

EMRP Contracts
Financial Guidelines

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Financial Guidelines

This document is intended for the financial accounting professionals of funded JRP-Partners and Linked Third Parties.



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Scope

The aim of these guidelines is to provide further explanation and clarification of the financial provisions given in the JRP-Contracts and Annex II of those contracts.

These guidelines do not cover the financial aspects of the EMRP Researcher Grants - these are addressed in a separate document - Guide to Financial Aspects of EMRP Researcher Grants.

These guidelines do not cover the requirements for Financial Audit Reports - these are addressed in a separate document - Financial Audit Guidelines.

Introduction

The JRP-Contracts are based on those issued under FP7 and the financial requirements are similar. This document serves the same purpose as the “Guide to Financial Issues relating to FP7 Indirect Actions”.

This document reproduces those clauses found in the JRP-Contracts that define the financial rules and adds further explanation where necessary. It will be updated as required. This arrangement allows EURAMET to clarify the contracts and the financial rules without reissuing individual contracts.

EURAMET anticipate that many A169 funded JRP-Partners are also involved in FP7 projects and therefore have used the same structure as the FP7 financial guide in order to avoid confusion for those familiar with the FP7 guidance.

This guide is in 2 sections:

- Section 1 reproduces any financial aspects that may be mentioned in the core JRP-Contract, followed by the guidance in grey boxes. The numbering here is identical to the core JRP-Contract.
- Section 2 reproduces any financial provisions that may be mentioned in Annex II of the JRP-Contract, followed by the guidance in grey boxes. The numbering here is identical to the Annex II of the JRP-Contract.

Section 1: Core JRP-Contract

Clause 5 - Funding Provisions

5.1. Payments shall be made by EURAMET in Euros in accordance with the provisions of Clause 5.3. Without prejudice, the following types of payment are foreseen:

- A pre-financing shall be paid to the JRP-Partners in proportion to their overall indicative budget at the beginning of the JRP.
- Interim payment(s) shall be made to the JRP-Partners following approval of periodic financial reporting and are calculated on the basis of accepted eligible costs.
- The final payment shall be transferred to the JRP-Partner after the approval of the final reporting and consist of the difference between the calculated EURAMET financial contribution (on the basis of the eligible costs) minus the amounts already paid.

The total amount of the pre-financing and any interim payment(s) shall be limited to 90 % of the maximum EURAMET financial contribution. The retention of 10 % shall be kept by EURAMET until the date of the final payment.

EURAMET expect the prefinancing to be 60 %, and the interim payment 30 % of the maximum EURAMET financial contribution to the JRP.

When EURAMET makes a payment, the recipient organisation will be notified by email. In the case of organisations participating in more than one JRP, payments for multiple JRPs may be grouped and the breakdown of the payment will be detailed in the email.

5.2. The maximum EURAMET financial contribution to this JRP shall be EUR **EUR X.Y** (X EUROS Y CENTS). Details of the EURAMET financial contribution are contained in Annex Ia and Annex Ib which includes an estimated breakdown of costs and EURAMET financial contribution per JRP-Partner per cost category under the JRP.

In principle, the EURAMET financial contribution shall not exceed a maximum of **xx** % of the total eligible costs and subject to the overall cap, specified above in this clause.

EURAMET shall have the right to increase the funding rate and consequent financial contribution to this JRP after receipt and acceptance of all final reports for the JRPs under the EMRP Call 2013 provided there is a surplus of EU funding for the EMRP available that can be spent for the JRPs in line with the General Agreement between the European Commission and EURAMET.

This voluntary commitment of EURAMET does not create a legally enforceable claim to receive an increased funding rate.

The EURAMET financial contribution in percentage terms varies between calls. For JRPs from the 2009 Call it was 46.1 %, for those from the 2010 Call it was 45.6 %. The value is fixed during contract negotiation for each call. However in the case of the final call EURAMET may opt to increase the % after the project is delivered and provide a higher level of funding to all projects of the final call (this option would be considered if other EMRP A169 projects had underspent, releasing some extra funding to be available for the projects of the final call)

5.3. EURAMET shall distribute the EURAMET financial contribution directly and individually to the JRP-Partners. Payments made by EURAMET shall be deemed to be effected on the date when they are debited to EURAMET's account. The distribution of funds is subject to:

- the money received from the European Union,
- except for the pre-financing, after approval of required reports and any required financial audits,

- the payment of the EMRP A169 National Cash Contribution by the organisation of the EMRP Committee member participating in the Article 169 EMRP,
- the conclusion of the JRP-Consortium Agreement by all JRP-Partners,
- the provision of the correct and up to date banking details.

A JRP-Partner shall be funded only for its tasks carried out in accordance with Annex Ia and Annex Ib unless otherwise agreed in advance by EURAMET in writing.

EURAMET anticipates the following payment %s and timings to be typical
 Prefinance: typically 60% and within the first nine months of the project
 Interim Payment: typically 30% and during the final year of the project
 Final Payment: typically 10% and some 6-12 months after the project end date

Distribution of payment from a JRP-Partner to it's Linked Third Party is by arrangement between the two organisations. EURAMET has no responsibilities regarding this process.

- 5.4. EURAMET shall have the right to suspend, refuse, or reclaim the payment, including pre-financing, at any time, in whole or in part for the amount intended for the JRP-Partner(s) concerned:
- if the JRP-Partner(s) or the JRP-Consortium is found or presumed to have infringed the provisions of this JRP-Contract, in particular in the wake of the audits and checks provided for in Clause 10,
 - in the event of non-performance or delay of the JRP-Partner(s) obligations under this JRP-Contract, in particular:
 - if one or more of the reports or appropriate deliverables have not been supplied, or are not complete, or
 - if some clarification or additional information is needed, or
 - if a JRP-Partner or the JRP-Coordinator has not replied to instructions and requests from EURAMET in a timely manner.
 - if required by the European Commission.

When EURAMET suspends the payment the JRP-Consortium and/or the JRP-Partners(s) concerned shall be duly informed of the reasons why payment in whole or in part will not be made and the conditions to be met for the lifting of the suspension.

Suspension shall take effect on the date when notice is sent by EURAMET.

The suspension will be lifted from the date when the last report, deliverable or the additional information requested is received by EURAMET.

- 5.5. Financial provisions concerning the implementation of the JRP and this JRP-Contract shall be followed as laid down in Annex II of this JRP-Contract which closely follow the financial provisions of the Model Grant Agreement adopted by the European Commission.
- 5.6. By signing the 'Statement on Double Funding' (Annex V of this JRP-Contract) the JRP-Partner(s) shall ensure that double funding benefiting from this or any other European Union funding, except for the agreed matching funding, for the same activity does not exist, as stated in the Annex. If EURAMET suspects that this declaration is false, the matter will be investigated and, if proven, will result in the termination of the participation of this JRP-Partner. In such case, the European Commission shall be informed. The procedure established in Clause 19 for termination of this JRP-Contract will apply.

