fulfil the general conditions for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc.; see Article 6.1(a) and (b))	3	Perform the procedures in respect of Article 6.1 (a) and (b) from the section "General"
	b) The person must be seconded. Seconded means the temporary transfer of personnel from a third party to the beneficiary. The seconded person is still paid and employed by the third party, but works for the beneficiary. S/he is at the disposal of the beneficiary. Example: A researcher in a public research centre is seconded to work in a university that is a beneficiary in a GA. A secondment does not necessarily require the seconded person to work at the beneficiary's premises, although this is what usually happens.	4	Review the secondment contracts, or other equivalent supporting documentation (decisions, engagements) to document the temporary transfer of the seconded persons. Verify that the seconded personnel work for the beneficiary. Verify if there is a clause saying that the seconded personnel are at the disposal of the beneficiary.
	c) the beneficiary must reimburse the costs to the third party (i.e. not for free)	5	a) Verify that the beneficiary reimbursed the costs to the third party (i.e. not for free). b) Compare the costs declared for the seconded persons with the amount paid to the third party.
	d) fulfil the additional cost eligibility conditions set out in Article 11.1.	6	Perform the procedures listed at no 1 in this section.
Art 6.2. AGA 1.3.4 Page 70	The same rules for calculation apply as in point 1.1.4.	7	a) In addition to the procedures from the section "TRS" corroborate information from the time records of the third party and the time records of the Beneficiary to identify any contradictions. b) Perform the procedures for hourly rate, remuneration and productive hours from the section "Employees".

**A.4./A.5. Direct personnel costs: Costs of beneficiaries that are SMEs for their owners not receiving a salary — Costs of beneficiaries that are natural persons not receiving a salary**

GA Ref:	Condition to be checked	No	Procedure to be performed
Art 6.2 A.4 and A.5 Page 42 AGA	A.4 Costs of owners of beneficiaries that are small and medium-sized enterprises ('SME owners'), who are working on the action and who do not receive a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual hours worked on the action. A.5 Costs of 'beneficiaries that are natural persons' not receiving a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual hours worked on the action.	0	Arrange interviews with the beneficiary and review the list of persons selected for testing and identify SMEs owners not receiving a salary and natural persons not receiving a salary. Perform the procedures listed in this section for this type of personnel costs. For the sake of simplicity from now onwards the term "SME owner/natural person" will be used in this section to refer to SMEs owners not receiving a salary and natural persons not receiving a salary.
Art 6.2 (1.4.1) Page 70 AGA	These budget categories cover the costs of SME owners and beneficiaries that are natural persons not receiving a salary that worked on the action. This includes SME owners who are remunerated/compensated for their work for the SME by any other means than a salary (for example, dividends, service contracts between the company and the owner). What not? SME owners who receive a salary (registered as such in the accounts of the SME) cannot declare personnel costs under this budget category, unless s/he can show that this salary corresponds	1	a) Review the payroll, contracts and other documentation and verify that SME owner/natural person works on the action but does not receive a salary. b) If the SME owner receives a salary (registered as such in the accounts of the SME), verify that this salary does not correspond exclusively to the management of the SME and is therefore not linked to the action. Review contract, time records and other evidence. c) Verify if there is change in the remuneration status of the SME owner/natural person during the course of the action.  <b>Instructions on findings:</b> a) If no salary, calculate the eligible costs using unit costs; if there is salary for the natural person, calculate the eligible costs using actual costs. If salary for SME owners perform procedure b). b) If the SME owner receives a salary not

	<p>exclusively to the management of the SME (and is therefore not linked to the action). (In this case, the salary for the management of the SME cannot be declared.) If the remuneration status of the SME owner changes during the course of the action, the beneficiary has to request an amendment (see Article 55), in order to change the form of costs used (e.g. from unit cost to actual costs). Example: A GA was signed in 2014 with an SME whose owner does not receive a salary. The action's personnel costs are calculated based on the unit cost set out in Annex 2. In 2016, the SME starts paying the owner a salary for his/her work. From that moment on, any costs charged to the Horizon 2020 action require an amendment to the GA to remove the unit cost and to allow the SME owner to charge personnel costs based on his/her salary. The SME may no longer use unit costs to declare the costs of its owner.</p>		<p>corresponding exclusively to the management of the SME, calculate the eligible costs using actual costs. If salary corresponds exclusively to the management of the SME and is therefore not linked to the action, calculate the eligible costs using unit costs. The salary for the management of the SME cannot be declared. c) Calculate the eligible costs using the correct form to declare costs unit cost or actual costs depending of the remuneration status of the SME owner/ natural person by applying instructions above a) and b).</p>
<p>Art 6.2 (1.4.2) Page 71 AGA</p>	<p>These costs must be declared on the basis of the unit cost (hourly rate) fixed by Commission Decision C(2013) 819718 and set out in Annex 2 and 2a of the GA. The precise unit cost is not prefixed by the Decision; the 'amount per unit' (hourly rate) must be calculated for each individual before signature of the GA according to the following formula: Amount per unit = {{EUR 4,650/143 hours} multiplied by {country-specific correction coefficient of the country where the beneficiary is established}} The country-specific</p>	2	<p>Verify that the correct specific rate for each individual has been used.</p>

	correction coefficient is the one set out in the Main Work Programme — MSCA in force at the time of the call. Example: A German SME owner not receiving a salary will calculate the hourly rate as follows: $\text{EUR } 4.650/143 * 98.8\% = \text{EUR } 32,13 / \text{hour}$ . In practice, the declaration of costs for SME owners and beneficiaries that are natural persons is very simple and almost completely automatised: the beneficiaries must only indicate the number of hours worked on the action and the costs are then automatically calculated by the IT system.		
Art 6.2 (1.4.3) Page 71 AGA	The costs must comply with the following conditions for eligibility: (a) fulfil the general conditions for unit costs to be eligible (i.e. units used during the action duration, necessary, linked to the action, correct calculation etc.; see Article 6.1(b)). (b) be declared for an owner of an SME/beneficiary that is natural person, who works on the action but does not receive a salary. The owner may be compensated by means such as dividends, service contracts between the company and the owner, etc. The Commission/Agency may verify that the beneficiary fulfils the conditions for using this unit cost.	3	Verify that the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b)) are fulfilled. Refer to section "General".
Art 6.2 (1.4.4) Page 71 AGA	They are calculated (automatically by the IT system) as follows: amount per unit (hourly rate; see Annex 2a GA) x number of actual hours worked on the action. The total number of hours declared in EU and	4	a) Recalculate the declared costs for SME owners/ natural persons. b) Verify that the total number of hours declared in EU and Euratom grants for a year (i.e. a financial year) is NOT higher than the standard number of annual productive hours used for the calculation of the hourly rate.

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	Euratom grants for an SME owner for a year (i.e. a financial year) can NOT be higher than the standard number of annual productive hours used for the calculation of the hourly rate (i.e. 1 720 hours).		
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**A.6. Direct personnel costs: Personnel costs for providing trans-national or virtual access to research infrastructure**

<b>GA Ref:</b>	<b>Condition to be checked</b>	<b>No</b>	<b>Procedure to be performed</b>
Art 6.2 (1.5.1) Page 71 AGA	This budget category covers the personnel costs for access to infrastructure activities, i.e.: costs for employees (or equivalent) basic remuneration and for non-profit legal entities: additional remuneration; costs for natural persons working under a direct contract and costs of personnel seconded by a third party against payment.	1	Arrange interviews with the beneficiary and review the list of persons selected for testing and identify the persons for who personnel costs for access to infrastructure activities have been declared. Perform the procedures listed in this section for this type of personnel costs.
Art 6.2 (1.5.2) Page 72 AGA	Personnel costs for providing trans-national or virtual access to research infrastructure may be declared as actual costs or on the basis of unit costs in accordance with the usual cost accounting practices (i.e. 'average personnel costs') (see Article 5.2(a)).	2	a) If the beneficiary declared the costs for persons providing for access to infrastructure activities perform the procedures in respect of actual costs from the section "Employees", "NaturalPers" or "Seconded" depending on type of personnel declared. b) If the beneficiary declared the costs for persons providing for access to infrastructure activities using unit costs, perform the procedures in respect of Personnel costs on the basis of the usual accounting practices from the section "Specific Cases".
Art 6.2 (1.5.3) Page 72 AGA	Article 6.2 (1.5.3) The costs must comply with the following conditions for eligibility: (a) fulfil the general conditions for costs to be eligible (i.e. incurred/used during the action duration, necessary, linked to the action, etc.; see Article 6.1(a) and (b))	3.1.	Verify that the general conditions for costs to be eligible (i.e. incurred during the action duration, necessary, etc.; see Article 6.1(a) and (b)) are fulfilled.
	(b) fulfil the specific conditions for costs for employees (or equivalent), costs for natural persons working under a direct contract or costs of personnel seconded by a third party against payment	3.2.	Perform the procedures from the section "Employees", "Natural Pers" or "Seconded" depending on the type of personnel costs claimed for access to infrastructure activities.

	(c) be incurred for providing trans-national or virtual access to research infrastructure	3.3.	In addition to the procedures from the section "TRS" verify that the personnel costs are incurred for providing trans-national or virtual access to research infrastructure. For example: 1. preparation of the detailed access activity information that must be included in the periodic technical reports and/or the assessment report; 2. the organisation of the assessment carried out by the board of international experts; 3. the operation of the research infrastructure or installation; 4. logistical, technological and scientific support for users e.g., a helpdesk, including ad-hoc user training; 5. preparatory and closing activities needed to use the installation.
Art 6.2 (1.5.4) Page 72 AGA	The same rules for calculation apply as in points 1.1.4, 1.2.4 and 1.3.4.	4	a) For employees perform the procedures for hourly rate, remuneration and productive hours from the section "Employees". b) For natural persons working under a direct contract perform the procedures in respect of point 1.2.4 from the section "Natural Pers". c) For personnel seconded by a third party against payment perform the procedures in respect of point 1.3.4 from the section "Seconded"

Please note that procedures for verifying unit costs set up by the EC (Art.6.2.F of the AGA) will also be developed.

#### **FINAL GENERAL CONTROL**

Condition to be checked		N	Procedure to be performed
			In cases in which the procedures listed above have been carried out successfully but the auditor, during the execution of these procedures, came across facts and documents which put into question the compliance of the costs with the eligibility criteria foreseen in the H2020 grant agreement this information should be reported accompanied with adequate supporting information.

## **B. SUBCONTRACTING**

<b>Condition to be checked</b>		<b>No</b>	<b>Procedure to be performed</b>
Art. 13.1.1	The tasks to be implemented and the estimated cost for each subcontract must be set out in Annex 1 Description of Work of the audited Grant Agreement(s).	1	Obtain the last version of Annex 1 Description of Work of the audited Grant Agreement(s). Confirm that Annex 1 Description of Work of the audited Grant Agreement(s) contains a description of the tasks to be subcontracted and estimated costs for subcontracting.
		2	Compare the information from Annex 1 Description of Work with the tasks subcontracted by the Beneficiary for which costs are declared. Confirm that no material discrepancies exist both in the nature of the subcontracting and in terms of value.
Art. 13.1.1	Costs for subcontracting not foreseen in Annex 1 Description of Work of the audited Grant Agreement(s) were specifically justified in the periodic technical reports.	3	Obtain the periodic technical report of the audited Grant Agreement(s). Confirm that the costs for subcontracting which have not been foreseen in Annex 1 Description of Work have been specifically justified in the periodic technical reports of the action.
		4	Verify that there is a confirmation from the EC services that the costs for subcontracting not foreseen in Annex I but justified in the periodic technical reports are accepted by the EC services.
Art. 6.1.a. (i)	Costs must be actually incurred by the Beneficiary.	5	Obtain from the Beneficiary the list of items for which costs are declared in the category Subcontracting.
		6	Confirm that the total amount resulting from the list of items corresponds to the amount declared in the financial statement(s). For beneficiaries with accounting established in other currency than the euro first convert the total amount resulting from the list of items to euro by using the rate as specified in Art.20.6 of the H2020 GA.
		7.1	Select a sample from the list of items declared in the category Subcontracting as follows: 1) If the total subcontracting costs are below the planning materiality level (5% of total costs declared) the item with the highest value in the population should

			be selected; 2) If the total subcontracting costs are above the planning materiality level (5% of total costs declared) then 2.a) if the population is less or equal to 5 items, all items should be tested; or 2.b) If the population is more than 15 items select for testing a maximum of 15 items. Select for testing all the items with a value higher or equal to 10% of the subcontracting costs declared. Add randomly selected items until 50% coverage of the subcontracting costs is achieved or the total maximum number of 15 items is reached. The procedures below are to be carried out on the sampled items only. The item is defined as one contract.
		7.2	If systematic errors are identified request the Beneficiary to recalculate the declared costs for the action by removing the effect of the systematic errors for the whole population. Verify the accuracy and reliability of the recalculation performed by the Beneficiary.
		8	Obtain from the Beneficiary the underlying documentation (invoices, debit notes, credit notes, proofs of delivery, etc.) for each sampled item. Reconcile in monetary terms each item to the specific underlying document (invoices, debit notes, etc.).
		9	Ensure that the underlying documents are addressed to the Beneficiary.
		10	Confirm that the accounting documents justifying the costs for subcontracting (invoices, debit notes, credit notes, etc.) are recorded in the Beneficiary's statutory accounting books.
		11	Request the Beneficiary to provide information regarding its usual accounting practices as regards recording of costs incurred in currency other than its local currency. If the accounting documents justifying the costs for subcontracting are in foreign currency, ensure that the Beneficiary converted the costs when recording the latter in its statutory accounting books in conformity with its usual accounting practices.
		12	Confirm that during a period of 6 months after recording the accounting documents in the Beneficiary's statutory books no altering event has been recorded (credit note, invoice cancellation, etc.). To that end inspect the general accounting of the Beneficiary as well as the and suppliers' ledgers.

		13	Confirm for each sampled item that the costs for subcontracting have not been re-invoiced by the Beneficiary to another legal entity, including affiliated companies as well as independent third parties. To confirm the latter inspect the general accounting of the Beneficiary up to 6 months after the date of recording the initial justifying document.
		14	Confirm that the costs were paid by the Beneficiary. To that end inspect bank statements and cash registers. In case of other means like netting off, cash pooling, etc. check the general ledger and accounting system of the Beneficiary to confirm such other form of payment.
Art.6.5.(a). (ix)	Costs must not include deductible VAT.	15	Verify that the costs charged do not include VAT if VAT is deductible for the Beneficiary according to the national tax law. To that end inspect the national tax law, review declarations delivered by the national tax authorities, review the accounting system of the Beneficiary, etc. Only beneficiaries that cannot deduct VAT according to the national tax law can charge VAT as a cost on the action. Deductible VAT which is not identifiable is to be considered as an ineligible cost.
Art. 6.5.a)	Costs declared do not contain ineligible elements.	16	Confirm that the declared costs for subcontracting do not contain any of following ineligible elements: (i) costs related to return on capital; (ii) debt and debt service charges; (iii) provisions for future losses or debts; (iv) interest owed; (v) doubtful debts; (vi) currency exchange losses; (vii) bank costs charged by the Beneficiary's bank for transfers from the EC;
Art. 6.1.a (ii)	Costs must be incurred during the project period defined in Art.3 of the Grant Agreement(s) or any subsequent amendments with exception of costs relating to submission of the periodic report for the last reporting period and the final report.	17	Verify by reviewing the invoices, delivery notes, etc. that the day/period of the delivery of the subcontracted service lies within the project period as specified in Art.3 of the Grant Agreement(s) or any subsequent amendments.  The costs which are incurred outside the project period and are not related to the submission of the periodic report for the last reporting period or the final report

			should be reported as adjustment to the costs declared pending confirmation of the procedure 19.
		18	For costs incurred after the end of the action inquire if the latter relate to the periodic report of the last reporting period or the final report. To that end review the available accounting documents and reports, determine the nature of the cost and obtain relevant information from the Beneficiary.
		19	Confirm that the accounting documents justifying the costs for subcontracting are recorded in the Beneficiary's statutory accounting books during the reporting period in which the costs are declared. OR Confirm that a debt corresponding to the final known amount for the cost item has been recorded in the Beneficiary's statutory books during the reporting period in which the costs are declared.
Art. 6.5 (a).(x)	Costs must not include any costs incurred during suspension of the implementation of the action (Art.49).	20	Identify any costs incurred during suspension of the implementation of the action. To that end inspect amendments of the Grant Agreement(s), correspondence between the EC and the Beneficiary and information at disposal of the Beneficiary.
Art. 6.1 (a) (v)	Costs must be identifiable and verifiable, in particular recorded in the Beneficiary's accounts in accordance with the accounting standards applicable in the country where the Beneficiary is established and with the Beneficiary's usual cost accounting practices.	21	Confirm that the original primary accounting documents included in the underlying documentation justifying the costs for subcontracting (invoices, debit notes, credit notes, etc.) are in compliance with the national accounting standards (e.g. bear all required requisites - date, document number, amount, currency, etc.).
		22	Verify if conforming to the national accounting law the Beneficiary has the obligation to have its annual statutory accounts certified by an independent auditor. If yes, request the statutory auditor's report for the years covering the duration of the audited period or if the latter is not yet available - for the last 3 years for which a report is available. Verify if the auditor's reports are qualified for reasons affecting the audited cost category. If the auditor's report on the Beneficiary's statutory annual accounts is not qualified for the cost category under audit it is deemed that the costs are recorded in accordance with the accounting standards applicable in the country where the Beneficiary is established.

