

Annex II of the JRP-Contract

In reference to Clauses 5.5 and 6.10 of the JRP-Contract, this Annex lays down the financial provisions (Part A) concerning the implementation of the JRP and this JRP-Contract and audit requirements for the Financial Audit reports (Part B) which shall be followed under the JRP-Contract.

The following provisions reflect the financial provisions and financial audit requirements of the Model Grant Agreement and its Annexes adopted by the European Commission.

PART A – FINANCIAL PROVISIONS

Part A of this Annex reflects the financial provisions of the FP7 Model Grant Agreement, by following the structure and provisions and are only adjusted to the extent to which the conditions be applicable directly to EURAMET and the JRP-Partners.

Financial Guidelines will be issued by EURAMET providing further explanation and clarification of the provisions laid down below.

II.14. Eligible costs of the JRP

1. Costs incurred for the implementation of the JRP shall meet the following conditions in order to be considered eligible:
 - a) they must be actual;
 - b) they must be incurred by the JRP-Partner;
 - c) they must be incurred during the duration of the JRP, with the exception of costs incurred in relation to final reports and reports corresponding to the last period as well as Financial Audit reports when requested at the last period and final reviews if applicable, which may be incurred during the period of up to 60 days after the end of the project or the date of termination whichever is earlier;
 - d) they must be determined in accordance with the usual accounting and management principles and practices of the JRP-Partner. The accounting procedures used in the recording of costs and receipts shall respect the accounting rules of the State in which the JRP-Partner is established. The JRP-Partner's internal accounting and auditing procedures must permit direct reconciliation of the costs and receipts declared in respect of the JRP with the corresponding financial statements and supporting documents;
 - e) they must be used for the sole purpose of achieving the objectives of the JRP and its expected results, in a manner consistent with the principles of economy, efficiency and effectiveness;
 - f) they must be recorded in the accounts of the JRP-Partner; in the case of any contribution from third parties, they must be recorded in the accounts of the third parties;
 - g) they must be indicated in the estimated overall budget in Annex Ib.

Notwithstanding point a), JRP-Partners may opt to declare average personnel costs if it is the normal practice and established in the accounting processes of the organisation, EURAMET will also accept a certified methodology approved by the European Commission. Average personnel costs charged to this JRP-Contract by a JRP-Partner are deemed not to significantly differ from actual personnel costs.

Productive hours and hourly rates shall be calculated in accordance with the *Financial Guidelines* issued by EURAMET.

2. Costs incurred by third parties in relation to resources they make available free of charge to a JRP-Partner, can be declared by the JRP-Partner provided they meet the conditions established in paragraphs 1 and 3, mutatis mutandis and are claimed in conformity with Article II.17 below.
3. The following costs shall be considered as non-eligible and may not be charged to the JRP:
 - a) identifiable indirect taxes including value added tax,
 - b) duties,
 - c) interest owed,
 - d) provisions for possible future losses or charges,
 - e) exchange losses, cost related to return on capital,
 - f) costs declared or incurred, or reimbursed in respect of another project of the Union, including those funded by EURAMET,
 - g) debt and debt service charges, excessive or reckless expenditure,
 - h) EMRP A169 National Cash Contribution.

II.15. Identification of direct and indirect costs

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

With regard to personnel costs, only the costs of the actual hours worked by the persons directly carrying out work under the JRP may be charged. Such persons must:

- be directly hired by the JRP-Partner in accordance with its national legislation,
- work under the sole technical supervision and responsibility of the latter, and
- be remunerated in accordance with the normal practices of the JRP-Partner.

Costs related to parental leave for persons who are directly carrying out the JRP are eligible costs, in proportion to the time dedicated to the JRP, provided that they are mandatory under national law.

Only the hours worked on the JRP can be charged. Working time to be charged must be recorded throughout the duration of the JRP by timesheets, adequately supported by evidence of their reality and reliability. The complete time recording system should enable reconciliation of total hours in cases where personnel work on several projects during the same period or activities, including annual leave, sick leave, administration etc.

2. Indirect costs are all those eligible costs which cannot be identified by the JRP-Partner as being directly attributed to the JRP but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the JRP. They may not include any eligible direct costs.

Indirect costs shall represent a fair apportionment of the overall overheads of the organisation. They may be identified according to one of the following methods:

- a) Based on actual indirect costs for those JRP-Partners which have an analytical accounting system to identify their indirect costs as indicated above.