The JRP-Coordinator shall send to EURAMET one duly completed and signed original copy of Annex V per JRP-Partner (including itself) at the latest 45 calendar days after the entry into force of the JRP. The two remaining signed originals shall be kept, one by the JRP-Coordinator and one by the JRP-Partner concerned.

- 5.7. Bank charges shall be shared with each Party bearing the costs of their bank.

Wherever possible, EURAMET will make payments to JRP-Partners through the Single Euro Payments Area (SEPA), which will minimise the bank charges for both EURAMET and the JRP-Partners.

- 5.8. The JRP-Partners are only allowed to transfer budget between themselves with prior written approval by EURAMET and shall follow procedures specified by EURAMET for such transfers.

To transfer budget between partners, and/or spend categories and/or periods the process is:

- The JRP-Coordinator requests an amendment to the Annex Ib, by email, attaching the amended Annex Ib and confirming that all members of the JRP-Consortium are in agreement with the request.
- If this is approved by EURAMET a revised Annex Ib will be issued. Where appropriate (i.e. if the changes effect the information in the Annex Ia) the Annex Ia will also be reissued and in the case of significant changes to the Annexes EURAMET will also issue a contract amendment.

Please note that it is not necessary to transfer budgets between categories and periods in order to enable costs to be claimed. (All costs must be reported as part of financial reporting, irrespective of the budget and EURAMET will consider funding any eligible costs, even if they exceed the budgeted amount for a particular category in a particular period). However transfers should be considered when significant changes are forecast, in order to aid the management and financial reporting processes. JRP Coordinators should ideally make such requests at the time of interim reporting (collating all changes into one request).

After the acceptance of the second financial reporting, EURAMET will ask JRP-Consortium to confirm the final distribution of funding between partners (in order that any unutilised budget be transferred to partner(s) that have spent above budget). In this case only the agreement of the JRP-Consortium and approval of EURAMET are necessary. On this occasion the approval of the transfer of budget will not result in a reissue of the Annex Ib.

Clause 6 - Reporting and Approval of Reports

...

- 6.2. Periodic reports (technical and financial) shall be submitted for each reporting period within 60 days of the end of the period in question by the JRP-Coordinator to EURAMET.

The JRP is divided into reporting periods (RP) of the following duration:

RP 1: from Month 1 to Month 18.

RP 2: from Month 19 to the last month of the JRP.

...

- 6.6. Reporting shall be submitted in accordance with the JRP Reporting Guidelines issued by EURAMET setting out the structure, the content and the format. The relevant version of the JRP Reporting Guidelines shall be the version current at the end of the relevant reporting period.

Any report and deliverable required by this JRP-Contract shall be in English.

The JRP Reporting Guidelines are available at www.emrponline.eu/downloads.html

- 6.7. Costs shall be reported in Euro. JRP-Partners with accounts in currencies other than the Euro shall report costs by using, either the conversion rate published by the European Central Bank¹ that would have applied on the date that the actual costs were incurred, or its rate applicable on the first

¹ The daily exchange rates are fixed by the European Central Bank (ECB) and may be obtained at the following internet address: <http://www.ecb.int/stats/eurofxref/> or, for the rate of the first day of the month following the reporting period, in the relevant OJ of the European Union. For the days where no daily exchange rates have been published, (for instance Saturday, Sunday and New Year's Day) the rate on the next day of publication should be used.

The use of other sources for exchange rates (other than the ECB) is admissible only where no other solution is possible (i.e. when ECB does not include the daily exchange rates for a particular currency).

day of the month following the end of the reporting period. JRP-Partners with accounts in Euro shall convert costs incurred in other currencies according to their usual accounting practice.

- 6.8. At the end of each reporting period, EURAMET shall evaluate the required reports and deliverables. Payments shall be made after EURAMET's approval of the reports (technical and financial) in accordance with the provisions of Clause 5.3.

EURAMET expects to receive funds from the European Commission once a year (around September) and once these have been dispersed any payments against approved cost claims will be delayed until the following September/October.

...

- 6.10 Approval of costs claimed by JRP-Partners during the lifetime of the JRP shall be subject to Financial Audit reports which shall be carried out in accordance with the financial audit requirements as laid down in Annex II of this JRP-Contract which closely follow the provisions of the Model Grant Agreement and guidance documents adopted by the European Commission.

Each JRP-Partner shall be required to submit to EURAMET a Financial Audit report at the end of each reporting period according to Clause 6.2.

The requirement to provide an intermediate Financial Audit report shall be waived, when the amount of the financial contribution to a JRP-Partner over the lifetime of the JRP is less than EUR 50 000.

An intermediate Financial Audit report is the audit of period 1 costs submitted at period 1 reporting
The financial contribution referred to is that from EURAMET.
This waiver applies at the JRP-Partner level - Linked Third Parties will need to submit a Financial Audit Report if their JRP-Partner is required to do so.
No costs are exempt from audit. When the intermediate Financial Audit report is waived then period 1 costs must be audited at the end of period 2 along with period 2 costs
in some cases the option to delay audit until period 2 reporting is available
All JRP-Partners and Linked Third Parties must submit a Financial Audit report at the end of the project

Clause 7 - Special Clauses

7.1. Unfunded JRP-Partners

- 7.1.2. The activities and contribution of the unfunded JRP-Partner(s) shall not be considered when establishing the total eligible costs for this JRP. Their contribution shall not be considered as a receipt to this JRP.

Costs incurred by the unfunded JRP-Partner(s) shall not be taken into consideration for determining the EURAMET financial contribution.

- 7.1.3. Following Clauses do not apply to unfunded JRP-Partners:

- Clauses 5 – Funding Provisions
- Clauses 6.10 – Reporting and Approval of Reports (approval of Financial Audit reports)
- Clause 10.6 – Audit and Checks (financial audits and controls)
- Clause 11 – Recovery, Repay and Sanctions
- Clause 15.2 – Liability and Force Majeure (financial liability)
- Clauses 19.6.2 and 19.6.3 – Termination (financial consequences).

The unfunded JRP-Partner(s) need not submit Financial Audit reports, in particular a financial statement and an Audit Certificate, as they are not subject to financial audits and controls.

7.2. EMRP Researcher Grant Beneficiary(ies)

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No financial provisions for the EMRP Researcher Grants are included within the JRP-Contracts. For Financial guidance relating to the EMRP Researcher Grant Contracts refer to the Guide to Financial Aspects for EMRP Researcher Grants, available at www.emrponline.eu/downloads.html

7.3. Third Party linked to a JRP-Partner

7.3.1 The following third party is linked to the JRP-Partner ...

7.3.2 This JRP-Partner may charge costs incurred by the above-mentioned third party in carrying out the JRP, in accordance with the provisions of this JRP-Contract. The third party's contributions to the JRP shall not be considered as receipts of the JRP.