Art.18.1.	The Beneficiaries must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law.	23	If the Beneficiary has presented digital or digitalised accounting documents confirm that they are authorised by the applicable national law.
Art. 6.5 (b)	Costs must not include costs declared under another EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the [Commission][Agency] for the purpose of implementing the EU or Euratom budget); in particular, indirect costs if the Beneficiary is already receiving an operating grant financed by the EU or Euratom budget in the same period.	24	<p>Verify if the original underlying documents bear exclusive reference to the EU action under audit (number and acronym, specific code determined by the Beneficiary, etc.) or are stamped with the reference to the EU action under audit.</p> <p>If the original underlying documents bear reference of another EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the [Commission][Agency] for the purpose of implementing the EU or Euratom budget) the costs should be rejected. In cases in which the documents do not bear any reference to the EU action under audit carry out procedure 25.</p>
		25	<p><b>Review the cost accounting, the controlling system and the relevant procedures of the Beneficiary. Identify the existence of specific project accounting (e.g. existence of specific cost centres, internal orders, sub-ledgers, etc. per project). Perform a walk-through review of the procedures to ensure that when recorded the costs can be allocated exclusively to one project.</b></p> <p>In cases in which 1) the Beneficiary maintains specific project accounting; 2) the review of the systems/procedures and the walk-through confirm that costs can be allocated exclusively to one costs object 3) the financial statement for the audited action reconciles in full with the amounts stemming from the project accounting and 4) the sampled costs are recorded in the relevant account for the audited action cost object; the eligibility condition in Art 6.5 (b) is deemed to be respected and procedure 26 should not be carried out.</p>
		26	<p><b>Obtain information from the Beneficiary whether the audited entity participates in other EU programmes, in particular Structural Funds, Social Fund, etc. and obtain a list of the other EU actions/projects running during the audited period.</b> Obtain for 5 other projects/ actions the list of items declared for the other EU actions/projects.</p>

			Verify that none of sampled items is included in the cost claims of the 5 other projects/actions.
Art.6.1.(a )	Costs must be:	27	Confirm that the Beneficiary signed a representation letter stating that the costs charged to the action are:
(iv)	- incurred in connection with the action as described in Annex 1;		- incurred in connection with the action as described in Annex 1;
(iv)	- necessary for the implementation of the action;		- necessary for the implementation of the action;
(vii)	- reasonable and justified;		- reasonable and justified;
(vii)	- comply with the principle of sound financial management, in particular regarding economy and efficiency;		- comply with the principle of sound financial management, in particular regarding economy and efficiency;
Art.35.1	- costs are incurred in absence of conflict of interest;		- costs are incurred in absence of conflict of interest;
Art. 6.5 (b)	- not declared under another EU or Euratom grant;		- not declared under another EU or Euratom grant;
Art. 6.5 (a)(x)	-not incurred during suspension of the implementation of the action (according to Art. 49)		-not incurred during suspension of the implementation of the action (according to Art. 49)
Art.35.1	Costs for subcontracting were incurred in absence of conflict of interest.	28	Enquire whether the Beneficiary's internal written procedures foresee measures for avoidance of conflict of interest by defining specific criteria that need to be met.
Art. 13.1.1	The Beneficiary ensured that the Agency, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards their subcontractors.	29	Review contracts and agreements between the Beneficiary and its subcontractors for clauses ensuring to the European Commission/Agency, European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) their rights under Articles 22 and 23 of the Grant Agreement(s).
Art. 13.1.2	The Beneficiary ensured that their obligations under Art. 35, 36, 38 and 46 of the H2020 GA also apply to the subcontractors.	30	Review contracts and agreements between the Beneficiary and its subcontractors for clauses foreseeing that obligations conforming to Art. 35, 36, 38 and 46 of the H2020 GA also apply to the subcontracting entities.
Art.13.1	The subcontracted tasks as described in the original signed subcontracting agreements did	31	Confirm that none of the subcontracted tasks are to be carried out exclusively by the action's coordinator as per Art.41.2.b).



	not include tasks to be executed exclusively by the action's coordinator as listed in article 41.2.b) of the H2020 GA.		
Art.13.1.1	The specific eligibility conditions foreseen in the Grant Agreement for subcontracting above 60 000 EUR should be complied with.	32	Obtain and review the signed Grant Agreement(s). Confirm that if specific provisions are foreseen in case the subcontracting costs exceed 60 000 EUR the latter are complied with.
Art.13.1.1	If classified results are subcontracted the explicit approval (in written) of the Commission has been given.	33	Obtain and review the signed Grant Agreement(s). Confirm that if the option of subcontracting of classified results is activated in the Grant Agreement (Art. 13.1.1) there is a written explicit agreement of the Commission.
General controls		34	Obtain the signed original subcontracting agreements linked to the sampled items.
		35	Confirm that the original primary accounting documents (invoices, debit notes, credit notes, etc.) justifying the declared costs for subcontracting are issued by the same legal entity with which the Beneficiary has signed subcontracting agreements.
		36	Confirm that the original primary accounting documents (invoices, debit notes, credit notes, etc.) justifying the declared costs for subcontracting are not issued before the signature of the relevant subcontracting agreements.
		37	Confirm that the description of the subcontracted tasks as it appears on the original primary accounting documents is the same as the subcontracting tasks foreseen in the signed original subcontracting agreements.
		38	Confirm that the amount reflected in each underlying document is in line with the contractual agreement between the Beneficiary and the subcontractor(s).
		39	Confirm that the amount reflected in each underlying document takes into account any rebates, discounts and other price reductions if the latter were foreseen in the signed original subcontracting agreements.
AGA page 130	The original signed subcontracting agreements were not concluded with a Beneficiary in the same Grant Agreement.	40	Confirm that the legal entities with which subcontracting agreements are concluded are not beneficiaries in the audited Grant Agreement(s).

AGA, page 130	If the subcontracting was awarded on the basis of an existing framework contract the name of the subcontracting supplier was listed in Annex I Description of Work of the audited Grant Agreement(s).	41	If the subcontracting was awarded on the basis of an existing framework contract confirm that the original signed subcontracting agreements are signed with the legal entity stated in Annex 1 Description of Work of the audited Grant Agreement(s). If the Beneficiary awarded subcontracting on the basis of an existing framework contract, but the name of the subcontractor is different from the one specified in Annex 1 request the Beneficiary to provide detailed explanations for the change of supplier, including comparison of offers.
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**PROCEDURES TO BE CARRIED OUT IF THE BENEFICIARY IS A CONTRACTING AUTHORITY/ENTITY**

Condition to be checked		No	Procedure to be performed
Art. 13.1.2	Beneficiaries that are 'contracting authorities' within the meaning of Directive 2004/18/EC24 or 'contracting entities' within the meaning of Directive 2004/17/EC25 must comply with the applicable national law on public procurement.	42	Verify by confirming with the Beneficiary, by reviewing confirmations by authorities or other legal statutory documents whether the audited Beneficiary is a 'contracting authority' within the meaning of Directive 2004/18/EC or a 'contracting entity' within the meaning of Directive 2004/17/EC. If it is the case obtain the applicable national law on public procurement and confirm that the applicable national law on public procurement was correctly applied.
			If the entity is a 'contracting authority' within the meaning of Directive 2004/18/EC or a 'contracting entity' within the meaning of Directive 2004/17/EC confirm that :
		43	- where a procurement procedure is required by the national applicable law on public procurement the procedure was carried out;
		44	- there is a publication of a call for tenders when it is compulsory by the national applicable law on public procurement;
		45	- the minimum advertising time foreseen in the public procurement rules was respected;
		46	- the minimum number of offers was obtained as foreseen in the public procurement rules;
		47	- the minimum waiting time between awarding and signing the contract (or purchase order) that is foreseen in the public procurement rules was respected;

		48	- the tendering for identical services and goods which occurred during all controlled periods of the action was done in one tender (e.g. no split was done to avoid publishing a tender);
		49	- confirm that the subcontract is awarded to the entity ranked first in the selection process;
		50	- confirm that existing framework contracts are not re-conducted without a new selection procedure or with substantial modification of the conditions. The substantial modification of the conditions is limited to increase of the price and/or change of the scope.

**PROCEDURES TO BE CARRIED OUT IF THE BENEFICIARY IS NOT A CONTRACTING ENTITY**

Condition to be checked		No	Procedure to be performed
Art.13.1.1	The beneficiaries must award the subcontracts ensuring the best value for money or, if appropriate, the lowest price.	51	Obtain the internal procurement procedure of the Beneficiary.
		52	If the internal procurement procedure of the Beneficiary requires tendering in order to select the subcontracting entity carry out the following procedures:
			Obtain:
			- original tender notice or letters of invitation to tender;
			- tender specifications;
			- all copies of all tenders finally received, including those of the losing bidders;
			- the composition of the evaluation committee;
			- the evaluation committee summaries and conclusions in respect of each bid and the relative scorings awarded;
			- the final award decision and recommendation made;
			- the letter of confirmation of award, as well as notifications of non-success to losing bidders and subsequent responses to requests for clarification or complaints by those losing bidders.

		53	Confirm that the Beneficiary applied its written internal procedures for procurement in terms of amounts' ceiling (e.g. if the procedure foresees for awarding of bids above 10 000 EUR to collect 3 offers the Beneficiary did collect the required number of offers).
		54	In the case of more than one controlled period sum the costs for subcontracting invoiced for identical services by the same supplier. Confirm that no change would have occurred in the selection process compared to the Beneficiary's written internal procedures for procurement if the subcontracting would have been awarded in one lot (to avoid splitting subcontracting to lots in order to drop below the ceiling for tendering).
		55	Confirm that the Beneficiary applied its written internal procedure for procurement in terms of publicity of the tender (e.g. appropriate media, sufficient deadline for reply, etc.).
		56	Confirm that the tendering conditions or the minimum requirements for the offers were not modified after the publication of the tender or if it was the case the modifications have been published in the same manner as the initial tender and notified to all bidders which already submitted its offer <u>and</u> these bidders were given the possibility to re-submit the offer.
		57	Confirm that the evaluation of the offers was carried out based on the criteria published in the tender (e.g. no new criteria and conditions are added at evaluation stage).
		58	Confirm that price is one of the criteria based on which the offers' evaluations was carried out.
		59	Confirm that the entity offering lowest price has been awarded the highest score for the price criteria.
		60	Confirm that if the Beneficiary did not award the subcontracting to the entity offering the lowest price the award decision contains a justification about the criteria which explain the choice of another bidder than the one offering lowest price.

		61	Confirm that the subcontract is awarded to the entity ranked first in the selection process.
		62	<p>Confirm that the applied procurement procedure does not discriminate purchases for EU-funded and non-EU funded activities of the Beneficiary.</p> <p>Relevant to procedures 53 to 62: In cases in which the Beneficiary has a procurement procedure which is correctly applied (e.g. the walk through could be completed without findings) when selecting the supplier the costs are deemed to be reasonable, justified, not reckless and not excessive, to comply with the principle of sound financial management, in particular regarding economy and efficiency and with the principle of "best value for money". In cases in which the Beneficiary has a procurement procedure but the latter has not been applied correctly (e.g. the walk through results in non-compliance of the selection process with the procedure) or a discrimination between purchase for EU-funded and non-EU funded activities has been observed the relevant costs should be rejected, unless the Beneficiary can provide a persuasive justification.</p>
		63	<p>In cases in which the Beneficiary has no procurement procedure request the Beneficiary to describe its approach when selecting the subcontractor(s). Request from the Beneficiary documents and justifications supporting the approach taken. If the Beneficiary has no procurement procedure in place but has taken actions in order to ensure selection based on the principle of best value for money or lowest price the auditors verify the approach taken and vouch the received information to the latter. In cases in which discrimination between purchase for EU-funded and non-EU funded activities has been observed the relevant costs should be rejected, unless the Beneficiary can provide a persuasive justification. If the Beneficiary has a defined approach, was able to support it with documents and justifications and there is no discrimination between purchase for EU-funded and non-EU funded activities the costs can be deemed to be eligible if the other eligibility conditions are met. Otherwise, the auditors carry out procedure 64.</p>

		64	In cases in which the Beneficiary has no procurement procedure nor has it taken specific approach when selecting the subcontractor(s) request the Beneficiary to provide any justifications which can ensure that the costs are compliant with the principle of best value for money or selection on lowest price.
AGA, page 130	In case that the original signed subcontracting agreements were concluded with an affiliate company the following conditions were met: 1) a framework contract with the Beneficiary must exist OR 2) the affiliate is the Beneficiary's usual provider, AND 3) the subcontracting is priced at market conditions.	65	Confirm that if the subcontracting agreements are concluded with an affiliated entity that a framework contract exists or the affiliate is the Beneficiary's usual provider. To that end inspect the suppliers' ledger of the Beneficiary, invoices from the affiliate established prior to the action start, etc.
		66	Request the Beneficiary to obtain an offer from an alternative supplier for the same product or service. If the foregoing is not possible, request the beneficiary to enquire on open sources in order to identify alternative suppliers of the same product or service.
		67	In cases in which the procedures listed above have been carried out successfully but the auditor, during the execution of these procedures, came across facts and documents which put into question the compliance of the costs with the eligibility criteria foreseen in the H2020 Grant Agreement this information should be reported accompanied with adequate supporting documents.

**D. OTHER DIRECT COSTS**

**GENERAL PROCEDURES APPLICABLE TO ALL SUB-CATEGORIES (D.1. Travel costs and related subsistence allowances, D.2. Depreciation costs of equipment, infrastructure and other assets and D.3 Costs for other goods and services)**

Condition to be checked		No	Procedure to be performed
Art. 6.3	<b>Costs incurred by linked third parties</b> are eligible if they fulfil - mutatis mutandis - the general specific conditions for eligibility set out in Art. 6.1 and Art. 6.2 and Art. 14.1.1 (on linked third parties)	1	Verify if the costs incurred by linked third parties fulfil - mutatis mutandis - the general specific conditions for eligibility set out in Art. 6.1 and Art. 6.2. Perform the procedures included in this file.
		2	a) Verify that the third parties for whom costs were incurred and claimed, are included in the GA including amendments. b) Verify that their participation in the action has not been terminated.
Art. 6.1.a. (i)	Costs must be actually incurred by the Beneficiary.	3	Obtain from the Beneficiary the list of items for which other direct costs are claimed, broken down by sub-category.
		4	Confirm that the total amount resulting from the list of items corresponds to the amount claimed in the financial statement(s). For beneficiaries with accounting established in other currency than the euro first convert the total amount resulting from the list of items to euro by using the rate as specified in Art.20.6 of the H2020 GA.
		5	Select a sample from the list of items for each sub-category as follows: 1) If the total costs in the sub-category is below the planning materiality level (5% of total costs claimed) the item with the highest value in the population should be taken; 2) If the total costs in the sub-category is above the planning materiality level (5% of total costs claimed) then 2.a) if the population is less or equal to 5 items, all items should be tested; or 2.b) If the population is more than 15 items select for testing a maximum of 15 items. Select for testing all the items with a value higher or equal to

			10% of the costs declared for the costs subcategory. Add randomly selected items until 50% coverage of the costs in the sub-category is achieved or the total maximum number of 15 items is reached. The Definition of an item is an event/conference for travel costs; and one line in the breakdown for Consumables and Equipment.
		6	If systematic errors are identified request the Beneficiary to recalculate the declared costs for the action by removing the effect of the systematic errors for the whole population. Verify the accuracy and reliability of the recalculation performed by the Beneficiary.
		7	Obtain from the Beneficiary the underlying documentation (supplier invoices, debit notes, credit notes, expense claims, etc.) justifying the costs for the randomly selected items. Reconcile in monetary terms each item from the sample to the specific underlying document.
		8	Ensure that the underlying documents are addressed to the Beneficiary. The procedure is valid only in cases in which the underlying documents are issued by external to the Beneficiary entity. The procedure is not to be carried out in cases in which the costs are based on internal transactions (e.g. internal invoices, depreciation, etc.).
		9	Confirm that the accounting documents justifying the sampled items (invoices, debit notes, credit notes, expense claims, etc.) are recorded in the Beneficiary's statutory accounting books.
		10	Request the Beneficiary to provide information regarding its usual accounting practices for recording of costs incurred in other currency than its local currency. If the accounting documents justifying the sampled items are labelled in foreign currency confirm that the Beneficiary converted the costs in conformity with its usual accounting practices.