For this purpose, a JRP-Partner is allowed to use a simplified method of calculation of its full indirect eligible costs at the level of its legal entity if this is in accordance with its usual accounting and management principles and practices. Use of such a method is only acceptable where the lack of analytical accounting or the legal requirement to use a form of cash-based accounting prevents detailed cost allocation. The simplified approach must be based on actual costs derived from the financial accounts of the last closed accounting year.

- b) A JRP-Partner may opt for a flat rate of 20% of its total direct eligible costs, excluding its direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the JRP-Partner.
 - c) Non-profit public bodies, secondary and higher education establishments, research organisations and SMEs, which, due to the lack of analytical accounting, are unable to identify with certainty their real indirect costs for the JRP, when participating in funding schemes which include research and technological development and demonstration activities may opt for a flat-rate of 60% of the total direct eligible costs excluding its direct eligible costs for subcontracting and the costs of resources made available by third parties which are not used on the premises of the JRP-Partner. This flat rate shall be applied for the whole duration of the project, even if these JRP-Partners change their status during the life of the project.
3. The JRP-Partner shall apply the option chosen in all grant agreements under the Seventh Framework Programme and in all JRP-Contracts.

However, any JRP-Partner that has opted for the possibilities described in paragraphs 2b) and 2c) for reimbursement of its indirect costs in a previous JRP-Contract or grant agreement funded under the Seventh Framework Programme may opt in this JRP-Contract for one of the methods described in paragraph 2a). However, it must then use that method in subsequent JRP-Contracts and grant agreements established under the Seventh Framework Programme.

II.16. Upper funding limits

Not applicable

II.17. Receipts of the JRP

Receipts of the JRP may arise from:

- a) Resources made available by third parties to the JRP-Partner by means of financial transfers or contributions in kind which are free of charge:
 - i. shall be considered a receipt of the JRP if they have been contributed by the third party specifically to be used on the JRP;
 - ii. shall not be considered a receipt of the JRP if their use is at the discretion of the JRP-Partner's management.
- b) Income generated by the JRP:
 - i. shall be considered a receipt for the JRP-Partner when generated by actions undertaken in carrying out the JRP and from the sale of assets purchased under the JRP-Contract up to the value of the cost initially charged to the JRP by the JRP-Partner;
 - ii. shall not be considered a receipt for the JRP-Partner when generated from the use of foreground resulting from the JRP.

II.18. The EURAMET financial contribution

1. Not applicable
2. The EURAMET financial contribution shall be calculated by reference to the cost of the JRP as a whole and its reimbursement shall be based on the accepted costs of each JRP-Partner.
3. The EURAMET financial contribution cannot give rise to any profit for any JRP-Partner. For this purpose, at the time of the submission of the last financial statement, the final amount of the EURAMET financial contribution will take into account any receipts of the JRP received by each JRP-Partner. For each JRP-Partner, the EURAMET financial contribution cannot exceed the eligible costs minus the receipts for the JRP.
4. The total amount of payments by EURAMET shall not exceed in any circumstances the maximum amount of the EURAMET financial contribution referred to in Clause 5.
5. Without prejudice to the right to terminate the JRP-Contract under Clause 19, and without prejudice to the right of EURAMET to apply the penalties referred to in Clause 11 if the JRP is not implemented or is implemented poorly, partially or late, EURAMET may reduce the funding initially provided for in line with the actual implementation of the JRP on the terms laid down in this JRP-Contract.

II.19. Interest yielded by pre-financing provided by EURAMET

Not applicable

PART B – AUDIT REQUIREMENTS FOR FINANCIAL AUDIT REPORTS

Part B of this Annex lays down the general audit requirements for the Financial Audit reports under the JRP-Contract. The audit requirements for Financial Audit outlined below are based on the FP7 legal and guidance documents published by the European Commission and are only adjusted to the extent to which the conditions be applicable directly to EURAMET and the JRP-Partners.

Financial Audit Guidelines will be issued by EURAMET providing further details, explanation and clarification of the provisions laid down below.

Note: The financial audit requirements outlined below are subject to further changes and fine-tuning.

I. Preface

Approval of costs claimed by JRP-Partners during the lifetime of the JRP shall be subject to Financial Audit.

The submission of a Financial Audit report does not waive the right of EURAMET or the European Commission or the European Court of Auditors to carry out their own audits (Clause 10 of the JRP-Contract).

Notwithstanding the procedures to be carried out, the JRP-Partner shall remain at all times responsible and accountable for the accuracy of the Financial Statements. A JRP-Partner that has been guilty of making false declarations or has been found to have seriously failed to meet its obligations under the JRP-Contract shall be liable to financial penalties according to Clause 11.5 of the JRP-Contract.