The third party shall identify the costs to the JRP mutatis mutandis in accordance with the provisions of Part A of Annex II of the JRP-Contract. The third party shall charge its eligible costs in accordance with the principles established in Articles II.14 and II.15 of Part A of Annex II of the JRP-Contract. The JRP-Partner shall provide to EURAMET:

- an individual financial statement from the third party in the format specified in Form C. These costs shall not be included in the JRP-Partner's Form C.
- Financial Audit reports from the third party in accordance with the relevant provisions of this JRP-Contract.
- a summary financial report consolidating the sum of the eligible costs borne by the third party and the JRP-Partner, as stated in their individual financial statements, shall be appended to the JRP-Partner's Form C.

When submitting reports referred to in Clause 6, the JRP-Consortium shall identify work performed and resources deployed by the third party linking it to the corresponding JRP-Partner.

7.3.3 The eligibility of the third party's costs charged by the JRP-Partner is subject to controls and audits of the third party, in accordance with Clauses 10.6 and 10.7.

7.3.4 The JRP-Partner shall retain sole responsibility towards EURAMET and the other JRP-Partners for the obligations and performance of the third party linked to it. The JRP-Partner shall ensure that the third party abide by the provisions of the JRP-Contract.

The third party's "Form C" refers to the Reporting Template 11 - Linked Third Party's Financial Workbook and "JRP-Partner's Form C" refers to the Reporting Template 10 - Funded JRP-Partner's Financial Workbook

The financial reporting requirements for the Linked Third Party and the JRP-Partner it is linked to are clarified in the JRP Reporting Guidelines.

The "summary financial report consolidating the sum of the eligible costs borne by the Linked Third Party and the JRP-Partner", referred to in Clause 7.3.2. is covered by Reporting Template 10 - Funded JRP-Partner's Financial Workbook.

Clause 16 - Subcontracting

16.1. Subcontracting in significant matters is not permitted under this JRP-Contract.

16.2. A subcontractor is a third party which has entered into an agreement on business conditions with one or more JRP-Partners, in order to carry out part of the work of the project without the direct supervision of the JRP-Partner and without a relationship of subordination.

Provisions of this JRP-Contract applying to subcontractors shall also apply to external auditors who certify financial statements or a methodology.

- 16.3. Subcontracting may concern only certain parts of the JRP, as the implementation of the JRP lies with the JRP-Partner(s). The JRP-Partner(s) shall remain responsible for all its rights and obligations under this JRP-Contract, including the tasks carried out by a subcontractor.
- 16.4. Where it is necessary for the JRP-Partner to subcontract certain elements of the work to be carried out, the JRP-Partner shall ensure that principles of best value for money (best price-quality ratio), conditions of transparency and equal treatment are used before selecting a subcontractor.

Where it is necessary for a JRP-Partner to subcontract certain elements of the work to be carried out, the JRP-Partner must be able to demonstrate that:

- the criteria and conditions of submission and selection are clear and identical for any legal entity offering a bid
- there is no conflict of interest in the selection of the offers
- the selection is to be based on the best value for money given the quality of the service proposed (best price-quality ratio). It is not necessary to select the lowest price, though price is an essential aspect.
- the criteria defining "quality" is clear and coherent according to the purpose of the task to subcontract, in order to provide a good analysis of the ratio price/quality

The procedure to be applied for the award of subcontracts depends on the status of the JRP-Partner:

Public entities must follow the procurement principles established by their national authorities. For subcontracts exceeding certain amounts, the directive on public procurement of services applies and the publication of a call for tenders is mandatory.

Private legal entities must follow the rules that they usually apply for the selection of procurement contracts, respecting in any case the terms of the JRP-Contract. The publication of a call for tenders is normally not necessary for private legal entities, but they must at least require submission of several quotes (usually a minimum of three), unless it has an established framework contract for the provision of those services. There must be a proportional relationship between the size in work and cost of the tasks to be subcontracted on the one hand and the degree of publicity and formality of the selection process on the other.

The following conditions must be fulfilled:

- subcontracts may only cover the execution of a limited part of the JRP;
- recourse to the award of subcontracts must be duly justified in Annex Ia and Annex Ib having regard to the nature of the JRP and what is necessary for its implementation;
- recourse to the award of subcontracts by a JRP-Partner may not affect the rights and obligations of the JRP-Partners regarding Background IP and Foreground IP;
- Annex Ia and Annex Ib must indicate the tasks to be subcontracted and an estimation of the costs;
- in case that subcontracting to third parties of any activities is not specifically identified in Annex Ia and Annex Ib as a subcontract activity when signing the JRP-Contract, the award of this subcontract requires the prior written approval of EURAMET. The request for approval shall include a justification of the rationale, content and cost.

An email from the EMRP MSU to the JRP-Coordinator may be accepted as evidence of EURAMET approval.

Subcontracting of minor tasks, however, do not have to be specifically identified in Annex Ia, as by definition their importance is minor (the amounts involved are also normally small). However, the selection procedure mentioned above also applies to these subcontracts.

(examples of minor tasks are external catering, courier services, printing)

The criteria for tasks being considered as minor tasks are qualitative and not quantitative. If a JRP-Partner has any doubt over the eligibility of a subcontract they are advised to seek advice from EURAMET (via the JRP-Coordinator) prior to engaging the subcontractor.

Subcontracts concluded on the basis of framework contracts entered into between a JRP-Partner and a subcontractor, prior to the beginning of the JRP in accordance with the JRP-Partner's usual management principles may also be accepted.

16.5. Subcontracting related to this JRP-Contract is not allowed between the JRP-Partners.

Further, a JRP-Partner should not pay for any costs relating to another JRP-Partner in the project (Exceptionally, one partner may pay a catering fee for a dinner for several partners where this is organised as part of a consortium meeting)

However, where the desire to do so exists then an acceptable solution is that budget be transferred between JRP-Partners in order that the JRP-Partner that incurred the costs receives an increase in budget (see 5.8).

It is possible for a number of JRP- Partners to share the cost of a subcontract, e.g. where the costs are very high and the subcontract is required for the delivery of the tasks of by more than one partner. In this situation each JRP- Partner should enter a separate contract with the subcontractor and pay their own invoice separately. (One partner should not arrange the full subcontract and attempt to be reimbursed by other partners)

16.6. Collaborators are not to be regarded as subcontractors.

Section 2: 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.