		11	Confirm that during a period of 6 months after recording the accounting documents in the Beneficiary's statutory books no altering event has been recorded (credit note, invoice cancellation, etc.). To that end inspect the general accounting of the Beneficiary as well as the assets' and suppliers' ledgers.
		12	Confirm that the amount reflected in each underlying document justifying the selected items takes into account any rebates, discounts and other price reductions if the latter were foreseen. To that end inspect the general accounting of the Beneficiary, commercial agreements, contracts, interview accounting staff, etc.
		13	Confirm for each item that the sampled other direct costs have not been re-invoiced by the Beneficiary to another legal entity, including affiliated companies as well as independent third parties. To confirm the latter inspect the general accounting of the Beneficiary up to 6 months after the date of recording the initial justifying document.
		14	Confirm that the costs linked to the sampled items were paid by the Beneficiary. To that end inspect bank statements and cash registers. In case of other means like netting off, cash pooling, etc. check the general ledger and accounting system of the Beneficiary to confirm such other form of payment.
Art.6.5.(a).(ix)	Costs must not include deductible VAT.	15	Verify that the costs charged do not include VAT if VAT is deductible for the Beneficiary according to the national tax law. To that end inspect the national tax law, review declarations delivered by the national tax authorities, review the accounting system of the Beneficiary, etc. Only beneficiaries that cannot deduct VAT according to the national tax law can charge VAT as a cost on the action. Deductible VAT which is not identifiable is to be considered as an ineligible cost.
Art. 6.5.a)	Costs claimed do not contain ineligible elements.	16	Confirm that the claimed other direct costs do not contain any of following ineligible elements: (i) costs related to return on capital; (ii) debt and debt service charges; (iii) provisions for future losses or debts; (iv) interest owed; (v) doubtful debts;

			(vi) currency exchange losses; (vii) bank costs charged by the Beneficiary's bank for transfers from the EC;
Art. 6.1.a (ii)	Costs must be incurred during the project period defined in Art.3 of the grant agreement(s) or any subsequent amendments with exception for costs relating to submission of the periodic report for the last reporting period and the final report.	17	Verify by reviewing the invoices, delivery notes, transport documents, stock registers etc. that the day of the delivery or the start of use of the asset, good or service lies within the project period as specified in Art.3 of the grant agreement(s) or any subsequent amendments. If travel and subsistence costs are concerned verify that the travel or any other event for which costs are claimed (meals, etc.) occurred during the period.  The costs which are incurred outside the project period and are not related to the submission of the periodic report for the last reporting period or the final report should be reported as adjustment to the costs claimed pending confirmation of the procedures below (22 to 24).
		18	For costs incurred after the end of the action, inquire if the latter relate to the periodic report of the last reporting period or the final report. To that end review the available accounting documents and reports, determine the nature of the cost and obtain relevant information from the Beneficiary.
		19	Confirm that the accounting documents justifying the other direct costs are recorded in the Beneficiary's statutory accounting books during the reporting period in which the costs are claimed. OR Confirm that a debt corresponding to the final known amount for the cost item has been recorded in the Beneficiary's statutory books during the reporting period in which the costs are claimed.
		20	If the controlled period is the first reporting period and if the travel occurred before the action's start date confirm that the travel relates exclusively to the first "leg" of the kick-off meeting. Confirm that the kick-off meeting itself took place during the action duration.
Art. 6.5 (a).(x)	Costs must not include any costs incurred during suspension of the implementation of the action (Art.49).	21	Identify any costs incurred during suspension of the implementation of the action. To that end inspect amendments of the grant agreement(s), correspondence between the EC and the Beneficiary and information at disposal of the Beneficiary.

Art. 6.1 (a) (v)	Costs must be identifiable and verifiable, in particular recorded in the Beneficiary's accounts in accordance with the accounting standards applicable in the country where the Beneficiary is established and with the Beneficiary's usual cost accounting practices.	22	Confirm that the original accounting documents included in the underlying documentation justifying the costs (limited to invoices, debit notes, credit notes) are in compliance with the national accounting standards (e.g. bear all required requisites - date, document number, amount, currency, etc.).
		23	<p>Verify if conforming to the national accounting law the Beneficiary has the obligation to have its annual statutory accounts certified by an independent auditor. If yes, request the statutory auditor's report for the years covering the duration of the audited period or if the latter is not yet available - for the last 3 years for which a report is available. Verify if the auditor's report is qualified for reasons affecting the audited cost category.</p> <p>If the auditor's report on the Beneficiary's statutory annual accounts is not qualified for the cost category under audit the costs can be deemed to have been recorded in accordance with the accounting standards applicable in the country where the Beneficiary is established.</p>
		24	1. Obtain information and documents from the Beneficiary regarding its usual accounting practices for the audited cost category. If the Beneficiary has participated in FP7 inquire about any changes in the Beneficiary's usual cost accounting practices from FP7 to H2020 for the classification of costs between direct and indirect. 2. For each sampled items verify that the classification of costs between direct and indirect is made in accordance with the Beneficiary's usual cost accounting practices (e.g.: verify that the sampled items should not be considered as indirect costs by virtue of their type or amount of cost).
		25	Obtain from the Beneficiary information if it performs an overheads' calculation (for internal reporting purposes, for reporting on projects not funded by the EU budget, etc.). In cases in which the Beneficiary carries out such calculation obtain the figures relevant for the audited period(s). Confirm that the sampled items are not included in the overheads calculation. Alternatively, select randomly 5 transactions not linked to EU actions (for other national, industrial, internal, non-EU projects) from the

			same cost category and the same period and verify that the costs' classification between direct and indirect costs follows identical approach.
Art.18.1 .	The beneficiaries must keep the original documents. Digital and digitalised documents are considered originals if they are authorised by the applicable national law.	26	If the Beneficiary has presented digital or digitalised accounting documents confirm that they are authorised by the applicable national law.
Art. 6.1 (a) (vi)	Costs must comply with the applicable national law on taxes, labour and social security.	27	Verify by 1) assessing the applicable national law on taxes, labour and social security; 2) inquiring with the Beneficiary; 3) checking reports of the financial authorities and 4) checking reports of internal/external auditors that the costs were dealt with according to applicable national law on taxes, labour and social security.
Art. 6.5 (b)	Costs must not include costs declared under another EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the [Commission][Agency] for the purpose of implementing the EU or Euratom budget); in particular, indirect costs if the Beneficiary is already receiving an operating grant financed by the EU or Euratom budget in the same period.	28	<p>Verify if the original underlying documents bear exclusive reference to the EU action under audit (number and acronym, specific code determined by the Beneficiary, etc.) or are stamped with the reference to the EU action under audit.</p> <p>If the original underlying documents bear reference of another EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the [Commission][Agency] for the purpose of implementing the EU or Euratom budget) the costs should be rejected. In cases in which the documents do not bear any reference to the EU action under audit, carry out procedure 29.</p>
		29	<p>Review the cost accounting, controlling system and relevant procedures of the Beneficiary. Identify the existence of specific project accounting (e.g., existence of specific cost centres, internal orders, sub-ledgers, etc. per project). Perform a walk-through review of the procedures to ensure that when recorded the costs can be allocated exclusively to one project.</p> <p>In cases in which 1) the Beneficiary maintains specific project accounting; 2) the review of the systems/procedures and the walk-through confirm that costs can be allocated exclusively to one costs object 3) the financial statement for the audited</p>

			action reconciles in full with the amounts stemming from the project accounting and 4) the sampled costs are recorded in the relevant for the audited action cost object; the eligibility condition in Art 6.5 (b) is deemed to be respected and procedure 30 should not be carried out.
		30	Obtain information from the Beneficiary whether the audited entity participates in other EU programmes, in particular Structural Funds, Social Fund, etc. and obtain a list of the other EU actions/projects running during the audited period. Obtain for 5 other projects/actions the list of items declared under other direct costs. Verify that none of sampled items is included in the cost claims of the 5 other projects/actions.
		31	Enquire whether the Beneficiary receives assets, goods or services from the State for free specifically in relation to the audited action and verify that a procedure exists in order to avoid that such items are included in the H2020 cost claims. If no procedure exists, check 5 transactions concerning assets, goods and services made available by the State for free for that specific project, and verify that they do not appear in the project cost accounting of the EU action under audit.
		32	If the Beneficiary receives an operating grant financed by the EU or Euratom budget in the same period as the action, verify that no indirect costs are claimed on the other direct costs for the financial years covered by the operating grant.
Art.6.1.(a)	Costs must be:	33	Confirm that the Beneficiary signed a representation letter stating that the costs charged to the action are:
(iv)	- incurred in connection with the action as described in Annex 1 of the grant agreement;		- incurred in connection with the action as described in Annex 1 of the grant agreement;
(iv)	- necessary for the implementation of the action;		- necessary for the implementation of the action;
(vii)	- reasonable and justified;		- reasonable and justified;
(vii)	- comply with the principle of sound financial management, in particular regarding economy and efficiency;		- comply with the principle of sound financial management, in particular regarding economy and efficiency;
Art.35.1	- costs are incurred in absence of conflict of interest;		- incurred in absence of conflict of interest;

Art. 6.5 (b)	- not declared under another EU or Euratom grant;		- not declared under another EU or Euratom grant;
Art. 6.5 (a)(x)	-not incurred during suspension of the implementation of the action (according to Art. 49)		-not incurred during suspension of the implementation of the action (according to Art. 49)
Art. 10.1.2	Beneficiaries that are 'contracting authorities' within the meaning of Directive 2004/18/EC <sup>24</sup> or 'contracting entities' within the meaning of Directive 2004/17/EC <sup>25</sup> must comply with the applicable national law on public procurement.	34	Verify by confirming with the Beneficiary, by reviewing confirmations by national authorities or other legal statutory documents whether the audited Beneficiary is a 'contracting authority' within the meaning of Directive 2004/18/EC or a 'contracting entity' within the meaning of Directive 2004/17/EC. If it is the case obtain the applicable national law on public procurement and confirm that the applicable national law on public procurement was correctly applied.
		35	If the entity is a 'contracting authority' within the meaning of Directive 2004/18/EC or a 'contracting entity' within the meaning of Directive 2004/17/EC confirm that :
		36	- where a procurement procedure is required by the national applicable law on public procurement the procedure was carried out;
		37	- there is a publication of a call for tenders when it is compulsory by the national applicable law on public procurement;
		38	- the minimum advertising time foreseen in the public procurement rules was respected;
		39	- the minimum number of offers was obtained as foreseen in the public procurement rules;
		40	- the minimum waiting time between awarding and signing the contract (or purchase order) that is foreseen in the public procurement rules was respected;
		41	- the tendering for identical services and goods which occurred during all controlled periods of the action was done in one tender (e.g. no artificial split was done to avoid publishing a tender);

		42	- confirm that existing framework contracts are not re-conducted without a new selection procedure and/or with substantial modification of the conditions. The substantial modification of the conditions is limited to increase of the price and/or change of the scope;
Art. 35.1	The beneficiaries must take all measures to prevent any situation where the impartial and objective implementation of the action is compromised for reasons involving economic interest, political or national affinity, family or emotional ties or any other shared interest ( <b>'conflict of interests'</b> ).	43	Enquire whether the Beneficiary's internal written procedures foresee measures for avoidance of conflict of interest by defining specific criteria that need to be met.
10.1.1	The beneficiaries must ensure that <i>[the Agency,]</i> the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 22 and 23 also towards their contractors.	44	Review contracts and agreements between the Beneficiary and its suppliers of other direct costs for clauses ensuring to the European Commission/Agency, European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) their rights under Articles 22 and 23 of the grant agreement(s).

**D.1. Travel costs and related subsistence allowances**

Condition to be checked		N	Procedure to be performed
Art. 6.1.a. (i)	Costs must be actually incurred by the Beneficiary.	1	If a sampled item is an expense claim confirm that the total costs of the expense claim reconcile with the sum of the amounts stemming from the justifying documents (tickets, bills, receipts, etc.). If the costs are incurred in other than the local currency of the Beneficiary convert the latter to the currency of the Beneficiary conforming to its usual accounting practices.
Art. 6.1.a) (v)	Costs must be incurred in accordance with the Beneficiary's usual cost accounting practices	2	Obtain from the Beneficiary its written travel policy and written internal procedures in the matter.
		3	Confirm that the claimed travel and subsistence costs are compliant with the Beneficiary's written internal policy and procedures (no upgrade of the usual travel policy took place for the purpose of claiming costs on the audited action).
		4	Confirm that if per diems/fixed fees were used for claiming travel costs and related subsistence allowances the amounts used to charge costs on the action reconcile with the ones foreseen in the Beneficiary's written travel policy and internal procedures.
		5	In case the Beneficiary has not a written travel policy and/or written internal procedures confirm that the Beneficiary applied identical approach for all travel arrangements claimed on the action during the controlled period - same class for flights and train journeys, same classification of hotels, same per diems applied (if this option is used) for the same category of staff involved in the project.
Art. 6.1.a) (iv)	Travel and subsistence costs must be necessary for the implementation of the action.	6	<b>Confirm that the travel and subsistence costs were incurred by individuals effectively working for the action.</b> To that end compare the list of individuals who incurred travel and subsistence costs to 1) the individuals for which time records, declarations on the honour or alternative evidence providing equivalent level of assurance for work on the action was kept by the Beneficiary even if the corresponding personnel costs were not claimed in the period's financial statements; 2) the list of external experts involved in the action; 3) the list of



			selection panels' members and approved members of user groups in cases in which the Beneficiary declares trans-national access to research infrastructures based on actual costs.
		7	<b>For each sampled item for travel cost, request the Beneficiary to provide a brief description, proof of connection to the action and proof for necessity for the action's implementation.</b> Evidence of connection to the action may be retrieved in the underlying documents (mission orders, relevant internal documents, etc.).
		8	Reconcile the dates of travel with the time records of the individuals who carried out the travel. External experts, selection panel members and user group members are excluded from this procedure.
		9	Confirm that the event for which travel and subsistence costs were claimed effectively took place. To that end obtain minutes of meetings, attendance lists, facilities reservations, etc. (non-exhaustive list of examples).
		10	Confirm that the event for which travel and subsistence costs were claimed was exclusively related to the audited action (e.g. no costs were incurred in respect to another Community action or for other purpose).
		11	Confirm that the travel arrangements for which travel and subsistence costs are limited to the duration of the event (e.g. no extra hotel stays have been charged to the action's financial statement). Confirm that no costs for an accompanying person are included.
		12	Review Annex I Description of Work of the audited grant agreement and the periodic reports for information about events to be carried out in connection of the action's implementation.
Art. 6.1.a) (vii)	The costs must be compliant with the principle of sound financial management (economy and efficiency). The costs must be reasonable and not reckless.	13	Confirm that the travel and subsistence costs do not include entertainment or hospitality expenses (including gifts, special meals and dinners) except for the ones for which prior acceptance was provided by the Commission or the Agency.
		14	Confirm that the travel and subsistence costs do not include tips.

		15	Confirm that the travel and subsistence costs do not include travel agencies' fees if the use of travel agency is not explicitly defined in the internal procedures of the entity.
		16	Confirm that the travel and subsistence costs do not include any private costs (TV, laundry, minibar, etc.)
		17	In cases in which the Beneficiary has no internal procedure defining the thresholds for hotel and daily allowances identify: 1) Hotel allowances above 150 EUR/night 2) Daily allowances above 120 EUR/day. Obtain information from the Beneficiary justifying the choice of the hotel / the award of the daily allowance.