The Auditor has a contractual relationship solely with the JRP-Partner. The Auditor does not have a contractual relationship with EURAMET and EURAMET will not intervene in any dispute between the Auditor and the JRP-Partner.

II. Auditors

Financial Audit reports shall be prepared and certified by an external Auditor and shall be established in accordance with procedures specified by EURAMET.

The Financial Audit of each JRP-Partner shall be carried out by competent external Auditors who meet the FP7 requirements (i.e. fully independent and sufficiently qualified to perform the related procedures). Each JRP-Partner shall be free to choose any qualified external Auditor, including its usual external Auditor, provided that the cumulative following requirements are met:

- the external Auditor must be **independent** from the JRP-Partner;
- the external Auditor must be **qualified** to carry out statutory audits of accounting documents in accordance with national legislation implementing the 8th Council Directive on statutory audits of annual accounts and consolidated accounts¹ or any European Union legislation replacing this Directive. JRP-Partners established in third countries shall comply with national regulations in the same field.

Public bodies, secondary and higher education establishments and research organisations may opt for a competent public officer to provide their Financial Audit report, provided that the relevant

¹ Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

national authorities have established the legal capacity of that competent public officer to audit that entity and that the independence of that officer, in particular regarding the preparation of the financial statements, can be ensured.

Where a public body opts to use a competent public officer, the Auditor's independence is in principle defined as independence from the JRP-Partner "in fact and/or in appearance". A preliminary condition is that this competent public officer was not involved in any way in drawing up the Financial Statements (Form C) and that she/he is not hierarchically dependent from the officer responsible for the Financial Statements. Relevant national authorities must establish the legal capacity of the competent public officer to carry out audits of that specific public body.

Financial Audit reports by external Auditors shall not affect the liability of JRP-Partners nor the rights of EURAMET arising from this JRP-Contract.

The services provided by the external Auditors to the JRP-Partners shall be subject to the requirements of best value for money and, except for a public officer, shall follow the requirements related to subcontracts in the framework of the JRP-Contract (Clause 16 of the JRP-Contract).

JRP-Partners shall ensure the rights of EURAMET, the European Commission and the Court of Auditors to carry out audits are extended to the Auditors.

III. Submission and Format of Financial Audit reports

Financial Audit reports shall be submitted by each JRP-Partner to EURAMET, in addition to the Financial Statement, after the costs are incurred and claimed. All costs in all JRPs shall be subject to 100 % financial audit.

The JRP-Partner shall be responsible for providing all the underlying documentation that the Auditor needs in order to complete its report, including payroll and accounting information, invoices, etc.

The periodicity of the submission of Financial Audit reports shall in principle be as follows:

Requested at the end of reporting period RP1	→ Financial Audit report to be submitted
Requested at the end of reporting period RP2 (end of JRP)	→ Financial Audit report to be submitted
Lifetime requested financial contribution (cumulative) less than EUR 50 000	→ No interim Financial Audit report to be submitted at the end of RP1, but only at the end of the JRP <i>(see details below)</i>

The Financial Audit report shall follow the **format** specified by EURAMET and the external Auditor shall perform the **procedures** specified in the *Financial Audit Guidelines* issued by EURAMET.

The **language** of the Financial Audit report shall be English or a translation in to English shall be provided.

Submission of Financial Audit report before the threshold of EUR 50 000 is reached

A Financial Audit report at the end of reporting period RP1 is not required by the JRP-Contract when the lifetime budgeted EURAMET financial contribution is less than EUR 50 000. However, the JRP-Partner may opt to submit a Financial Audit report voluntarily at the end of RP1.

In the case the JRP-Partner decides to submit a Financial Audit report voluntarily at the end of RP1, the costs of this Financial Audit report shall be considered eligible.

IV. Acceptance / Rejection of the Financial Audit report by EURAMET

Following submission of Financial Statements and Financial Audit reports, EURAMET shall accept or reject the financial documents in accordance with Clauses 6.8 and 6.9 of the JRP-Contract.

V. Reimbursement of the costs of the Financial Audit reports

The cost of the Financial Audit report shall be an eligible cost in the JRP-Contract for which the Financial Audit report is submitted.

Costs of the Financial Audit report submitted at the end of RP1 when the threshold is not reached by a JRP-Partner in a given JRP will be eligible even though not required by the JRP-Contract.