All financial items in Articles II.1 to II.13 of the FP7 guidance (Guide to Financial Issues relating to FP7 Indirect Actions) that are relevant to the JRP-Contracts have been included in the JRP-Contract core document (and are covered in Section 1).

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.

Clause 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;

Costs must be actually incurred (actual costs). That means that they must be real and not estimated, budgeted or imputed.

Exceptionally, personnel costs may be based on 'average personnel cost' rather than actual cost (see further guidance at the end of this section (II.14.1) on the criteria for eligibility of average personnel costs).

Exceptionally, in the case of subsistence costs, if it is the usual practice of the JRP-Partner that these are reimbursed on the basis of a lump sum/or *per diem* payment, it is the lump sum/or *per diem* and not the actual costs that are considered to be eligible costs. (Travel cost *per diems* are not eligible).

Where actual costs are not available at the time of the Financial Audit Report, the closest possible estimate can be declared as actual if this is in conformity with the accounting principles of the JRP-Partner. Any necessary adjustments to a Period 1 cost statements should be reported during Period 2 reporting. (There is no opportunity to report an adjustment to Period 2 costs once the reports have been approved).

b) they must be incurred by the JRP-Partner;

Supporting documents proving occurrence, the bookkeeping and the payment of the costs by the JRP-Partner must be kept for all costs and for up to 31 December 2022.

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;

All costs must be incurred during the JRP with the exception of:-

A) Time costs for personnel the JRP-Coordinating Organisation involved in preparation of all reports due after the project end date.

The JRP-Coordinating Organisation may include in the Financial Statement hours and associated labour and overhead costs incurred in preparation of the final report by the JRP-Coordinator or other appropriate staff of

the JRP-Coordinating Organisation, up to 60 days after the end of the JRP or the date of termination whichever is earlier.

All other JRP-Partners may only claim hours booked up until the end date of the JRP.

The JRP-Coordinator may not claim costs in any other cost category other than labour for reporting activities beyond the end of the JRP.

B) Auditor's fee

Auditor's fees of each funded JRP-Partners 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.

The date on which the project starts determines the beginning of the period of eligibility of the corresponding costs.

The date that the cost is incurred is dependent upon the method of accounting

A) For JRP-Partners working on accrual based accounting, the date when the costs are incurred is the earlier of the 2 following dates:

- the date when an accrual should be recorded in accordance with the national accounting law and the usual accounting and management principles and practices of the JRP-Partner

or

- the date when the invoice is entered into the accounts.

Costs must be incurred during the duration of the project, which does not necessarily mean that the cost has in fact to be paid during that period.

e.g. Salaries of staff for the last month of the project which are paid following the end of the project.

B) For JRP-Partners working on cash based accounting, the date when the costs are incurred is the date when the payment is executed.

Eligibility of costs arranged in advance of the project, e.g. relating to travel to a meeting is dependent on whether or not the normal accounting practices mean that they are incurred on a date that is before or after the start date of the project.

It may be that despite the ownership of the goods having actually been transferred or the service provided some costs have not yet been paid when the final financial reporting has been submitted. This situation is acceptable if it can be demonstrated that a debt exists (invoice or equivalent) for services or goods actually supplied during the lifetime of the project and the final cost is known; EURAMET is entitled to check whether payment was actually made by asking for supporting documents to be produced when the payment has been made or during an ex post audit carried out later.

For the last period the costs should be submitted based on the information available at the moment of preparing the Financial Statement.

Costs related to the drafting of the JRP-Consortium Agreement are not eligible. Costs related to updating the JRP-Consortium Agreement, however, are eligible.

Depreciation costs for capital equipment used for the project but bought before the start of the project can be eligible if the equipment has not yet been fully depreciated according to the usual accounting practices of the JRP-Partner, then the remaining depreciation (according to the amount of use, in percentage and time) can be eligible under the project.

Example:

Equipment bought in January 2005, with a depreciation period of 48 months according to the JRP-Partner's accounting practices. If a JRP-Contract is signed in January 2007 (when 24 months of depreciation have already passed), and the equipment is used for this JRP, the JRP-Partner can declare the depreciation costs

incurred under the project for the remaining 24 months in proportion of the allocation of the equipment to the research project.

Costs related to preparing, submitting and negotiating the proposal can never be charged to the project.

- 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.

However, this principle is not absolute;

It must be considered together with the other eligibility criteria, and therefore could not be invoked in order to deviate from other provisions of the JRP-Contract.

Example:

VAT could be considered as a cost in the accounts of a JRP-Partner, but this cannot be claimed as an eligible cost with an A169 JRP, as VAT is not an eligible cost (II.14.3)

This also means that a JRP-Partner does not have the possibility to create specific accounting principles for JRPs (e.g. a bonus payment for researchers only for the time spent on JRPs). If in their usual accounting principles a particular cost is always considered as an indirect cost then it must also be considered as an indirect cost in a JRP.

An exception to this is when a JRP-Partner needs to introduce changes in order to bring its "usual accounting principles and practices" in line with other provisions of the JRP-Contract. It is clear that in this case those changes are not only possible but compulsory.

Example: time recording practices, indirect cost calculations, productive hours approaches etc.

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;

However, when the JRP-Partner opts to charge indirect costs using the 20 % or 60 % flat rates (see Clauses II.15.2b and II.15.2c), by definition these indirect costs do not need to be backed up by supporting evidence.

- 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;

These costs must be essential for the performance of the project and would not be incurred if the project did not take place. The JRP-Partner must be able to justify the resources used to attain the objectives set. The JRP-Contract must not be diverted to finance other projects or other activities.

The **principles of economy, efficiency and effectiveness**: refers to the standard of "good housekeeping" in spending public money effectively. Economy can be understood as minimising the costs of resources used for an activity (input), having regard to the appropriate quality and can be linked to efficiency, which is the relationship between the outputs and the resources used to produce them. Effectiveness is concerned with measuring the extent to which the objectives have been achieved and the relationship between the intended impact and the actual impact of an activity. Cost effectiveness means the relationship between project costs and outcomes, expressed as costs per unit of outcome achieved.

Costs must be reasonable and comply with the principles of sound financial management, with the objectives of the project and with the formal aspects of the reporting of this expenditure, including the analysis of the costs versus the budgets in terms of budget allocation and schedule of the cost.

Example: If a person is employed to work on the project but efficient and effective delivery of the project activities only requires part of the person's time, then it is not permissible to charge all the person's time to the JRP.

- 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.

All costs must be reported even if the partner has spent more than their indicated budget or if a partner has spent in a category where no budget (or zero budget) is indicated (see the JRP Reporting Guidelines), so this clause does not restrict the costs to being within the budget indicated in the Annex Ib in order to be eligible for inclusion in the financial reporting. EURAMET will consider those costs as if they were indicated in the estimated overall budget.