**D.2. Depreciation costs of equipment, infrastructure and other assets**

Condition to be checked		N	Procedure to be performed
Art. 6.1.a (v)	Costs charged for equipment must be identifiable and verifiable.	1	<b>Verify the actual existence of the assets by physical inspection.</b> The physical inspection for intangible assets may take form of logging on, demonstration, interviews with staff, etc. If the asset is located in a different location than the one where the audit field work takes place obtain written confirmation from the technical personnel responsible for the safeguard and the maintenance of the asset that the asset exists. If assets do not exist anymore (sold, given for free, destroyed, disposed, etc.) inspect accounting and other documentation to define the date on which the asset is written-off from the asset register.
		2	Verify that the assets inspected are the assets purchased (e.g. by matching the serial number on the asset with the one mentioned on the invoice/delivery note).
Art. 6.1.a (iv) & (vii), Art.10.1.1, Art. 35	1) Costs must be incurred in connection with the action as described in Annex 1 of the grant agreement, necessary for the implementation of the action, reasonable and justified, comply with the principle of sound financial management, in particular regarding economy and efficiency. 2) Costs must not include excessive or reckless expenditure, 3) The beneficiaries must make such purchases ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests.	3	For each sampled asset verify if the asset is referenced in Annex 1 to the grant agreement(s) and/or the technical and scientific reports of the action.
		4	Obtain from the beneficiary its internal procurement procedure. Review the procurement procedure and perform a walk through to confirm that the procedure has been correctly applied when selecting the supplier for the sampled assets. The walk through consists of re performing the steps foreseen in the procurement

			<p>procedure presented by the Beneficiary. Examples of conditions to be verified, if foreseen in the procurement procedures, are the minimum number of offers which need to be collected, the applicable thresholds, the non-discrimination between purchase for EU-funded and non-EU funded activities, etc.</p> <p>In cases in which the Beneficiary has a procurement procedure which is correctly applied (e.g. the walk through could be completed without findings) when selecting the supplier of the sampled assets the costs of the assets are deemed to be reasonable, justified, not reckless and not excessive, to comply with the principle of sound financial management, in particular regarding economy and efficiency and with the principle of "best value for money". In cases in which the Beneficiary has a procurement procedure but the latter has not been applied correctly (e.g. the walk through results in non-compliance of the selection process with the procedure) or a discrimination between purchase for EU-funded and non-EU funded activities has been observed the relevant costs should be rejected, unless the Beneficiary can provide a persuasive justification.</p>
		5	<p>In cases in which the Beneficiary has no procurement procedure request the Beneficiary to describe its approach when selecting the supplier(s). Request from the Beneficiary documents and justifications supporting the approach taken.</p> <p>If the Beneficiary has no procurement procedure in place but has taken actions in order to ensure selection based on the principle of best value for money or lowest price the auditors verify the approach taken and vouch the received information to the latter. In cases in which discrimination between purchase for EU-funded and non-EU funded activities has been observed the relevant costs should be rejected, unless the Beneficiary can provide a persuasive justification. If the Beneficiary has a defined approach, was able to support it with documents and justifications and there is no discrimination between purchase for EU-funded and non-EU funded activities the costs can be deemed to be eligible if the other eligibility conditions are met. Otherwise, the auditors carry out procedure 6.</p>

		6	In cases in which the Beneficiary has no procurement procedure nor has it taken specific approach when selecting the supplier(s) request the Beneficiary to provide any justifications which can ensure that the costs are compliant with the principle of best value for money or selection on lowest price.
Art. 6.5 (a)vi	Costs charged to the action must not include any currency exchange losses.	7	If the assets were purchased in a currency other than the reporting currency, compare the foreign exchange rates at the date of asset recognition and the date of the payment in order to verify that the costs charged did not include any currency exchange losses.
Art. 5.3.3	The grant must not produce a profit.	8	1. If assets were sold, review the transactions to ensure that the proceedings of the sale have been properly declared as receipts. 2. If project specific in-kind contributions have been received by the Beneficiary verify that the respective receipts have been declared.
		9	For assets contributed in-kind: 1. Verify that the contributing third parties and their contributions are either set out in Annex 1 or approved in writing by the Commission. 2. Check the underlying agreements and confirm that the amounts do not include estimations. 3. Verify that the costs charged, to the action do not exceed the costs incurred by the contributing third party and that no profit was made. Request the beneficiary to provide copies of the underlying documents obtained from the third party. Consider obtaining representation letters from the third parties.
Art. 6.2. D.2	The calculation of depreciation is done correctly and in compliance with the applicable standards (International Accounting Standards and Beneficiary's usual accounting practices).	10	Verify if the usual accounting practices of the Beneficiary include a depreciation policy and methods. Verify if these are compliant with the applicable rules in the Beneficiary's country and in line with the International Accounting Standards.
		11	Verify that the costs of the assets included in the sample are correctly capitalized or expensed in accordance with the applicable rules in the Beneficiary's country and in line with the International Accounting Standards.
		12	Verify that the assets are correctly depreciated in accordance with the applicable rules in the Beneficiary's country and in line with the International Accounting Standards, by recalculating the depreciation charged for items included in the sample.

		13	If the Beneficiary is under cash accounting basis, ensure in particular that depreciation is calculated according to International Accounting Standards, and not following the cash basis approach.
Art. 6.2. D.2	The only portion of the costs that will be taken into account is that which corresponds to the duration of the action and rate of actual use for the purposes of the action	14	Verify that only depreciation accumulated during the period of the action is charged to the cost statement.
		15	Review or perform (in case the Beneficiary did not perform it) the calculation of the full capacity of the sampled assets. The calculation must take due account of real constraints (e.g. opening hours), must reflect the research infrastructure's full capacity and must include any time during which the research infrastructure is usable but not used or any unit of access available but not used. Refer to 6.2. D4. from the Annotated Grant Agreement for more details.
		16	For assets that are charged on the action on a full capacity basis inquire with the Beneficiary and request confirmation that the assets were used exclusively for the action. In particular, verify the asset register, cost accounting, invoice and underlying documents, location of the asset, log-book, any other internal document available, to exclude that the asset has been used for other activities.
		17	For assets that are charged partially to the action, ask the Beneficiary to provide records, calculations and documentation (e.g. logbooks, laboratory registers, diaries, etc.) demonstrating that the actual use of the asset in the action was directly measured. Reconcile the proportion of depreciation charged on the action with the actual use demonstrated.
		18	Obtain from the Beneficiary its internal procedures as regards internal invoicing for shared resources. In cases in which an internal invoice includes costs for equipment verify 1) that the internal invoice does not include a profit margin (mark-up); 2) that the equipment's depreciation included in the invoice is directly measured, e.g. not valued via approximation, distribution keys, etc. and the usage of the invoiced resources is mentioned on the invoice or any other supporting documentation (e.g. asset register, laboratory books, etc.) 3) that the invoice does not include indirect costs elements (e.g. maintenance).

Art. 6.2. D.2	The costs of renting or leasing equipment, infrastructure or other assets (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the beneficiary) do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.	19	For assets which are rented or leased, request the Beneficiary to demonstrate that the costs charged to the action do not exceed by more than ■% the depreciation costs of: -either a similar asset as it was priced at the time of the start of the rent of the lease; -or the same asset as it was priced within a period of 6 months before and 6 months after the start of the rent or the lease;
		20	For assets which are rented or leased verify that the costs charged do not include any financing fees.
Art. 6.2. D.2	The costs of equipment, infrastructure or other assets contributed in-kind against payment a) do not exceed the depreciation costs of similar equipment, infrastructure or assets; b) do not include any financing fees and c) the conditions in Article 11.1 are met.	21	For assets contributed in-kind (against payment or for free), request the Beneficiary to demonstrate that the costs charged to the action do not exceed by more than ■% the depreciation costs of: -either a similar asset as it was priced at the time of the contribution in kind; -or the same asset as it was priced within a period of 6 months before and 6 months after the contribution in kind;
		22	For assets contributed in-kind (against payment or for free), verify that the costs charged do not include any financing fees.
		23	For assets contributed in-kind (against payment or for free), ask the Beneficiary to provide an explanation as to why they were necessary to implement the action.
Art. 6.2. D.2	The cost of purchasing equipment, infrastructure or other assets (new or second-hand, as recorded in the beneficiary's accounts) may be eligible if foreseen in the work programme and if the equipment, infrastructure or other assets was purchased in accordance with Article 10.1.1.	24	For assets that are charged at full acquisition cost and not at depreciation cost, (option 2 in Art. 6.2. D.2) obtain from the Beneficiary justifications regarding the full acquisition costs' allocation on the action (nature of the action, context of use, etc.).
Art. 6.2. D.2	The Beneficiaries must not declare costs of renting, leasing, purchasing depreciable equipment, infrastructure and other assets which relates to providing trans-national or virtual access to research infrastructure.	25	Obtain information from the Beneficiary regarding actions in which it declares costs for trans-national or virtual access to research infrastructure. Obtain the Beneficiary's calculation of the costs for providing trans-national or virtual access to research infrastructure for the periods under audit (either based on actual or unit costs). Verify that the costs of renting, leasing, purchasing depreciable equipment,

			infrastructure and other assets declared in the audited action are not declared as costs for providing trans-national or virtual access to research infrastructure.
Art. 10.1.1	Costs must comply with the additional eligibility criteria set in the Grant Agreement(s) if the value of the purchase exceeds a fixed in the Grant Agreement(s) amount.	26	Review the signed grant agreement(s) for existence of a specific option in Art.10.1.1 setting additional eligibility criteria if the value of the purchase of assets, infrastructure or equipment exceeds a defined amount. For assets purchased at a price higher than the threshold set in article 10.1.1 of the grant agreement, verify that the Beneficiary complied with the additional eligibility criteria provided in that article.
Art. 6.1.	Costs must be declared under one cost category only.	27	Enquire whether the Beneficiary has an approved by the EC methodology for charging costs for Large Research Infrastructures or claims costs of clinical trials or energy efficiency measures based on unit costs. Obtain the Beneficiary's calculation of declared during the audited period costs of clinical trials, energy efficiency measures or LRI (on the same or other EU-funded grants). Verify that the assets costs charged on the audited action are not already included in the LRI costs, clinical studies or energy efficiency measures' unit costs.



**D.3 Costs for other goods and services**

<b>Condition to be checked</b>		<b>N</b>	<b>Procedure to be performed</b>
Art. 6.1.a (iv) & (vii) Art.10.1.1, Art. 35	1) Costs must be incurred in connection with the action as described in Annex 1 of the grant agreement, necessary for the implementation of the action, reasonable and justified, comply with the principle of sound financial management, in particular regarding economy and efficiency. 2) Costs must not include excessive or reckless expenditure, 3) The beneficiaries must make such purchases ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests.	1	For each sampled good or service verify if the good or service is referenced in Annex 1 to the grant agreement(s) and/or the technical and scientific reports of the action.
		2	<p>Obtain from the beneficiary its internal procurement procedure. Review the procurement procedure and perform a walk through to confirm that the procedure has been correctly applied when selecting the supplier for the sampled good or service. The walk through consists of re performing the steps foreseen in the procurement procedure presented by the Beneficiary. Examples of conditions to be verified, if foreseen in the procurement procedures, are the minimum number of offers which need to be collected, the applicable thresholds, the non-discrimination between purchase for EU-funded and non-EU funded activities, etc.</p> <p>In cases in which the Beneficiary has a procurement procedure which is correctly applied (e.g. the walk trough could be completed without findings) when selecting the supplier of the sampled good or service the costs of the good or service are deemed to be reasonable, justified, not reckless and not excessive, to comply with the principle of sound financial management, in particular regarding economy and efficiency and with the principle of "best value for money". In cases in which the Beneficiary has a procurement procedure but the latter has not been applied</p>

			correctly (e.g. the walk through results in non-compliance of the selection process with the procedure) or discrimination between purchase for EU-funded and non-EU funded activities has been observed the relevant costs should be rejected, unless the Beneficiary can provide a persuasive justification.
		3	<p>In cases in which the Beneficiary has no procurement procedure request the Beneficiary to describe its approach when selecting the supplier(s). Request from the Beneficiary documents and justifications supporting the approach taken.</p> <p>If the Beneficiary has no procurement procedure in place but has taken actions in order to ensure selection based on the principle of best value for money or lowest price the auditors verify the approach taken and vouch the received information to the latter. In cases in which discrimination between purchase for EU-funded and non-EU funded activities has been observed the relevant costs should be rejected unless the Beneficiary can provide a persuasive justification. If the Beneficiary has a defined approach, was able to support it with documents and justifications and there is no discrimination between purchase for EU-funded and non-EU funded activities the costs can be deemed to be eligible if the other eligibility conditions are met. Otherwise, the auditors carry out procedure 4.</p>
		4	In cases in which the Beneficiary has no procurement procedure nor has it taken specific approach when selecting the supplier(s) request the Beneficiary to provide any justifications which can ensure that the costs are compliant with the principle of best value for money or selection on lowest price.
Art. 6.2. D.3	Cost for contributions in-kind must comply with the "arm's length" principle	5	<p>For goods contributed in-kind (against payment or for free), request the Beneficiary to demonstrate that the costs charged to the action do not exceed by more than ■% the costs of:</p> <ul style="list-style-type: none"> <li>-either a similar good as it was priced at the time of the contribution in kind;</li> <li>-or the same good as it was priced within a period of 6 months before and 6 months after the contribution in kind;</li> </ul>
		6	For goods and services contributed in-kind (against payment or for free) verify that the costs charged do not include any financing fees.

		7	For goods and services contributed in-kind (against payment or for free) verify that the costs charged to the action do not exceed the costs incurred by the contributing third party and that no profit was made. Request the Beneficiary to provide copies of the underlying documents obtained from the third party. Check the underlying documents and confirm that the amounts do not include estimations. Consider obtaining representation letters from the third parties.
		8	For goods and services contributed in-kind (against payment or for free), verify that the contributing third parties and their contributions are either set out in Annex 1 or approved in writing by the Commission.
Art. 6.1 (a) (v)	Costs must be identifiable and verifiable, in particular recorded in the Beneficiary's accounts in accordance with the accounting standards applicable in the country where the Beneficiary is established and with the Beneficiary's usual cost accounting practices.	9	Obtain from the Beneficiary its internal procedures as regards valuation methods for stocks' consumption (LIFO, FIFO, etc.). In cases in which supplies already in stock (goods, raw materials, spare parts, components, etc.) are used for the action verify that the valuation method used to determine the costs of these supplies is compliant with the usual practices of the Beneficiary.
Art. 6.2	'Direct costs' are costs that are directly linked to the action implementation and can therefore be attributed to it directly.	10	Verify that the goods and services directly linked to the project are precisely measured and charged at costs. Verify in particular that the goods or services are not charged to the action through any apportionment method (approximation, distribution keys, etc.). To that end inspect laboratory books, stock registers, logbooks, interview Beneficiary's staff, etc.
		11	Obtain from the Beneficiary its internal procedures as regards internal invoicing for shared resources. In cases in which an internal invoice includes other direct costs verify 1) that the internal invoice does not include a profit margin (mark-up); 2) that all components of the invoice (consumables, spare parts, etc.) are directly measured, e.g. not valued via approximation, distribution keys, etc. and the usage of the invoiced resources is mentioned on the invoice or any other supporting documentation (e.g. stock registers, etc.) 3) that the invoice does not include indirect costs elements.
Art. 6.2 D.3	Such goods and services include, for instance, consumables and supplies, dissemination (including open access), protection of results,	12	If the costs claimed include the cost of a certificate on the financial statements verify that the threshold for submitting a certificate on the financial statements is met.

	certificates on the financial statements (if they are required by the Agreement), certificates on the methodology, translations and publications.		
		13	Verify by checking the invoice and the nature of the cost if it is related to IPR access rights like royalties.
		14	Verify by checking the invoice and the nature of the cost if it is related to protection of results.
		15	Verify by checking the invoice and the nature of the cost if it is related to the plan for the exploitation and dissemination of results.
16.1	'Access costs' for trans-national access may be declared as unit costs, actual costs or — under certain conditions — as a combination of the two. If access costs are declared as unit cost, they must be declared under the budget category 'specific cost category – access costs for providing trans-national access to research infrastructure'. If they are declared as actual costs, they must be declared under the other budget categories.	16	Obtain information from the Beneficiary regarding actions in which it declares costs for trans-national or virtual access to research infrastructure. Obtain information if the beneficiary declares access costs on actual or unit costs basis. In cases in which the Beneficiary uses unit costs obtain the calculation of the unit costs for the periods under audit. Verify that the costs of other goods and services declared for the audited action under section D.3 of the financial statement (on actual basis) are not part of the unit costs declared for trans-national or virtual access to research infrastructure under section F.
Art. 6.1.	Costs must be declared under one cost category only.	17	Enquire whether the Beneficiary has an approved by the EC methodology for charging costs for Large Research Infrastructures or claims costs of clinical trials or energy efficiency measures based on unit costs. Obtain the Beneficiary's calculation of declared during the audited period costs of clinical trials, energy efficiency measures or LRI (on the same or other EU-funded grants). Verify that the costs of other goods and services declared for the audited action are not already included in the LRI costs, clinical studies or energy efficiency measures' unit costs.
		18	Verify by checking the accounting records of the Beneficiary that the costs claimed as other goods and services do not form part of an asset to be capitalised and depreciated.

**FINAL GENERAL CONTROL**

Condition to be checked		N	Procedure to be performed
			In cases in which the procedures listed above have been carried out successfully but the auditor, during the execution of these procedures, came across facts and documents which put into question the compliance of the costs with the eligibility criteria foreseen in the H2020 grant agreement this information should be reported accompanied with adequate supporting information.

**PROCEDURES RELATED TO MARIA SKŁODOWSKA-CURIE ACTIONS**

Conditions to be checked		No	Procedures																														
Art. 6.1 & 6.2	<b>COST CALCULATION:</b> The costs claimed for recruited researchers, seconded staff and the institutional costs must comply with the Grant Agreement. The units declared correspond to the actual number of months spent by the researchers on the research training activities (ITN & IF & COFUND) or by the seconded staff members on the Research and Innovation activities (RISE).	1	<p>Obtain the calculation of the total number of units claimed by the beneficiary. The costs reported must be equal to the actual number of units (person-months) multiplied by the unit costs, taking into consideration that for the living allowance the country correction coefficient is applicable. In addition, the family status affects the family allowance (0 EUR or 500 EUR). Verify that the appropriate unit costs, as per the Work Programme of the year in which the grant was awarded, were used to calculate the total cost claim. Obtain the overall calculation and <b>check the number of units with contractual documentation, payroll records, access rights, lab books or other evidence as made available by the beneficiary, in order to substantiate the number of months spent by the researchers on the relevant action, taking into consideration the limit of months (Procedure n°2).</b></p> <p>This test is <u>not a sample</u>. It must be applied to 100% of the amount claimed.</p> <table><tr><th colspan="6">ITN &amp; IF Cost Categories</th></tr><tr><th></th><th colspan="3">Costs for recruited researchers</th><th colspan="2">Institutional costs</th></tr><tr><th></th><th>Living Allowance (<b>correction coefficient</b>)</th><th>Mobility Allowance</th><th>Family Allowance*</th><th>Research, training &amp; networking costs</th><th>Management &amp; indirect costs</th></tr><tr><td>ITN</td><td>3 110</td><td>600</td><td>500</td><td>1 800</td><td>1 200</td></tr><tr><td>IF</td><td>4 650</td><td>600</td><td>500</td><td>800</td><td>650</td></tr></table>	ITN & IF Cost Categories							Costs for recruited researchers			Institutional costs			Living Allowance ( <b>correction coefficient</b> )	Mobility Allowance	Family Allowance*	Research, training & networking costs	Management & indirect costs	ITN	3 110	600	500	1 800	1 200	IF	4 650	600	500	800	650
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IF	4 650	600	500	800	650																												

The rates for 2014 through 2017 (i.e. for projects funded from the respective annual budgets) are:

\*Family = be married / be in partnership of recognised by the region in which it was formalised / have dependent children.

RISE Cost Categories		
Costs for seconded staff members (top-up allowance)	Institutional Costs	
	Research, training & networking costs	Management & indirect costs
	2 000	1 800
		700

COFUND Cost Categories*		
	Costs for researchers	Institutional costs**
ESR	3710	650
ER	5250	

\* These costs are subject to a co-funding rate of 50%.

\*\* Costs of the beneficiaries for management and indirect costs are not covered; they can be declared under the budget category 'institutional costs'. Costs for student registration, access to student services (library, computing etc.), teaching, supervision, examination and graduation can only be covered by the institutional unit costs.

All rates above are indicated in EUR per person-month. Costs not incurred during the periods of research training activity (e.g. during maternity / parental leave) are ineligible.

			If not in EURO : daily rate of the ECB website or the average monthly accounting rate over the reporting period, using the currency converter on the Commission's website. For ease implementation the allowances can be calculated using a conservative exchange rate if a corrective payment is made at the end of the period.																		
Art. 6.2		2	<p>Review the contractual documentation and payroll records which indicate the number of months spent by the researchers on the relevant action.</p> <p>The support granted to eligible researchers will cover the following periods for which the fellow worked for the action full time (unless the REA has approved otherwise):</p> <table><tr><th>Programs</th><th>Months</th><th>Comments</th></tr><tr><td>ITN</td><td>3-36</td><td></td></tr><tr><td>IF European</td><td>12-24</td><td></td></tr><tr><td>IF Global</td><td>24-36</td><td>The last 12 months must be in Europe as a mandatory return phase.</td></tr><tr><td>RISE</td><td>1-12</td><td>Secondments may be split into several stays not exceeding 12 months in total and not going beyond the project duration. The splits must be justified and considered beneficial for the transfer of knowledge activities. The exchanged staff members should be guaranteed full reintegration into the sending institution thus maximising the impact of the action for knowledge sharing and long-term collaboration</td></tr><tr><td>COFUND</td><td>min 3</td><td></td></tr></table> <p>i.e.: for ITN, between 3 months minimum and 36 months maximum.</p> <p>ITN: Person-months linked to shorter contracts will not be eligible. However, this requirement is linked to the <i>duration of the contract</i> and not to the actual duration of the training. Thus, if the contract is set out for a longer duration, but the training is interrupted within the first three months (e.g. the researcher resigns), the costs may still be claimed.</p>	Programs	Months	Comments	ITN	3-36		IF European	12-24		IF Global	24-36	The last 12 months must be in Europe as a mandatory return phase.	RISE	1-12	Secondments may be split into several stays not exceeding 12 months in total and not going beyond the project duration. The splits must be justified and considered beneficial for the transfer of knowledge activities. The exchanged staff members should be guaranteed full reintegration into the sending institution thus maximising the impact of the action for knowledge sharing and long-term collaboration	COFUND	min 3	
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COFUND	min 3																				



15.1.1.		<b>3</b>	<p>COFUND: The rates quoted are the unit costs, however there is a minimum total remuneration cost which must be respected (as per the GA and Work Programme). The amount is 2597 EUR per month for EARLY-STAGE researchers (ESR) and 3675 EUR per month for EXPERIENCED Researchers (ER).</p> <p>i.e.: For ESR, the contribution to the fellow will be <math>(3710 / 2)</math> for the EC and the total paid by the counterpart should be at least 742 EUR in order to reach the 2597 EUR minimum.</p> <p>For researchers recruited under a fixed-amount-fellowship agreement: the total costs for each fixed-amount fellowship are equal to or higher than 1.298,50 EUR (for ESR) and 1.837,50 EUR (for ER).</p> <p>The difference between an ESR and an ER is detailed here below, see procedure 11.</p> <p>Use the payroll records requested under procedure 1 and the employment contracts/fellowship agreements of the researchers, CVs and representations regarding ESR and ER categorisation to determine the eligibility and to compare the total remuneration amounts per month to the relevant minimums.</p>
		<b>4</b>	<p>COFUND: The beneficiary may have also committed to provide additional allowances to the researchers or to top up the minimum salary rate. This will be clearly stated in Annex 1, which must be checked by the controller.</p> <p>Compare the total salary amounts per month to the relevant minimums, plus top-ups.</p>
		<b>5</b>	<p>For beneficiaries that already receive an EU/EURATOM operating grant, the amount of the management and indirect costs is halved.</p> <p>Identify via representations from the Beneficiary and Commission whether the Beneficiary is receiving an operating (not action) grant.</p> <p>Compare the management and indirect costs charged to the appropriate ratio to identify if the amount has been correctly halved.</p>

Art. 15.1.1	<b>DOCUMENTATION:</b> The costs reported must be supported by appropriate supporting document evidencing the effective attendance of the fellow.	6	<p>IF/ITN/COFUND: Verify that an employment contract/equivalent direct contract (with equivalent benefits, including social security coverage) or, if otherwise not possible under national law, a fixed amount fellowship written agreement with minimum social security coverage, is available and signed by the researcher.</p> <p>ITN, IF, COFUND: in case of a fixed amount fellowship the living allowance will be reduced by 50%.</p> <p>Check that the contract matches the relevant dates and conditions and has been signed.</p> <p>RISE: The controller must identify that the formal link between the staff member and the sending organisation provides to the sending organisation the legal means under national law to supervise and instruct the seconded staff member according to GA obligations.</p>
		7	<p>Check, based on all kind of evidence that the researcher worked exclusively and full-time (or part-time, if agreed with REA otherwise) for the project within the beneficiary's premises/hosting participant for RISE (including lab book, attendance list, conference abstract, library records, travel expenses, etc.). Check e.g. the CV, time-sheets, reports to supervisor, meeting minutes, e-mail exchanges, etc. and other open sources (internet) whether the researcher showed that he worked on other activities than the project.</p> <p>Identify if there are any periods where no evidence can be provided for participation in the project while working for the entity.</p> <p>For stays in another entity (e.g. in EID or EJD) or secondments (in ETN) during the period as foreseen in Annex I will have to be properly documented (e.g. copy of travel/accommodation documents, report to supervisor, time-sheets etc.).</p> <p>If the population is more than 25 items, do a random selection sample covering 75% of the contribution.</p>

		<b>8</b>	<p>Verify that the Beneficiary did not receive any contribution from another EU funding programme for any of the cost items funded under the MSC grant, except for COFUND where matching funds (received by the beneficiary not the researcher) can come from EU funds other than Horizon 2020 funds.</p> <p>Obtain management representations and 3<sup>rd</sup> party documentation provided by the Beneficiary (i.e. list of projects granted by the EU to the Beneficiary, etc.). Ensure that management representations are not contradictory with other evidence obtained in the assignment.</p>
	<b>EFFECTIVE PAYMENT:</b> The costs claimed must be incurred during the duration of the project. The researchers must be remunerated on a monthly basis according to the Grant Agreement.	<b>9</b>	<p>ITN, IF, COFUND: Review the following supporting documents (contractual documentation, payroll records) in order to reconcile the amount claimed in the Form C and the payroll, proceeding as follows: detailed breakdown of annual personnel costs for the months claimed from the payroll (total cost of the researcher including taxes and contribution to social security insurances), indicating per person the category, the monthly rate, the number of months charged compared to the cost claimed.</p> <p>The personnel cost should be at least equal to the cost claimed.</p> <p>Total remuneration costs should at least cover the total fixed-amount fellowship costs + total mobility allowance + family costs.</p> <p>This test is <u>not a sample</u>. It must be applied to 100% of the amount claimed.</p>
		<b>10</b>	<p>ITN, IF, COFUND:</p> <p>Obtain bank statements supporting the payment to the researcher. In case of batch payment, the total amount has to be reconciled with the payments made by the Beneficiary exclusively; obtain the breakdown per individual payment.</p> <p>Verify that the bank statements substantiate the payment of the net remuneration (amount that remains after withholdings deducted from employee's gross pay).</p> <p>Ensure net pay is not contradictory with other employment costs already checked.</p> <p>This test is <u>not a sample</u>. It must be applied to 100% of the amount claimed.</p>

			For RISE: Verify that the unit costs under Category A is used in full to cover the travel, subsistence and accommodation costs of the seconded staff member (direct payments to staff members, invoices for hotels, travel tickets, etc.).
<b>15.1.1</b>	<b>ELIGIBILITY:</b> it must be verified that the researchers were eligible for the project and that the mobility rule was complied with.	<b>11</b>	<p><b>IF/ITN/COFUND:</b></p> <p><b>Early-stage researchers (ESR):</b> at the time of recruitment (ITN, COFUND-DP named doctoral) or secondment (RISE) by the host organisation, researchers shall be in the first four years (full time equivalent research experience) of their research careers and not been awarded a doctoral degree.</p> <p><b>Experienced Researcher (ER):</b> shall at the time of the recruitment (IF, COFUND-FP) or secondment (RISE) by the host organisation, be in possession of a doctoral degree or have at least four years of full-time equivalent research experience.</p> <p><b>Full-time equivalent research experience:</b> is measured from the date when a researcher obtained the degree which would formally entitle him or her to embark on a doctorate, either in the country in which the degree was obtained or in the country in which the researcher is recruited or seconded, irrespective of whether or not a doctorate is or was envisaged.</p> <p>Obtain CVs, copies of the qualifications of researchers and all kind of private/public information (available on internet: i.e. LinkedIn, etc.) made available by the beneficiary.</p> <p>Verify that the documents do not indicate longer or shorter periods of full time research experience, or that the researcher has or not a doctorate.</p> <p>For ESR, verify that the ESR would be allowed to embark on a doctorate with the title he/she was holding at the time of recruitment (in most countries at least Master's degree).</p>

			<p>Control on long-term residence for IF - Global Fellowship:</p> <p>The controllers must check that the 5-years conditions are fulfilled.</p>
		12	<p><b>Inter-sectoral mobility:</b> Applicable only after final period: For ITN-EID, each researcher shall spend at least 50% of the months working on the action with one or more beneficiaries or ‘partner organisations’ from the non-academic sector.</p> <p>Verify for each researcher that he/she spent at least 50% of the months in the non-academic sector by checking:</p> <p>1) the beneficiary/partner organisation where the researcher worked and determine if they fall within the academic or the non-academic sector and</p> <p>2) that at least 50% of units declared correspond to months spent in the non-academic sector.</p>
15.1.1.		13	<p><b>Mobility rules:</b> At the time of the relevant deadline for submission of proposals (IF), or recruitment by the host organisation (ITN, COFUND Doctoral Programmes), or either of these two points in time (COFUND Fellowship Programmes), researchers shall not have resided or carried out their main activity (work, studies, ...) in the country of their host organisation for more than 12 months in the 3 years immediately prior to the reference date. Compulsory national service and/or short stays such as holidays are not taken into account. As far as international European interest organisations or international organisations are concerned, this rule does not apply to the hosting of eligible researcher. However the appointed researcher shall not have spent more than 12 months in the 3 years immediately prior to the reference date, depending on the action, in the same appointing organisation. In the Career Restart Panel and the Reintegration Panel (as well as the future Society and Enterprise Panel) in IF, researchers shall not have resided or carried out their main activity in the country of their host organisation for more than 3 years in the 5 years immediately prior to the relevant deadline for submission of proposals.</p>

			Obtain management representations and 3 <sup>rd</sup> party documentation provided by the Beneficiary (i.e. ID card or a residence permit, registration documents, lease agreement, bills, etc., - non exhaustive list) to verify that the aforementioned rules have been observed.
15.1.1		14	<p><b>COFUND: the mobility rules</b> may deviate from the standard rules but only if it is explicitly stated in Annex 1 and for already existing programmes only. Researchers that are already permanently employed by the entity where the research training activities take place are not eligible for funding under COFUND.</p> <p>Obtain management representations and 3<sup>rd</sup> party documentation provided by the Beneficiary (employment contracts, CVs and all kind of private/public information) that will confirm the above condition. Ask Annex 1 and check deviation.</p>
Art 6.2.		15	<p><b>RISE:</b> The staff members eligible for funded secondments in RISE must fulfil the following cumulative conditions:</p> <ol style="list-style-type: none"> <li>1. Be actively engaged in or linked to research and/or innovation activities at the sending organisation for at least six months (full-time equivalent) prior to the first period of secondment.</li> <li>2. The formal link between the staff member and the sending organisation provides to the sending organisation the legal means under national law to supervise and instruct the seconded staff member according to GA obligations</li> <li>3. Support the research and innovation activities of the project.</li> <li>4. Be one of the following: <ul style="list-style-type: none"> <li>- an 'early stage researcher' (i.e. in the first four years of his/her research career and not have a doctoral degree);</li> <li>- an 'experienced researcher' (i.e. in possession of a doctoral degree or have at least four years of research experience), or</li> <li>- administrative, managerial or technical staff supporting research and innovation activities under the action.</li> </ul> </li> </ol>

			Obtain management representations and 3 <sup>rd</sup> party documentation provided by the Beneficiary (i.e. the CV showing the researcher's seniority, activity reports, articles). To confirm the above conditions. Conditions 1 and 3 are set up in article 6.2 Specific conditions for costs to be eligible.
<b>Art 32.1 (a)</b>	<b>Obligations toward recruited researchers:</b> the Beneficiary has to respect the various recruitment and working conditions (Art. 32)	<b>16</b>	CODE OF CONDUCT (ITN, IF, RISE, COFUND): the Beneficiary has to take all measures to implement the principles set out in the Commission Recommendation on the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers and ensure that the researchers are aware of them.  Check that the researcher has been informed about the CoC.
<b>Art 32.1 (b)</b>		<b>17</b>	VACANCIES PUBLICATIONS (ITN, COFUND): the publication of the vacancies/calls must be advertised internationally, including on the websites requested by REA.  Obtain a print out of the EURAXESS Jobs Portal registration for the specific post and any international advertising on the internet to confirm the above condition.
Art 32.1. (c)		<b>18</b>	RECRUITMENT PROCEDURE (ITN, COFUND): this procedure must be open, transparent, merit-based, impartial and equitable on the basis of: 1) their specific skills and the relevance of their research experience; 2) the impact of the proposed training on the researcher's career; 3) a fair gender balance (by promoting genuine equal access opportunities between men and women throughout the recruitment process).  Obtain the vacancies lists and the report of the recruitment procedure, compare with all the CVs received.  Obtain the procedure of the beneficiary and check that it was carried out with due respect to the above criteria.