For example

Category	Budget	Actual Costs*	Costs to be reported
Labour	200k	210k	210k
Travel	-	2k	2k
Consumables	10k	8k	8k
Subcontracts	3k	4k	4k
Overheads	240k	255k	255k
TOTAL	453k	479k	479k

*(meeting all other criteria in a) to f) above)

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.

Guidance on average personnel costs

The following criteria must be met in order for average personnel costs to be accepted.

- The average personnel cost methodology shall be the one declared by the JRP-Partner as its usual cost accounting practice; as such it shall be consistently applied to all EMRP JRPs;
- The methodology shall be based on the actual personnel costs of the JRP-Partner as registered in its statutory accounts, without estimated or budgeted elements;
- The methodology shall exclude from the average personnel rates any ineligible cost item and any costs claimed under other costs categories in order to avoid double funding of the same costs;
- The number of productive hours used to calculate the average hourly rates shall correspond to the usual management practice of the JRP-Partner provided that it reflects the actual working standards of the JRP-Partner, in compliance with applicable national legislation, collective labour agreements and contracts and that it is based on auditable data.

Further guidance on Criterion a: **Usual cost accounting practice declared by the JRP-Partner**

The methodology applied should be the usual cost accounting practice of the JRP-Partner. The terms "shall be the one declared by the JRP-Partner" means that EURAMET will consider that by submitting their costs calculated by means of a given methodology and signing financial statements, the JRP-Partner is declaring that such methodology is its usual costs accounting practice. Where necessary this usual cost accounting practice should be adjusted in order to fulfil all the acceptability criteria. For instance, this would be the case when the usual personnel cost calculation method includes ineligible items that would need to be removed (e.g. indirect taxes).

This criterion does not require the average personnel costs methodology to be equal for all types of employees, departments or cost centres. If, for instance, the usual cost accounting practice includes different calculation methods for permanent personnel and temporary personnel, this is acceptable. However, the overall methodology must be consistently applied in all EMRP participations of the JRP-Partner and cannot be adapted ad-hoc for particular JRPs.

Further guidance on Criterion b: **Based on the statutory accounts**

In order to guarantee that the average cost rates used in the methodology are based on actual costs, the calculation method should compute personnel cost rates resulting from the payroll figures registered in the statutory accounts of the entity.

Budgeted or estimated figures are not costs actually incurred and, as such, cannot be accepted as eligible components of the personnel costs. Notwithstanding this, when the actual amount of some element of the personnel costs is not known at the time of the preparation of the Financial Statements, JRP-Partners are entitled to use the last available financial data or the best possible estimation of the actual costs.

When an estimation is included in the costs incurred during Period 1 any necessary amendments to the costs should be submitted as part of Period 2 reporting and the revised costs must be included in the Financial Audit Report delivered at Period 2 reporting.

In the case of costs incurred during Period 2 there will be no opportunity to adjust the claim after the Financial Reporting has been approved by EURAMET.

Further guidance on Criterion c: **Excluding ineligible costs and double funding**

Costs declared to be ineligible by EURAMET, in particular those stated in Clause II.14.3 of Annex II of the JRP-Contract, need to be removed from the personnel rates. If the usual accounting practice includes any element considered ineligible, the personnel rates would need to be adjusted by withdrawing such components from the pool of personnel costs.

The methodology should also prevent double funding of the same costs. As an example, certain methodologies include in the calculation of the personnel rates cost components that are part of the indirect costs in the JRP-Partners' accounts. In such situations, if the JRP-Partner uses real indirect costs, the methodology should ensure that those items are removed from the pool of costs used to calculate the indirect cost charged to the JRP. In the particular case of JRP-Partners applying a flat-rate indirect cost method, the personnel cost cannot include any indirect cost element as these are covered by the flat-rate.

Further guidance on Criterion d: **Productive time**

As a general rule, the number of productive hours (defined in Clause II.15.1 of Annex II of the JRP-Contract) should be that applied as the usual practice of the JRP-Partner. For instance, JRP-Partners could use the actual productive hours of each researcher according to the time-records or instead use a standard number of productive hours (generally annual productive hours). When the JRP-Partner applies a standard number of productive hours, this should be representative of its working standards. Background information used to determine the standard productive hours should be available and verifiable.

An illustrative example could be a case where a JRP-Partner deducts 7 working days a year as average illness absence of the employees when calculating the annual productive hours. The records substantiating this figure should be available in case of an audit. Besides, if the records on illness absences show that systematically the number of days is lower than 7, this could be a reason for EURAMET to re-evaluate the appropriateness of the standard number of annual productive hours.

Further information regarding personnel costs and EURAMET audits:

In case of an audit, the EURAMET auditors will verify that the average personnel costs calculation method fulfils the acceptability criteria.

If an FP7 Certificate on the Methodology (CoM) covering average personnel costs or a Certificate on Average Personnel Costs (CoMAv) has been approved for the JRP-Partner, this will be duly taken into account by the auditor. If the average personnel costs methodology is compliant with the acceptability criteria, the audit will verify the correct implementation of the methodology, the respect of other general eligibility criteria and the accurate calculation of the costs (i.e. free of clerical mistakes).

In the case where the methodology fails to respect one or several criteria, the auditor will correct, when possible, the average rates applied by the JRP-Partner and propose the corresponding financial adjustments

on such basis. This can occur, for instance, if the auditor notices ineligible costs included in the calculation of the personnel rates and the precise amount can be identified and removed in order to re-calculate the rates. The auditor will not calculate the individual actual costs of the researchers participating in the projects except in exceptional cases. These exceptional cases could be, among others:

- When the average personnel cost methodology is not the usual cost accounting practice of the JRP-Partner for JRP projects.
- When the methodology is not based on the actual payroll costs registered in the statutory accounts of the entity.
- For cases of ineligible items, double charging of costs or use of estimated or budgeted elements: when the JRP-Partner does not grant access to the necessary information and supporting documents allowing the re-calculation of the average personnel rates.

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,

In general, the JRP-Partner is entitled to charge to the project only the net value of the invoice, provided that all eligibility criteria are met. Identifiable VAT is not eligible, 'indirect taxes' will be allowed when not identifiable. This may be for example the case with foreign invoices where the price indicated is gross without identifying the tax. In any case, the JRP-Partner must be able to justify this in the event of an audit.

The particular case of airport taxes

In general, airport taxes are not real taxes in the sense of tax law but a fee for a service delivered by a public or semi-public body in charge of a (public) service, such as airports (independent of the fact that that some airports might have a private legal form). In this case the airport taxes imposed by these authorities may be considered a fee and therefore eligible because they are neither a duty nor an indirect tax. Usually the invoice makes reference to "service charge", "charge" etc... If the invoice, however, only mentions "airport taxes", the JRP-Partner should use other means to prove that the so called "airport tax" is not a tax. As a conclusion, it can be said that when airport taxes are not identifiable, they are eligible, but when airport taxes are identifiable, the nature of the tax has to be examined according to the point above.