Art 32.1. (d)		<b>19</b>	<p>CONFLICT OF INTEREST (ITN, COFUND): ensure that no conflict of interest exists in or arises from the recruitment procedure.</p> <p>Check whether a self-declaration from the beneficiary exists.</p>
Art 32.1.(e)		<b>20</b>	<p>WORKING CONDITIONS (ITN, IF, COFUND): ensure that the researchers enjoy at the place of the implementation at least the same standards and working conditions as those applicable to local researchers holding a similar position.</p> <p>Obtain management representations confirming that the MSCA researchers have equal access to facilities, research equipment etc. and are treated in the same way (and are equally supported) as locally recruited researchers by the beneficiary.</p>
Art 32.1.(f)		<b>21</b>	<p>EMPLOYMENT CONTRACT (ITN, IF): direct contract or fixed-amount-fellowship agreement specify:</p> <ol style="list-style-type: none"> <li>1) the starting date and duration of the research training activities under the action</li> <li>2) the monthly support for the researcher under this Agreement (in Euro or the currency in which the remuneration is paid).</li> <li>3) the obligation of the researcher to work exclusively for the action</li> <li>4) the obligation of the researcher not to receive for activities carried out in the frame of the action, other incomes than those received from the beneficiary (or any other entity referred to in the annex 1.</li> <li>5) the obligation of the researcher to inform the beneficiary as soon as possible of any events or circumstances likely to affect the Agreement (see art 17)</li> <li>6) the arrangements related to the intellectual property rights between the beneficiary and the researcher during implementation of the action and afterwards</li> <li>7) the obligation of the researcher to maintain confidentiality (see Art 36)</li> <li>8) the obligation of the researcher to ensure the visibility of EU funding in</li> </ol>



			<p>communications or publications and in applications for the protection of results (Art 27, 28, 29 and 38)</p> <p>Obtain the researcher's employment contract or corresponding agreement and check that all the points 1) to 8) are specified.</p>
Art 32.1. (h)		22	<p><b>INFORMATION TO THE RESEARCHER (ITN, IF, RISE): the beneficiary has to inform the researcher on the following aspects:</b></p> <p><b>1) the description, conditions, location</b> and the timetable for the implementation of the research training/secondment activities under the action and the name of the supervisor</p> <p>2) the rights and obligations of the beneficiary toward the researcher under this Agreement</p> <p>3) the obligation of the researcher to complete and submit - at the end of the training/secondment - the evaluation questionnaire and - two years later- follow-up questionnaire provided by the REA</p> <p>4) For ITN/IF:</p> <ul style="list-style-type: none"> <li>Obtain the researcher's employment contract or corresponding agreement,</li> <li><b>Regarding the information, the Beneficiary should have notified the Researcher about key elements of the grant:</b> <ul style="list-style-type: none"> <li>a) basic facts about the MSCA programme (including researcher's right and obligations) and where to look for details (MSC website, Participant portal, MSC Alumni Association (MCAA)...) </li> <li>b) specific action in question (planned secondments, events,...)</li> <li>c) whom they have appointed to supervise him/her for the duration of the research training activities, including during secondments to partner organisations.</li> </ul> </li> </ul>

Art 32.1. (l to m)		23	<p>ITN, and IF: Ensure that:</p> <ol style="list-style-type: none"> <li>1) the researchers do not receive , for activities carried out in the frame of the action, other incomes than those received from the beneficiary (or any other entity referred in the Annex 1)</li> <li>2) the Beneficiary host the researcher at their premises and provide training as well as the necessary means for implementing the action</li> <li>3) the researcher is adequately supervised</li> <li>4) a career development plan is established and support its implementation (ITN only)</li> <li>5) when applicable, ensure that the researcher has appropriate exposure to the non-academic sector</li> </ol> <ul style="list-style-type: none"> <li>• Review the accounting entries in order to ascertain whether other income has been recorded under the action. Regarding the potential double financing of the action, the auditor has to raise the question to the Beneficiary. Review the accounting entries in order to ascertain whether other income has been recorded under the action.</li> <li>• Review the supporting documents evidencing the trainings made for the fellow;</li> <li>• Review documents evidencing the implementation of the action;</li> <li>• Review documents evidencing that researcher was hosted at the beneficiary's premises;</li> <li>• Verify whether the researcher is supervised by checking in the organigram and e-mails that demonstrate that reports were submitted to the appropriate supervisor.</li> </ul>
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		<b>24</b>	<p>IF only: The beneficiary has to support the secondment of the researcher in Member State or associated country (a secondment is not mandatory, but in case it is undertaken, the beneficiary needs to support the researcher):</p> <ul style="list-style-type: none"> <li>• for actions with a duration up to 18 months: for a maximum of three months</li> <li>• or for actions with a duration of more than 18 months: for a maximum of six months.</li> </ul> <p>Obtain from the Beneficiary the evidence of support to the researcher.</p>
Art 32.1. (n)		<b>25</b>	<p>ITN: Secondments are possible for up to 30% of the fellowship duration (except for EID and EJD – where time spent at other participating organisations, in line with the proposal description, is not affected by this limitation (ITN only).</p> <p>According to the documentation collected from the Beneficiary (i.e. contract agreement, research activity reports, etc) evaluate whether the limit of 30% of the actual months spent have been respected as described above..</p>
Art 32.1 (b)		<b>26</b>	<p>RISE: Ensure that the rights and obligations of the seconded staff members remain unchanged during the secondment.</p> <p>Obtain evidence that salary paid/employment conditions and obligations in the contract agreement before and during the secondment were the same (given the top-up allowance is intended to cover only the additional costs during secondments, the normal salary of the seconded staff needs to remain upheld and unchanged during the secondment – i.e. the beneficiary cannot substitute the normal salary with the top-up allowance)</p>
Art 32.1(c)		<b>27</b>	<p>RISE: Ensure that the seconded staff members are reintegrated after the secondment.</p> <p>Verify if the seconded staff members have been reintegrated after the secondment</p>

			(either through a new employment contract after the secondment or under the existing employment contract)
Art 32.1(d)		<b>28</b>	<p>RISE, COFUND: Ensure that the seconded staff members enjoy at the place of the implementation at least the same standards and working conditions as those applicable to local persons holding a similar position.</p> <p>Obtain information to ensure that the working conditions – e.g. access to labs, access to background and results, etc. – for the seconded staff member are at least as good as for local staff holding a similar position</p>
Art 32.1 (e)		<b>29</b>	<p>RISE: The seconded staff members are covered by an appropriate medical insurance scheme.</p> <p>Check if the seconded staff members are covered by a medical insurance scheme for the duration of their secondment, either foreseen in their employment contract or purchased additionally for the time of secondment</p>
Art 32.1 (f)		<b>30</b>	<p>RISE: The researcher must be seconded full time, unless duly justified for reasons associated with personal or family reasons. The researcher cannot hold two MSCA grants at the same time.</p> <p>Obtain the employment contracts or other type of working agreement and review in particular the full time aspect of the job.</p>
Art 32.1 (h)		<b>31</b>	<p>RISE: The seconded staff must be informed about:</p> <ul style="list-style-type: none"> <li>the arrangements related in the intellectual property rights between the beneficiary and the seconded staff members – during the implementation of the secondment and afterwards;</li> <li>the obligation of the seconded staff members to maintain confidentiality;</li> </ul> <p>Obtain the employment contract or other types of working agreements and review those statements as well as all other relevant correspondence with the staff member.</p>

<p>Art 15.1.2.</p>		<p><b>32</b></p>	<p>COFUND: The Beneficiary must:</p> <ul style="list-style-type: none"> <li>• ensure that researchers are provided with the means to carry out the research training activities (including the infrastructure, equipment and products);</li> <li>• ensure that researchers receive appropriate assistance in all administrative procedures before national authorities;</li> <li>• ensure that researchers are employed full-time, unless duly justified for reasons associated with personal or family reasons;</li> <li>• ensure that researchers work exclusively on the research training activities;</li> <li>• ensure that the research training activities (including activities raising ethical issues and research on human embryos or human embryonic stem cell) comply with the ethical principles set out in Article 34;</li> <li>• ensure that the researchers are informed that they are ‘Marie Skłodowska-Curie fellows’;</li> <li>• ensure that researchers are paid in accordance with their contract (employment contract, other direct contract or fixed-amount fellowship agreement);</li> <li>• ensure that the contract (employment contract, other direct contract or fixed-amount fellowship agreement) complies with the provisions of this Agreement and specifies the research training activities;</li> <li>• ensure that the contract (employment contract, other direct contract or fixed-amount fellowship agreement) specifies arrangements relating to confidentiality and intellectual property rights (in particular to access to background, use of foreground, promoting the action) — during the research training activities and afterwards;</li> <li>• inform the researchers about their obligation to complete and submit — at</li> </ul>
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		<p>the end of the research training activities — the evaluation questionnaire and — two years later — follow-up questionnaire provided by the Agency;</p> <ul style="list-style-type: none"><li>• in the case of third parties implementing the programmes: ensure that the Commission and the Agency, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Article 22 and 23 also towards those third parties;</li></ul> <p>Obtain the employment contracts/fellowship agreements and review in particular the full aspect of the requirements.</p>
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Contract number: 2016/H2020/FC/CAS

## **ANNEX 2**

### **Model Audit Report (Preliminary / Draft / Final)**

The model Audit Report is presented on an indicative basis.

This report is the property of the European Commission and should not be distributed to third parties  
without the written approval of the European Commission

***DRAFT/ FINAL AUDIT REPORT***

<b>AUDITED ORGANISATION:</b>	
<b>PROJECT(S) AUDITED:</b>	
<b>AUDIT REFERENCE NUMBER:</b>	
<b>AUDIT DATE:</b>	

*This report has been prepared by request of the European Commission. The views expressed herein are those of the independent auditor and do not represent any official view of the Commission. The use of this report is restricted to the European Commission and those EU official authorities having regulatory right of access to it (such as the European Court of Auditors and the European Anti-Fraud Office) and those stakeholders of the Horizon 2020 / Euratom actions as determined by the European Commission.*





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## PART 1 – EXECUTIVE SUMMARY

### Audit opinion Report

In connection with the Framework Contract for Services 2016/H2020/FC/CAS signed with the European Commission, we have audited the financial statements as set out in the table below submitted to the services of the Commission of the European Union by *(insert name of Beneficiary)* (the “Beneficiary”):

<b>Grant agreement</b>	<i>(insert project number and acronym)</i>	<b>Cost claimed</b>
<b>Period audited</b>	<i>(DD/MM/YYYY – DD/MM/YYYY)</i>	<b>EUR</b>
	<b>Total amount claimed</b>	<i>(insert total amount claimed) e.g. 1 565 695,56 (respect the convention)</i>
Directorate General	<i>(insert DG / Agency)</i>	
Framework Programme	H2020	

<b>Grant agreement</b>	<i>(insert project number and acronym)</i>	<b>Cost claimed</b>
<b>Period audited</b>	<i>(DD/MM/YYYY – DD/MM/YYYY)</i>	<b>EUR</b>
	<b>Total amount claimed</b>	<i>(insert total amount claimed)</i>
Directorate General	<i>(insert DG / Agency)</i>	
Framework Programme	H2020	

<b>Grant agreement</b>	<i>(insert project number and acronym)</i>	<b>Cost claimed</b>
<b>Period audited</b>	<i>(DD/MM/YYYY – DD/MM/YYYY)</i>	<b>EUR</b>
	<b>Total amount claimed</b>	<i>(insert total amount claimed)</i>
Directorate General	<i>(insert DG / Agency)</i>	
Framework Programme	H2020	

### *Responsibility of the Beneficiary for the Financial Statements*

The Beneficiary is responsible for the preparation and fair view of the financial statements in accordance with the grant agreement and for maintaining adequate accounting records and documentation to support and justify the costs reported. The Beneficiary is also responsible for such internal controls as are necessary to enable the preparation of financial statements that are free from misstatement, whether due to error or fraud.

### ***Auditor's Responsibility***

Our responsibility is to express an independent opinion, based on our audit procedures, on the financial statements of the above mentioned grant agreement(s) only as to whether the costs have been properly incurred and are eligible costs, as defined under the grant agreement.

We conducted our audit taking into account the provisions of the audited grant agreement(s) under the Horizon 2020 Programme and in accordance with International Standards on Assurance and Audit Engagements as they are applicable solely in relation to the special scope of this engagement only. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit engagement involves performing relevant procedures to obtain evidence about the amounts claimed in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances relevant for the scope of this engagement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls as a whole.

An audit also includes evaluating the appropriateness of accounting policies used for the preparation of the financial statements submitted to the European Commission services as well as evaluating the overall presentation of these financial statements.

We believe that the evidence we have obtained is sufficient with respect to the objectives relevant for our engagement and appropriate to provide a basis for our opinion.

### ***Additional Conditions***

Our audit work has been undertaken so that we might state to the European Commission those matters we are required to state in our audit report and for no other purpose. We are thus responsible solely to the European Commission for our work and the opinion we have formed. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the European Commission unless such responsibility has been expressly accepted.

Our work is not designed specifically to identify incidences of fraud. Accordingly, fraud may occur and not be detected. We have nevertheless obtained representations made by the Beneficiary in relation to the authenticity and completeness of the supporting documentation provided to us.

Our audit work in assessing the necessity of costs incurred for the implementation of a project is limited to verifying, to the extent that we are qualified and able to, that those costs have been incurred solely for the intended purpose of the grant agreement. This normally implies verifying that specific costs are provided for in the budget proposals sent to the European Commission services prior to grant agreement signature (or otherwise reflected and prescribed within the project technical specifications as set out in

Annex I to the audited research grant agreement) and that those costs when actually incurred are processed, validated and approved within an accounting system and related internal control structure that would meet or exceed the generally accepted international principles of sound financial management.

Our audit work relating to the certification that costs are economic and reflect the Beneficiary's economic environment is limited to (to the extent that we are able and qualified to):

- verifying that claimed costs are incurred in line with the usual administrative and management practices of the Beneficiary and;

- assessing whether these costs, in pure monetary terms, are evidently reckless or unreasonable as defined within the grant agreement terms and conditions.

It is not a value for money or performance audit. It is a report by exception. As such, it cannot normally create legitimate expectations on the conformity of the costs declared or the methods of calculation used.

## Opinion

During our audit we noted adjustments of EUR .... *(in favour of the EU budget/Beneficiary)* for project x, EUR .... *(in favour of the EU budget/Beneficiary)* for project y,z. These are set out in the Summary of Audit Adjustments presented in section 1.1.

In our opinion, except for the effect of the matters as detailed in section 1.1, the audited financial statements properly reflect eligible costs, receipts and interests, which:

- are actual;

- have been incurred by the Beneficiary during the duration of the project and in the financial periods audited;

- have been indicated in the estimated budget set out in Annex 2;

- have been incurred in connection with the action as described in Annex I and necessary for its implementation;

- have been determined in accordance with the usual accounting and management principles and practices of the Beneficiary;

- have been 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;

- have been recorded in the accounts of the Beneficiary;

- are exclusive of any non-eligible costs established in the second paragraph of Article 6.5 of the grant agreement with the Commission of the European Union.

Contract number: 2016/H2020/FC/CAS

Based on our audit and except for the matters as described in section 1.1, we can conclude that the financial management of the project was (not) carried out in an acceptable manner and (not) in compliance with the requirements of the grant agreement.

Date

(Signature)

Name of auditor(s)

Audit Firm

- AUDIT ADJUSTMENTS AND RECOMMENDATIONS FOR SYSTEMS IMPROVEMENT**

- Audit findings and adjustments**

The adjustments required to the costs accepted by the European Commission services are summarised below:

*(Tabulate by grant agreement)*

Project Number – Acronym

<b>Cost Categories</b>	<b>TOTAL</b>
<b>Personnel</b>	
<b>Subcontracting</b>	
<b>Other direct costs</b>	
- thereof travel & subs	
- thereof consumables	
- thereof durable equipment	
- thereof protection of knowledge	
- thereof other costs	
<b>INDIRECT COSTS</b>	
<b>SPEIFIC COSTS</b>	
<b>TOTAL</b>	
<b>Receipts</b>	
<b>Interests</b>	

*(Please comment shortly on the adjustments per cost category).*

*(e.g.)*

*Personnel – free text explaining the finding.*

*Other direct costs – free text explaining the finding.*

- Systemic or recurrent errors**

We consider none/the following errors to be of a potentially systemic or recurrent nature:

*(Please list the systemic or recurrent errors)*



- **Observations and Recommendations for systems improvement**

*(Please describe system weaknesses identified during the audit work and insert relevant recommendations to the Beneficiary. Cross reference these observations – recommendations with the cost category related to).*

Observation **X**:

Recommendation **X**:

Observation **Y**:

Recommendation **Y**:

• **FOLLOW-UP OF PREVIOUS AUDITS CARRIED OUT**

We have inquired whether other EU Research Grants under the 7<sup>th</sup> Research and Technological Development Framework or the Horizon 2020 Programme, in which the Beneficiary may have participated, have been already audited. Based on these inquiries only,

*(select the applicable statement below:)*

☐ the Beneficiary has never been audited for other FP7 and/or H2020 projects.

*(or:)*

☒ the Beneficiary has been audited for the following other FP7 and/or H2020 projects:

*(Insert, for each previous audit, the project number and acronym, audit reference number and DG or Agency having launched that audit. If there was no previous audit, delete the rest of this chapter.)*

Where the reports of these previous audits have identified systemic or recurrent issues which might potentially impact other projects, we inquired during the normal course of our work concerning the projects subject to our current audit assignment, whether the Beneficiary has taken measures to prevent the recurrence of these previous issues.

We present below a summary of the follow-up made by the Beneficiary of the previous systemic or recurrent issues relevant for the present Grant Agreement under audit, as noted by us during the normal course of our work for the projects subject to the present audit assignment:

*e.g.*

Cost category involved	Description of the issue identified in the previous audit report	Description of the observation made during the current audit assignment	Previous issue resolved? (Yes or No)
<i>For example:</i>  <i>Personnel</i>	<i>Systemic or recurrent overstatement of hourly rate due to incorrect method of calculation of the cost of holiday leave entitlement</i>	<i>In the current project, we observed that the method of calculation of the cost of vacation pay has been corrected by the Beneficiary</i>	<i>Yes</i>

*Or else (if applicable):*

Based on our review of these previous audit reports, these previous reports did not highlight systemic or recurrent issues which might potentially impact other projects.

Contract number: 2016/H2020/FC/CAS

The issues presented above to be followed up within our audit are only based on the information the European Commission services and the Beneficiary brought to our attention regarding findings from previous audits. We were only able to assure the completeness of this information insofar as it is relevant for the accounting issues covered by this assignment.

## PART 2 – GENERAL INFORMATION

### • INFORMATION ON THE AUDITED ORGANISATION

Audited Organisation	
Address of Beneficiary	
Persons present – Beneficiary	
Persons present – Auditors	

### • Legal status

*(Insert type of company, date of foundation, governing legal and financial regulation, national registration number (if any), etc.)*

*Specify, whether the organisation is a “SME”, a “(non-profit)research organisation”, a “non-profit public body”, a “non-profit qualified patent organisation”, an “inter-governmental organisation”, a “secondary and higher education establishment” or an “industry” according to the definition used in the applicable Grant Agreements and any other legal documents.*

### • Summary financial figures

Financial Information (‘000’ Euro) – taken from financial statements	Year 200x	Year 200x	Year 200x
Total revenues for the year			
EC grants			
EC grants in % of revenues			

Financial information provided by the Beneficiary and audited by *(insert name of statutory auditor)*. Our engagement did not constitute an audit or a review of these summary financial figures.

### • Dependence on EC funding

Based on the analysis set out in paragraph 3.2 above an average of **x**% of total income has been generated from participating in EC RTD funded programs in the past 3 closed financial years.

### • Accounting system and basis

Accounting System	
Basis of accounting	<i>(accrual / cash)</i>

- **Time recording System (including the procedure to record absence)**

Time recording system	<i>Insert name of time recording system</i>
Product name	<i>Insert product name</i>
Date of implementation	<i>Insert year of implementation</i>
Integrated with accounting system	<i>Yes/No</i>
Certification by designated officer	<i>Yes/No</i>

(e.g.) During our audit, we noted the following controls:

the segregation of duties is adequate with regard to time recording process/system;

the system prevents charging hours above the workable hours of the week;

time sheets are filled in on a daily basis and all hours need to be recorded;

time sheets are certified by the project manager.

*(Please describe the time recording system and its principles, e.g. integrated system, certification procedures, is it a full time recording system or a project based recording system, etc.)*

### PART 3 – AUDIT WORK AND FINDINGS

- DIRECT PERSONNEL COSTS**

<b>Does the Beneficiary use unit costs?</b>	<b>YES / NO</b>
<b>Does the Beneficiary have a "Certificate on Methodology to calculate unit costs " (CoMUC)?</b>	<b>YES / NO</b>
<b>Date of approval of the Certificate by the EC services</b>	<b>DD/MM/YYYY</b>

- Work performed**

The tests performed on a **full scope / sample** basis during our audit work were the following:

**Refer to the Indicative audit programme**

- Productive hours calculation and hourly rate calculation**

The Beneficiary has adopted the following approach: Please, indicate the option used (1, 2 or 3).

**Refer also to the Indicative audit programme**

<b>Productive hours calculation</b>	
Total days in a year	
Less: Weekends	
<b>Subtotal</b>	
Plus overtime	
<b>Subtotal</b>	
Less: Annual Holidays	
Less: Statutory Holidays	
Less: Illness	
<b>Workable days in a year</b>	
Less: Other activities (describe in detail)	
<b>Productive days per year</b>	
Hours per day	
<b>Productive hours per year</b>	

*(The table above refers to cases where the Beneficiary has opted for individual or standard annual productive hours. In any case, please provide a clear description of the methodology of the hourly rate calculation, e.g., number of productive hours, and add your assessment of reasonableness in respect of the total amount of productive hours per year).*

- **Findings**

*Only on an exception basis include narrative description of the finding and quantification of audit adjustment, otherwise nothing to report here.*

In our opinion, the findings outlined above *(specify which ones)* are/are not potentially systemic or recurrent in nature.

- **DIRECT COST OF SUBCONTRACTING**

- **Work performed**

**Refer to the Indicative audit programme**

- **Findings**

*Only on an exception basis include narrative description of the finding and quantification of audit adjustment, otherwise nothing to report here.*

In our opinion, the findings outlined above (specify which ones) are/are not potentially systemic or recurrent in nature.



- **OTHER DIRECT COSTS**

- **Work performed**

The tests performed on a **full scope / sample** basis during our audit work were the following (for all cost categories):

**Refer to the Indicative audit programme**

*Travel costs and related subsistence allowances* **(if applicable)**

**Refer to the Indicative audit programme**

*Equipment costs* **(if applicable)**

**Refer to the Indicative audit programme**

*Costs of other goods and services* **(if applicable)**

**Refer to the Indicative audit programme**

*Capitalised and operating costs of large research* **(if applicable)**

**Refer to the Indicative audit programme**

- **Findings**

*Only on an exception basis include a narrative description of the finding and quantification of audit adjustment, otherwise nothing to report here.*

In our opinion, the findings outlined above **(specify which ones)** are/are not potentially systemic or recurrent in nature.

- **DESCRIPTION OF METHOD USED TO CALCULATE INDIRECT COSTS**

<b>Indirect Cost Model</b>	<i>Flat rate 25%</i>
----------------------------	----------------------

- **Work performed**

Refer to the ‘indicative audit programme’.

- **Findings**

- **SPECIFIC COST CATEGORIES**

*Only where specific activities are reimbursed by unit costs or lump sums costs.*

*The auditor should indicate the audit steps that were carried out in accordance with the ‘indicative audit programme’*

*Only on an exception basis include a narrative description of the finding and quantification of audit adjustment, otherwise nothing to report here.*

- **RECEIPTS**

*The auditor should indicate the audit steps that were carried out in accordance with the 'indicative audit programme'*

*Only on an exception basis include a narrative description of the finding and quantification of audit adjustment, otherwise nothing to report here.*

- **CONVERSION RATES**

*Only applicable when the Beneficiary operates in a foreign currency and only on exception basis, otherwise nothing to report.*

- **COORDINATOR ROLE AND/OR MONEY RECEIVED FROM COORDINATOR**

*(If Beneficiary is coordinator we include our audit work performed. If the Beneficiary is not the coordinator we delete this paragraph)*

The tests performed on a full scope basis during our audit work were the following:

we obtained and reviewed a copy of the signed Consortium Agreement;

we checked whether the receipt and following distribution of funds to other Beneficiaries were made without 'unjustified delays' (referred to Consortium Agreement) by reference to bank statements;

where the Consortium has been changed, we analysed whether (i) the selection procedure of a new Beneficiary includes the publication of a competitive call, (ii) the selection procedure has respected the principles of quality, transparency and equality of treatment and (iii) ethical considerations have been properly considered;

we reviewed governing contractual Terms and Conditions of the grant agreement.

*Only on an exception basis include a narrative description of the finding and quantification of audit adjustment, otherwise nothing to report here.*

#### **PART 4 - ANALYSIS OF BENEFICIARY'S COMMENTS**

"The Beneficiary is advised to provide a clear description on the issues that are in disagreement with its point of view. We strongly recommend additional consideration of the Beneficiary, in case that a systemic or recurrent error is detected in this audit report".

"The auditors should address the Beneficiary's comments either by indicating that they agree with them and that the audit report was adapted accordingly or by providing an explanation why the auditors disagree with the Beneficiary's comments".

**PART 5 - ANNEXES TO THE AUDIT REPORT**

<b>ANNEX 1</b>	Costs claimed according to financial statements and audit adjustments
<b>ANNEX 2</b>	Analysis of direct personnel costs and the impact on indirect costs
<b>ANNEX 3</b>	Beneficiary's comments
<b>ANNEX 4</b>	Typology of errors

Contract number: 2016/H2020/FC/CAS

## ANNEX 1

### COSTS CLAIMED ACCORDING TO FINANCIAL STATEMENTS AND AUDIT ADJUSTMENTS

Indicative Annex 1 to standard draft audit report

Organisation Name : .....  
 Period : ..... from: ..... to: .....  
 Grant Agreement N°: .....  
 Project name: .....  
 Fin. Stat. Type : .....  
 Form of costs : .....

Eligible costs (per budget category)											Receipts	Additional information	
A. Direct personnel costs				B. Direct costs of subcontracting	C. Direct costs of fin. Support	D. Other direct costs			E. Indirect costs <sup>(2)</sup>	Total costs	Receipts	Information for indirect costs	
A.1 Employees (or equivalent)		A.4 SME owners without salary				D.1 Travel		D.4 Costs of large research infrastructure			Receipts of the action, to be reported in the last reporting period, according to Article 5.3.3	Costs of in-kind contributions not used on premises	
A.2 Natural persons under direct contract		A.5 Beneficiaries that are natural persons without salary				D.2 Equipment							
A.3 Seconded persons						D.3 Other goods and services							
[A.6 Personnel for providing access to research infrastructure]						D1 Travel	D2 Equipment	D3 Other goods and services					
Actual	Unit	Unit		Actual	Actual	Actual	Actual	Actual	Actual	Flat-rate <sup>(5)</sup>			
										25%			
a	b	No hours	c	d	e	f1	f2	f3	g	$h=0,25 \times (a+b+c+f1+f2+f3+[g]-o)$	$j= a+b+c+d+[e]+f+[g]+h$	k	o
Costs claimed / declared													
Costs accepted by F.O.													
Cost accepted by Audit													
Adjustment Against cost accepted by F.O.													
Adjustment against cost claimed													
of which systemic or recurrent													
of which non-systemic /recurrent													

Contract number: 2016/H2020/FC/CAS

## **ANNEX 2**

### **ANALYSIS OF DIRECT PERSONNEL COSTS AND THE IMPACT ON INDIRECT COSTS**

Contract number: 2016/H2020/FC/CAS

**Beneficiary:**

**Grant agreement**

**N°:**

**Rate:**

**Period start:** DD/MM/YYYY

**Period end:** DD/MM/YYYY

**Currency:** EURO

Costs charged							Costs accepted after audit					
Name	Category	Direct personnel costs rate	Indirect costs rate	Hours	Total Direct Personnel Costs	Total Indirect costs	Direct personnel costs rate	Indirect costs rate	Hours	Total Direct Personnel Costs	Total Indirect costs	Observations
<b>Subtotal</b>												
<i>Management of consortium activities</i>												
<b>Subtotal</b>												
<b>TOTAL</b>												

*Please include one table per period. No overall summary needed*



Contract number: 2016/H2020/FC/CAS

**ANNEX 3**

**BENEFICIARY'S COMMENTS**

#### ANNEX 4

#### TYPOLGY OF ERRORS

The typology of errors is presented on an indicative basis.

The matrix below shows the error typology and indicates error types per cost category /sub-category. The following page shows the reporting tool for the reporting individual errors.

The original format of both documents is MS Excel.

	Error Type	Personnel with salary		Personnel without salary	MSC costs	Subcontracting	Travel	Equipment	Other Goods and Services	Large Research Infrastructure	Indirect Costs	Lump sum, special unit costs	Receipts
		Actual	Unit costs	Unit costs	Unit costs								
1	Not related to the action			TRUE	TRUE		TRUE	TRUE	TRUE	TRUE		TRUE	
2	Not foreseen in Annex I nor agreed by EU services	TRUE	TRUE			TRUE							
3	Double charging, double funding	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE		TRUE	
4	Indirect costs claimed as direct costs	TRUE	TRUE				TRUE	TRUE	TRUE				
5	No direct measurement of the costs: internal invoicing services of central facilities						TRUE	TRUE	TRUE				

6	No direct measurement of the costs: other						TRUE	TRUE	TRUE				
7	No valid supporting documents (other than timesheets for personnel)	TRUE	TRUE		TRUE	TRUE	TRUE	TRUE	TRUE	TRUE		TRUE	
8	Reclassification between budget categories	TRUE	TRUE	TRUE		TRUE	TRUE	TRUE	TRUE	TRUE			
9	Incorrect remuneration costs: additional remuneration	TRUE	TRUE										
10	Incorrect remuneration costs: budgeted, standard, estimated or fixed rates	TRUE	TRUE										
11	Incorrect productive hours calculation	TRUE	TRUE										
12	Unreliable/missing timesheets, alternative evidence not sufficient	TRUE	TRUE	TRUE									
13	Incorrect time claimed	TRUE	TRUE	TRUE	TRUE							TRUE	
14	Agreed cost methodology not applied		TRUE	TRUE	TRUE					TRUE		TRUE	
15	No value for money					TRUE	TRUE	TRUE	TRUE				
16	Correction resulting from direct costs adjustment										TRUE		
17	Other errors	TRUE	TRUE	TRUE		TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	
18	Receipts												TRUE

The errors classified according to the Error Typology are entered into an Excel sheet							
Each error thus classified error in the audited Financial Statements is reported on a line in the Excel sheet							
The below is an example of 11 errors identified in the audited Financial Statements of three projects							
			Budget Category			Amount (€)	
Project	Financial Statement Period	Type Of Financial Statement	Budget Category	Actual or Unit Costs	Error Type	Adjustment	Systemic or recurrent
568795	1	Normal	Personnel with salary	Actual	Indirect costs claimed as direct costs	-1.778,00	
568795	1	Normal	Personnel with salary	Unit costs	No valid supporting documents (other than timesheets for personnel)	-6.584,00	-6.584,00
568795	1	Adjustment	Personnel with salary	Unit costs	Incorrect productive hours calculation	51,25	
568795	1	Adjustment	Lump sum, special unit costs		Incorrect time claimed	-3.557,14	-2.350,35
965782	1	Normal	Personnel with salary		Reclassification between budget categories	-402,66	-402,66
965782	1	Normal	Subcontracting		Reclassification between budget categories	402,66	402,66
965782	1	Normal	Travel		Indirect costs claimed as direct costs	-1.965,49	-1.965,49
965782	2	Normal	MSC costs	Unit costs	Not related to the action	-241,60	
345558	1	Normal	Equipment		No direct measurement of the costs: internal invoicing services of central facilities	-1.179,29	-1.179,29
345558	1	Normal	Equipment		No direct measurement of the costs: other	-478,77	-478,77
345558	1	Normal	Other Goods and Services		Other errors	287,26	
						-15.445,78	-12.557,90

**ANNEX 3**

**MONTHLY ASSIGNMENT STATUS REPORT FOR THE MONTH OF .....**

Engagement Reference	Country	Beneficiary	Fieldwork		Preliminary Report (date)	Draft Report (date)	Notes
			Start (date)	End (date)			

*N.B. Planned dates should be typed in Italics and actual dates in **bold**.*

## ANNEX 4

### **METHODOLOGY FOR THE CALCULATION OF LIQUIDATED DAMAGES FOR SPECIFIC CONTRACTS UNDER THE FRAMEWORK CONTRACT FOR SERVICES 2016/H2020/FC/CAS (including the procedural provisions)**

This document constitutes an annex to the Working Practice and, therefore, it forms a part of the contractual arrangements between the Contracting Authority (the CA) and the contractors.