Examples:

Fuel surcharge, insurance surcharge, etc. are eligible costs;

Air passenger duty is not an eligible cost (see below)

- b) duties,

This means the amount of duty assessed on an imported or (less often) exported item, nearly equivalent to taxes, embracing all taxation or charges levied on persons or things [or the tax imposed on the importation, exportation, or consumption of goods] is not eligible.

- c) interest owed,
- d) provisions for possible future losses or charges,
- e) exchange losses, costs related to return on capital,

Example: Costs related to return on capital e.g. if there are dividends paid as remuneration for the work in the project.

- f) costs declared or incurred, or reimbursed in respect of another project of the Union, including those funded by EURAMET,

In particular time costs of Researchers undertaking an EMRP Mobility Grants are not eligible during the period of mobility covered by the Grant. Although these costs are not funded by EURAMET through the

Mobility Grant, they are also not eligible for funding within the JRP as the Grant activity is additional to the JRP.

However, if the Researcher attends a conference after the period of the Grant, to present the results of work carried out during the Grant, in order to deliver knowledge transfer for the JRP (with the agreement of the JRP Coordinator) then the time costs of the Researcher, if employed by a funded JRP-Partner, would be eligible for this activity. Additionally any direct costs incurred over and above the Grant allowances can be considered as eligible costs to the JRP.

- g) debt and debt service charges, excessive or reckless expenditure,

Here "excessive" means paying significantly more for products, services or personnel than the prevailing market rates, resulting in an avoidable financial loss to the project.

"Reckless" means failing to exercise care in the selection of products, services or personnel resulting in an avoidable financial loss to the project.

- h) EMRP A169 National Cash Contribution.

Clause 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.

Direct costs are broken down into the following categories: (full explanations are given in following sections of this document)

- (a) Labour (also referred to as personnel costs)
- (b) Travel and Subsistence (T&S)
- (c) Capital Equipment
- (d) Consumables
- (e) Other costs
- (f) Subcontracts
- (g) Linked Third Party Resources.

(a) Labour

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.

The costs of both "permanent employees" and "temporary employees" may be charged to the JRP.

Personnel costs should reflect the total remuneration: e.g. salaries plus social security charges (holiday pay, pension contribution, health insurance, etc.) and other statutory costs included in the remuneration.

Where it is the usual practice of the JRP-Partner to consider certain types of personnel (such as administrative or support personnel) as indirect costs, the costs of these personnel cannot be charged as direct eligible costs, but only as indirect costs.

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 or activities during the same period, including annual leave, sick leave, administration etc.

Employees may record their time on a daily, weekly, or monthly basis using a paper or a computer-based system. The time-records records must be auditable. Failure to record the actual time worked appropriately will result in the personnel costs not being eligible for reimbursement. The time records must either be authorised by the project manager or the time booked must be regularly reviewed by the project manager and corrected for any errors identified.

'Productive hours' represent the (average) number of hours available from the employee in a year after the deduction of weekends, holidays, public holidays, sick leave and other entitlements.

A simple estimation of hours worked is not sufficient. Productive hours must be calculated according to the JRP-Partner's normal practices subject to meeting the necessary eligibility criteria.

The annual number of productive hours can be calculated in two ways:

- by using a standard number of productive hours used for all employees;
- by calculating the actual individual number of productive hours for each employee.

The first option, the use of the standard number of productive hours, is the most efficient one. The use of actual productive hours per employee to compute the hourly personnel rate is the most precise. In general, the actual productive hours should be close to the standard productive hours. In addition, the time recording system of the JRP-Partner must allow keeping track of the number of actual individual productive hours.

Productive hours per year should exclude annual leave, public holidays, training and sick leave. A figure of 210 working days per year could be considered representative in most cases.

For example:

Total days in a year	365
Weekends	-104
Annual holidays	- 21
Statutory holidays	- 15
Illness/Others	- 15
Workable days in a year	210

The above will vary depending on the personnel category, employment contract, national legislation, etc.

Some organisations use the (much lower) number of "billable" hours instead of the number of productive hours, with a higher hourly rate as a result. This is not acceptable. Productive hours are not the same concept as "billable" hours.

Productive hours include all working activities of the personnel of the JRP-Partner; they include also activities such as:

- Sales and Marketing
- Preparation of proposals
- Administrative time
- "Unsold time"/ "non billable" hours
- Non-project related, general research activities
- In the case of universities or similar bodies: teaching, training of students or similar activities.

This time is considered productive and usually would not be recovered via the indirect costs.

If an employee is working directly on a project and the JRP-Partner is charging the employee's time as a direct cost, it could only also charge part of the employee's time as indirect costs if the JRP-Partner can prove that these indirect costs are linked to the project and are eligible. In this case:

- the JRP-Partner's accounting system must be able to exclude from the overheads charged any ineligible costs according to the JRP-Contract

- the overheads charged must exclude costs already charged to the project as direct costs

Some activities may be considered not to be part of the productive hours of personnel:

- General training (not project related)
- General internal meetings (not project related)

These activities together with the sickness days should not exceed 15 days a year (unless duly justified). The JRP-Partner must substantiate these hours/days. In addition, this calculation must be consistent with the internal regulations and/or practice of the organisation (e.g. minimum number of training days specified in the organisation's HR policy) and/or the time recording system of the JRP-Partner. (e.g. if internal meetings hours are deducted from the productive hours, the time recording system must keep track of the hours spent on meetings).

Productive hours have to be clearly justified and must match the underlying time records. If hours actually spent in productive tasks (as supported by time records) exceed the standard productive hours, the first shall be used for the calculation of the personnel costs.

The JRP-Partner cannot claim more hours than the number used for the computation of the personnel hourly rates. Otherwise, the JRP-Partner would charge more than its actual personnel costs. If the JRP-Partner uses the standard productive hours, it cannot claim more hours than the standard productive hours, even if the actual time spent exceeds them.

If the JRP-Partner uses the actual productive hours, it cannot claim more hours than the individual actual productive hours.

Example:

Total productive hours= 210 X 7.5 hours= 1570 hours

Total Salary (statutory costs, including holiday pay, etc...): 30 000 Euro/year

Hourly rate= 30 000/1570= 19.1 Euro/hour

Total hours worked for the project= 650

Total costs charged to the project= 650 x 19.1= 12 415 Euro

The productive hours have to be clearly justified and must match the underlying time recording system.