All terms used in this document have the same meaning as in the Working Practice, unless defined otherwise. The term *beneficiary* used in this document encompasses all entities which are subject audits or any other engagements (beneficiaries, their linked third parties, their subcontractors, etc.). When the document refers to the delivery of Preliminary Audit Report, Draft Audit Report and Final Audit Report, it means the making of these documents available to the CA through electronic data interchange (e-room).

Due to the fact that most of the specific contracts are expected to cover Batch Assignments, the document focuses on the application of liquidated damages on Batch Assignments. The same methodology is applied *mutatis mutandis* to Individual Assignments.

The purpose of this document is to set and communicate a set of rules under which the CA will apply liquidated damages. In addition to the general rules and concepts, it also provides specific practical cases as examples.

#### **1. The contractual provisions**

Special conditions concerning liquidated damages are included in Article I.15 of the FWC. Article I.15 derogates from the general clauses included in Article II.15.

#### **2. Basic underlying concepts stemming from Article I.15 of the FWC**

As stated in Article I.15.1 of the FWC, the liquidated damages are calculated on "*the period of delay*" which is "*the difference (in calendar days) between the duration (...) of a Batch or an Individual Assignment determined in a specific contract and the number of the calendar days actually spent on the completion of an Individual Assignment or particular engagements included in a Batch.*"

On the other hand, Article I.15.3 recognises certain situation which may contribute to *the period of delay*, however, they should not give rise to the calculation of the liquidated damages. First, it expressly lists cases where the CA do not respect the time limits envisaged for each work step in the Working Practice. Second, it refers to the cases where the beneficiary does not co-operate or does not respect the time limits for the

response to the Draft Audit Report. The condition for the exclusion of respective periods from the calculation of *the period of delay* is that the contractor has timely<sup>1</sup> taken all necessary actions toward a beneficiary and/or the CA.

Based on Article I.15.1 of the FWC, the total duration of Individual or Batch Assignments is from the outset considered to cover time spent by the contractors, the CA and the audited entity at different stages of the entire process. In other words, the contractual duration of the Assignment is not a period exclusively reserved for the actions undertaken by contractors.

How in practice the period of delay is going to be calculated for particular stages of a typical engagement in a Batch?

### **3. Stage 1 – before the start of the fieldwork**

Before the contractors can start their work, the CA needs to duly inform the beneficiaries about the engagements to be carried out. In this respect the CA send *Letters of Announcement* and it requests the beneficiaries to contact the contractors and allow the latter to start an audit fieldwork not later than 20 calendar days after the receipt of the *Letter of Announcement*.

It is the responsibility of the contractors to contact the beneficiaries and to arrange for a fieldwork visit as soon as possible. However, given the time that usually lapses between the sending of the *Letters of Announcement* and *their receipt by Beneficiaries* as well as the aforementioned 20 days' deadline, for simplification purposes the CA will in each case deduct 30 calendar days from the calculation of total delay for an engagement. Nevertheless, the CA strongly suggests that the on-the-spot visit is arranged within the 20 days' deadline.

Further reduction of the delay may be granted on a case by case basis if a contractor can prove that the beneficiary did not answer or accept the date for the audit fieldwork within 50 calendar days after the start of the Batch. If this is the case, the period between the 50<sup>th</sup> day of the Batch duration and the actual start of the fieldwork visit will not be accounted for in the calculation of the overall delay. The condition for this reduction is that the contractor demonstrates that it actually proposed at least three alternative date(s) within the 50 days' period to the beneficiary or that he can prove that it undertook appropriate steps (sent reminders, contacted the beneficiary by phone) in the case of no response..

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<sup>1</sup> The CA considers the necessary actions to be taken "*timely*" towards the CA when the necessary information is communicated to the CA at the latest along with the first subsequent Monthly Assignment Status Report or the MASR meeting. This should not prevent the CA from communicating issues earlier if the situation requires immediate action on the part of the CA.

The reduction referred to above cannot be longer than 25 calendar days without the CA being informed by the contractor that there is an issue preventing it from carrying out the fieldwork. When the CA is informed, it will expressly consent to postpone the start of the fieldwork to a specific date after the 75<sup>th</sup> day of the Batch (as proposed by the contractor following its contacts with the Beneficiary) or will intervene toward the beneficiary in order to agree on a shorter deadline.

There may also be situations where additional information is being sought from the CA due to, e.g., discrepancies between the information provided in the Audit Input Files and the information received from the Beneficiary before the start of the fieldwork. In such cases the period from the date of the written request to the CA and its answer is deducted from the overall delay.

In some specific cases the CA encounters problems with the proper delivery of the Letters of Announcement to Beneficiaries. If this is the case, the CA will inform the contractor about such delays and will additionally adjust the calculation of the overall detail on a case by case basis.

#### **4. Stage 2 – fieldwork visit and the preparation of a Preliminary Report**

The deadline for the preparation of the Preliminary Audit Report is 20 calendar days after the end of the fieldwork visit.

It is up to contractors to organise the work in such a way that this deadline is observed. However, it may happen that the contractors would not be able to produce the Preliminary Audit Report within the prescribed deadline for reasons beyond their control.

For example, it happens that a Beneficiary is not well prepared and it does not provide necessary evidence for the fieldwork visit. Effectively, in order to complete their work, contractors need to wait for documents or other evidence to be submitted. In such a case a period between the end of a fieldwork visit and the date of the submission of the missing documents can be deducted from the delay calculated for the purposes of liquidated damages. The condition for the deduction is that the request for the submission of missing documents is made at the latest on the closing meeting. If the request is made after that date, only the period between the day of the additional request and the date of the submission of the missing evidence can be deducted.

It should be stressed, though, that contractors are not authorised by the CA to offer Beneficiaries deadlines of more than 15 calendar days for the submission of additional documents unless the CA expressly agreed on a longer deadline. In other words, if a longer deadline is given by a contractor, the CA reserves the right not to accept or only partially accept the deduction, depending on individual circumstances.

In exceptional cases a fieldwork visit may need to be repeated due to circumstances related to a Beneficiary (subject to the CA being duly informed beforehand). In such a



case the period between the end of the first visit and the end of the subsequent visit can be deducted from the overall delay.

It should also be pointed out that the CA reserves right to ask for the evidence (e.g. copies of e-mail correspondence) in order to establish that the specific delays were indeed caused by a beneficiary. For example, if additional questions are asked due to the fact that the fieldwork visit was not carried out effectively and efficiently for reasons related to the contractor, no delay deduction will be granted or the deduction can be adjusted by the CA. Furthermore, contractors are expected to duly monitor the delays on part of Beneficiaries, keep in touch, send reminders and where necessary, report the issues to the CA for further action..

Also at this stage there may be cases where additional information is being sought by the contractors from the CA due to, e.g., discrepancies between the information provided in the Audit Input Files and the information received from the Beneficiary. In such cases the period from the date of the written request to the CA and its answer is deducted from the overall delay.

### **5. Stage 3 – CA's review of a Preliminary Audit Report**

The CA will communicate its feedback to contractors within 20 calendar days after the receipt of a Preliminary Audit Report. When such a deadline is not observed, the delay for the CA above the 20 calendar days is automatically deducted from the overall period of delay.

For each additional loop (when the CA asks for the revision of a Preliminary Audit Report) a similar logic applies except that deadlines for the submission of the revised Preliminary Audit Report and the deadline for the sending of additional comments by the CA are 10 calendar days. Whenever the CA is late with its feedback, the period of delay above the contractual deadline of 10 calendar days is deducted from the overall period of delay.

In exceptional cases, as a result of the CA enquiries concerning a Preliminary Audit Report, there may be a need for contractors to contact Beneficiaries again in order to verify certain facts or to collect additional evidence. In the event where the reasons for such additional contacts cannot be attributed to contractors, the period from the day when the request is made by a contractor to the day when the information is received can be deducted from the overall period of delay.

Contractors are not authorised by the CA to offer Beneficiaries deadlines of more than 15 calendar days for the submission of additional documents unless the CA expressly agreed on that. In other words, if a longer deadline is given by the contractor, the CA reserves the right not to accept or only partially accept the deduction subject to individual circumstances.

## **6. Stage 4 – Contradictory Procedure**

Beneficiaries have got 30 calendar days to respond to Draft Audit Report. Any delay beyond the 30 days' deadline can be deducted from the overall period of delay. The condition for such a deduction is that a contractor monitors the delays and sends defaulting Beneficiary appropriate reminders. The first reminder should be sent at the latest immediately after the 30 days' deadline expired.

However, the reduction referred to above cannot be longer than 25 calendar days without the CA being informed by a contractor about the related problem. When the CA is informed, it will expressly consent to accept late submission from the Beneficiary, intervene toward the Beneficiary or request the contractor to prepare a Final Audit Report.

## **7. Stage 5 – Preparation of a Final Audit Report (Draft Audit Report with the Beneficiary's comments)**

The deadline for the preparation of a Final Audit Report is 20 calendar days after the receipt of the Beneficiary's comments by the contractor.

It is up to contractors to organise the work in such a way that this deadline is observed. However, it may happen that contractors would not be able to analyse the comments and prepare the Final Audit Report within the prescribed deadline for reasons beyond their control, in particular, lack of supporting evidence or the need for extensive recalculation.

If in order to complete their work, contractors need to request additional documents or other evidence to be submitted, the period between the day of the additional request and the date of the submission of the missing evidence can be deducted.

Similarly as with regard to the earlier stages, contractors are not authorised by the CA to offer Beneficiaries deadlines of more than 15 calendar days for the submission of additional documents unless the CA expressly agreed on that. In other words, if a longer deadline is given by a contractor, the CA reserves the right not to accept only partial deduction of the overall delay, depending on individual circumstances.

It should be stressed that the 20 days' deadline is in normal circumstances considered sufficient to cover the work related to the analysis of a Beneficiary's position and the modification of a Draft Audit Report. However, there might be situations where Beneficiaries offer relevant explanations and submit certain evidence for the first time only after they read a Draft Audit Report. Where a contractor can demonstrate that this was the case and that the submission of additional evidence required an extensive recalculation of the data in the report, the period between the end of the 20 days' deadline and the date of the submission of a Final Audit Report to the CA can be deducted from the overall period of delay.

The CA reserves the right to ask for the evidence (e.g. copies of e-mail correspondence) in order to establish that the specific delays were indeed caused by a Beneficiary. For example, if additional analysis and re-calculations are needed due to the fact that the fieldwork visit was not carried out effectively and efficiently or the Draft Audit Report omitted certain facts already presented to contractors, no delay deduction will be granted or the deduction can be adjusted by the CA.

## **8. Stage 6 – CA's review of a Final Audit Report**

The CA should communicate its feedback to contractors within 10 calendar days after the receipt of the Final Audit Report. When such a deadline is not observed, the delay above the 20 calendar days is automatically deducted from the overall period of delay.

For each additional loop (when the CA asks for the revision of the Final Audit Report) a similar logic applies except that the deadlines for the submission of the revised Final Audit Report and the deadline for the sending of additional comments by the CA are 10 calendar days. Whenever the CA is late with its feedback, the period of delay above the contractual deadline of 10 calendar days is deducted from the overall period of delay.

In exceptional cases, as a result of the CA's enquiries concerning a Final Audit Report, there may be a need for the contractors to contact Beneficiaries again in order to verify certain facts or to collect additional evidence. In the event where the reasons for such additional contacts cannot be attributed to contractors, the period from the day when the request is made by a contractor to the day when the information is received can be deducted from the overall period of delay.

## **9. The quality issues concerning contractors and the CA**

The progress of the work and the resulting overall delay of the engagement can be affected by quality issues. In particular, the CA finds it extremely inefficient to multiply the number of rounds of reviews/revisions (produce many versions of Audit Reports) that are caused by such issues. Therefore, the CA staff is requested to timely report the cases where their questions are not being addressed properly by contractors. However, it is also the responsibility of contractors (in particular Audit Co-ordinators) to identify the cases where there may be management, communication or any other issues which slow down the progress of the work and immediately report them to the CA.

If this is the case and the CA acknowledges that certain inefficiencies can be attributed to the work of CA staff, there is a possibility of further reduction of the period of delay by the periods spent by the CA and/or by the contractor.

For example, the following events may give rise to such additional reduction:

- change of the CA's position / guidelines on certain issues in the course of the process,

- delays related to the re-assigning of monitoring auditors,
- 'forgotten' question asked only in the course of the second or third round of review (unless caused by the answers received to previously asked questions),
- an additional round of reviews caused by modifications to the report related to quality issues that could have been spotted at the earlier stage of the review.

The circumstances above can give rise to additional deductions only if the contractor can demonstrate that they slowed down the progress of work of the contractor by a given number of days.

The contractors willing to apply the additional reduction need to clearly justify it in their proposal for the calculation of the liquidated damages. The pre-requisite for the application of the reduction is that the underlying issues were raised in due time to the CA. For the sake of clarification, raising the issue on the first MASR meeting following the occurrence of the issue should be understood as made in due time.

Please also refer to Point 8 of the Working Practice for the information on other consequences of quality issues, in particular, multiple revisions of Preliminary and Draft Audit Reports.

#### **10. Suspension of an engagement**

By definition, any request from the CA to suspend (stop) the work on an engagement should automatically give rise to the reduction of the period of delay for the entire suspension period.

#### **11. Christmas holidays**

Additionally, the CA applies an automatic reduction of the overall period of delay of up to 10 calendar days for Christmas holiday period (representing the period between 24 December and 2 January).

This reduction is applied only if the Audit Report (Preliminary, Draft or Final) falls within this period. It cannot be combined with any other reduction concerning the same period.

#### **12. Procedural aspects**

At the latest within 7 calendar days after the last engagement in a Batch is completed (a signed pdf version is made available to the CA), the CA will inform the contractor which particular engagements from the Batch are going to be taken into consideration for the purpose of the calculation of the period of delay for the entire Batch. The CA will pick up to eight engagements in the Batch and will ask the contractor to disclose all the factors which may be relevant for the reduction of the period of delay in line with Article I.15.3 of the FWC.

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The contractor shall send the Final Assignment Report (as defined in the Working Practice) together with a proposal for the calculation of liquidated damages. When necessary, the calculation needs to be backed up by supporting documents, i.e., copies of e-mails, etc., or a proper reference to the previous communication should be made.

The sole purpose of the proposal is to give the CA the possibility to analyse the factors which may be relevant for the calculation of liquidated damages in line with Article I.15 of the FWC and the methodology set forth in this document. The CA may disregard in part or in their entirety any proposals which are not in line with the aforementioned rules.

The CA may propose a template to be used for the calculation proposal.

The CA will respond to the proposal by accepting the Final Assignment Report and the calculation or by introducing changes. All the source data necessary for the verification of the calculation of liquidated damages will be taken from the Final Assignment Report, the proposed calculations presented by contractors as well as from the CA internal IT records (AUDEX). Differences (if any) will be reconciled between the contractors' and CA's records.

**Without prejudice to Article I.6.3 of the FWC, the contractors are requested to send the proposed calculation of liquidated damages in advance of the invoice for the related services in order to avoid subsequent corrections.**

**ANNEX 5      INTERMEDIATE ASSIGNMENT REPORT**


<b>Engagement Reference</b>	<b>Country</b>	<b>Beneficiary</b>	<b>Preliminary Report sent to the CAS (date)</b>	<b>Notes</b>

**ANNEX 6      FINAL ASSIGNMENT REPORT**

<b>Engagement Reference</b>	<b>Country</b>	<b>Beneficiary</b>	<b>Signed Final Report (pdf version) sent to the CAS (date)</b>	<b>Notes</b>

**ANNEX 7****Template of a comments sheet (original format – MS Excel)**

<b>BATCH no:</b>						
<b>Batch reference no [e.g. B99-02 ]</b>						
<b>Beneficiary:</b>						
<b>Acceptance Prel. Audit Report</b>			[pls enter the date of acceptance]			
			<i>COMMENTS 1</i>		<i>COMMENTS 2</i>	
<b>Point</b>	<b>Page</b>	<b>Ref</b>	<b>EC Comments by: [pls. enter name ]</b>	<b>Audit Firm response by: [pls enter name]</b>	<b>EC Comments by:...</b>	<b>if necessary please</b>
			<b>(Date – dd/mm/aa)</b>	<b>(Date – dd/mm/aa)</b>	<b>(Date - dd/mm/aa)</b>	<b>add further columns</b>
<b>Project audited:</b>						
1.	p. 17	§ 5.3.2				
2.	p. 27-31	Annex 2				
...						
<b>Project audited:</b>						
...						
<b>Project audited:</b>						
...						





## **ANNEX V**

For the Daily Subsistence Allowances please consult the following link:

[https://ec.europa.eu/europeaid/applicable-rates-diems-framework-ec-funded-external-aid-contracts-18032015\\_en](https://ec.europa.eu/europeaid/applicable-rates-diems-framework-ec-funded-external-aid-contracts-18032015_en)