Overtime: may be accepted provided that:

- the overtime is actually paid,
- the overtime is necessary to the project and in conformity with the JRP-Partner's national legislation,
- it is the policy of the JRP-Partner to pay overtime.

Only the hours worked on the JRP can be charged. The hourly rate applicable to these "overtime" hours has to be taken into account separately from the standard working hours and there must be a system that allows the identification of the productive hours worked for the project.

Recruitment costs: In general, these costs are not eligible as direct personnel costs since the JRP-Partner is required to have the human resources necessary for the action at the start of the project. If a JRP-Partner needs to recruit additional personnel during the course of the project the relevant costs could be considered as part of the normal indirect costs of the organisation if they fulfil the conditions of Clause II.14 of the JRP-Contract and if it is the usual practice of the JRP-Partner to pay for those costs.

Direct taxes and certain other charges related to personnel: EURAMET will recognise as eligible direct taxes and social charges to the extent they fulfil all of the following criteria:

- the charges are mandatory under the applicable legislation or sector agreements, or resulting from measures based on such legislation or agreements.
- they can be directly or indirectly linked to the remuneration of personnel.
- they are recorded according to the usual accounting principles of the JRP-Partner concerned.

- they are effectively incurred during the duration of the JRP and have been paid or will be paid obligatorily at a later date and reflected in the accounts of the JRP-Partner.

(b) Travel and Subsistence (T&S)

Only Travel and Subsistence (T&S) costs for employees of the JRP-Partner are eligible in this category.

T&S costs for non employees may, under certain circumstances, be eligible under (e) Other costs.

T&S costs for an employee of another funded JRP-Partner within the JRP-Consortium will not be eligible. Such costs are only eligible if claimed by the employing organisation.

T&S costs must comply with the JRP-Partner's usual practices and be adequately recorded, like any other cost.

Example: JRP-Partner A claims the flight costs of a project meeting for a member of staff travelling in business class:

If the usual practice of the JRP-Partner is to pay for business class tickets for staff of the same category, then the cost of the business class ticket will be eligible under the JRP-Contract. If the usual practice of the JRP-Partner is to pay for economy class tickets for staff of the same category, then the cost of the business class ticket will not be eligible under the JRP-Contract.

There is no particular distinction regarding the eligibility of costs incurred for travelling within Europe or beyond.

The travel must be needed for the work in the JRP, or for activities related to it (e.g. presentation of a paper explaining the results of the JRP at a conference).

Travel costs related to a conference where no specific project-related work will be performed or presented by the JRP-Partner would not be eligible. Travel costs should be limited to the necessity for the project; any extension of the travel for other professional or private reasons is not an eligible cost.

Where it is the usual practice of the JRP-Partner to reimburse subsistence costs on the basis of a lump sum/or *per diem* payment, Clause II.14.1a enables the lump sum/or *per diem* and not the actual costs to be considered to be eligible costs. (Travel cost *per diems* are not eligible).

(c) Capital Equipment

Capital equipment, asset lease fees or depreciation costs may be charged to the JRP if it is normal practice to charge lease fees as a direct cost to project rather than as an overhead cost.

This category can include those costs necessary for the asset to be in working condition for its intended use (site preparation, delivery and handling, installation, etc.);

The cost must be determined according to the organisation's usual accounting practice and each organisation must apply its usual depreciation system for durable equipment;

Financial leasing with the option to buy durable equipment shall be charged in accordance with the organisation's own accounting practices. The cost cannot exceed the costs that would have been incurred if the equipment had been purchased and depreciated under normal practice;

The depreciated costs of equipment can never exceed the purchase price of the equipment;

Only the portion of time that the equipment is used on the JRP may be charged. The amount of use (percentage used and time) must be auditable. If, for example, equipment purchased for the JRP will be used 55 % of the time on the JRP and will be depreciated over a 60 month period and the JRP will last for 36 months, then for linear depreciation the maximum depreciation cost that can be charged is $(55 \% \times \text{total depreciation costs} \times 36/60)$.

(d) Consumables

Consumables necessary for the implementation of the JRP may be considered as direct eligible costs, for example liquid helium supplies, material supplies, electronic components. Also any equipment that is not capitalised and should be included in this category. The costs of consumables and supplies purchased after the start date of the JRP may be charged against the JRP provided they are identifiable in the organisation's accounts and specifically assigned to the JRP within the accounts. Where it is the usual practice of the organisation to consider consumable costs (or some of them) as overhead costs, those costs cannot be charged as direct costs to the JRP.

(e) Other costs

T&S costs for a non employee:

Reimbursement of T&S costs for invited speakers at a JRP workshop or invited experts from outside the JRP to whom it is important to disseminate outputs from the JRP or from whom input is actively sought (these might for example include organisations who do not currently have the capability to participate in the JRP as a JRP-Partner but who need to implement the project outputs) may be considered eligible. These costs may be reimbursed to the experts by the JRP-Partner or the JRP-Partner may directly deal with the travel arrangements (and therefore be directly invoiced).

Reimbursement of T&S costs for personnel of an unfunded JRP-Partner are eligible if it is of benefit to the JRP for the partner to attend a meeting or event, so long as it is not specified within the JRP that they will attend.

T&S costs for an employee of another funded JRP-Partner within the JRP-Consortium will not be eligible. Such costs are only eligible if claimed by the employing organisation under their 'travel and subsistence' costs. (Exceptionally, one partner may pay for a dinner for several partners where this is organised as part of a consortium meeting)

Registration fees for workshops or conferences:

Attendance at the workshops or conferences must be needed for the work in the JRP, or for activities related to it (e.g. presentation of a paper explaining the results of the JRP at a conference).

Provision of resources:

Any costs that are not already covered elsewhere relating to the provision of resources (for example hire of facilities, software licence fees, agency fees) should be included in this category if it is the usual practice of the JRP-Partner to consider such costs as a direct project rather than as an indirect/overhead cost.

Internally invoiced costs:

Costs of equipment or facilities that are shared between the different units of the same legal entity, where the costs of their use are charged through internal invoices are eligible if their use for the JRP is properly recorded. For example

- In-house catering for a meeting;
- In-house printing of material;
- In-house engineering workshop costs;

Internally invoiced personnel costs for project specific activities may be eligible if the time worked on the JRP is substantiated by records covering all the workable time of the relevant personnel i.e. the time recording for the employee must enable the reconciliation of the productive hours and the time specifically worked on the JRP. The eligible hourly rate must be calculated based on the actual cost for salaries and social charges incurred by the JRP-Partner.

Internal invoicing may apply also to items like engineering workshop costs, computer runs, laboratory tests and other similar services where it is difficult to substantiate the actual time and the actual cost of each

individual involved in each individual operation, and where an average personnel cost per type of computer run, type of test etc. has been calculated based on the actual costs incurred for the personnel involved. For these costs to be eligible the calculation of costs must be auditable.

The same logic applies to equipment, consumables or any other specific direct costs: where it is difficult to substantiate the actual cost of each individual test or use, an average cost may be calculated per type of test based on the actual cost of the equipment and consumables used and other specific direct costs such as maintenance of equipment provided. However, the calculation of costs must be auditable.

Internally invoiced overheads are normally not eligible as direct project costs. For JRP-Partners charging overheads in accordance with Clause II.15.2.b) and c) all overheads are covered by the applicable flat-rate contribution.

(f) Subcontracts

The definition of subcontracting is given in Clause 16 of the JRP-Contract.

In general only subcontracts identified in the Annex Ib of the JRP-Contract, or approved by EURAMET in advance, will be eligible. However subcontracting of minor tasks such as external catering and courier costs that are not specified in the Annex Ib are also eligible.

If a JRP-Partner has any doubt over the eligibility of a subcontract they are advised to seek advice from EURAMET (via the JRP-Coordinator) prior to engaging the subcontractor.

(g) Linked Third Party Resources

Only the costs of third parties linked to the JRP-Partner and identified in Special Clause 7.3 of the JRP-Contract are eligible.

(h) Indirect Costs

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, also called overheads, are all the structural and support costs of an administrative, technical and logistical nature which are cross-cutting for the operation of the JRP-Partner organisation's various activities and cannot therefore be attributed in full to the JRP. The nature of an indirect cost is such that it is not possible, or at least not feasible, to measure directly how much of the cost is attributable to a single cost objective.

Indirect costs must be in accordance with normal accounting practices of the JRP-Partner and must be extracted from or reconciled with the official accounts.

When the accounting system of the JRP-Partner includes overhead costs that are not eligible under the JRP-Contract, these costs must be removed when submitting financial reports.

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.

Actual Indirect

JRP-Partners who have an analytical accounting system that can identify and group their indirect costs (pool of costs) in accordance with the eligibility criteria (e.g. exclude noneligible costs) must report their real indirect costs or choose the 20 % flat rate option.

The organisations need a fair "key" or "driver" to distribute these costs from the "pool" of indirect costs into the different projects and activities. Different allocation methodologies are acceptable as long as they are in line with the general accounting policy of the JRP-Partner (i.e. allocation of indirect costs to the project via personnel, either as a percentage of personnel costs or a fixed hourly rate) and they are fair and reliable and not an unsubstantiated estimation. No subjective or arbitrary keys can be accepted.

Where another cost driver not based on personnel is used, the result of the application of this cost driver must not exceed the total amount of indirect costs to be allocated.

Simplified method

The simplified method is a modality of the actual indirect costs calculation, and is a way of declaring indirect costs which applies to organisations which do not aggregate their indirect costs at a detailed level (centre, department), but can aggregate their indirect costs **at the level of the legal entity**. It is a system that can be used if the organisation does not have an accounting system with a detailed cost allocation.

This simplified method has to be in accordance with their usual accounting and management principles and practices; it does not involve necessarily the introduction of a new method just for EMRP purposes.

JRP-Partners are allowed to use this methodology, provided this simplified approach is based on actual costs derived from the financial accounts of the last closed accounting year. Therefore, JRP-Partners using the simplified method shall not submit an adjustment covering the difference between the indirect costs derived from the accounts of the last closed financial year and the indirect costs derived from the financial accounts of the project period.

JRP-Partners should be in a position to justify and reconcile the results with the accounting records and be able to demonstrate in case of an audit that the indirect costs are fairly allocated to the research activity/projects.

Minimal requirements of a simplified method:

Although each legal entity will use its own system, the minimum requirements for it to be considered a simplified method for EMRP purposes are the following;

- 1 the system must allow the JRP-Partner to identify and remove its direct ineligible costs (VAT, etc...)
- 2 it must at least allow for the allocation of the overheads at the level of the legal entity to the individual projects by using a fair "driver" (e.g. total productive hours). In this case, it is clear that if the overheads taken into account are all those of the JRP-Partner (not distinguished by activities), the driver used for the calculation of the relevant rate (e.g. total productive hours) will include all the activities of the JRP-Partner (i.e. total hours including not only hours specifically for research, demonstration, etc.). In this case, the JRP-Partner should also be able to justify both the total amount of the overheads and the total amount of productive hours.

- 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.

Flat Rate of 20 %

This flat rate is open to any JRP-Partner whatever the accounting system it uses.

When this option is chosen, the Financial Audit Report will only involve audit of the direct costs, and not the indirect ones.

- 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.

Specific Flat Rate of 60 %

Termed “transitional” as the objective is to help certain organisations during the transition from a flat rate calculation of their overheads to an actual cost calculation.

The JRP-Partner (for example, an SME) does not have to change its accounting system or its usual accounting principles.

If its accounting system can identify overall overheads but does not allocate them to project costs, then the JRP-Partner can use this method if the other conditions are fulfilled.

An organisation which can identify the real indirect costs but does not use a key driver or a system to allocate these indirect costs can opt for this 60 % flat rate.

EURAMET will accept a 60% flat rate for those legal entities that can confirm that the European Commission have approved this method (ideally by copying to EURAMET the relevant pages of the legal entities registration in the Unique Registration Facility (URF) that identify the Indirect cost method as “Specific Flat rate of 60%”

If a subsequent audit shows that the conditions required for this methodology are not fulfilled, all JRPs where this JRP-Partner is involved may be reviewed.

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.

Clause 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.

Payment received from EURAMET does not count as a receipt to project

National contribution also does not count as a receipt to project (this not considered as money from a third party but as funds already in the Partners possession)

The receipts will not have an impact on the EURAMET financial contribution, as long as their amount does not exceed the difference between the eligible costs of the project and the EURAMET financial contribution (see Clause II.18.3 example).

Clause II.18. - The EURAMET financial contribution

...

- 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.

Example:

Eligible costs: € 100, EURAMET contribution: € 46, receipts: € 10 - no impact

Eligible costs: € 100, EURAMET financial contribution: € 46, receipts: € 54 - no impact

Eligible costs: € 100, EURAMET financial contribution: € 46, receipts: € 60 - the EURAMET financial contribution will be reduced to € 40

- 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.

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

Not applicable.

JRP-Partners are under no obligation to deposit pre-financing in an interest-yielding bank account. EURAMET will not require the JRP-Partners to declare any interest that may be earned on the pre-financing, nor any payments.

All financial items in Articles II.20 to II.40 of the FP7 guidance (Guide to Financial Issues relating to FP7 Indirect Actions) that are relevant to the JRP-Contracts have been included in the JRP-Contract Core document (and are covered in Section 1).