



EUROPEAN
COMMISSION

Community research

Cost reporting conference
Vienna - 30 September 2010

Cost Methodology Certification

DG Research Unit A5

“Implementation of audit certification policy and outsourced audits”



FP7 Certificates at a glance

CFS

Certificate on Financial Statements (Annex VII, Form D)

- Mandatory
- To be submitted only when cumulative EU contribution is $\geq \text{€ } 375,000$ (except for projects ≤ 2 years where interim CFS are not required)
- Replaces FP6 Audit Certificates (covers the costs declared in the Forms C)

CoMAv

Certificate on Methodology for Average Personnel Costs (Annex VII, Form E)

- Mandatory for
 - beneficiaries intending to charge average personnel costs
 - physical persons and SME owners who do not receive a salary
- Covers only the personnel costs methodology

CoM

Certificate on Methodology for personnel & indirect costs (Annex VII, Form E)

- Optional for the beneficiaries fulfilling the eligibility criteria
- Covers the methodology used to calculate the personnel costs (real or averages) and the indirect costs (analytical, simplified or flat-rate)
- Waives the obligation to submit interim CFS



CoM for personnel & indirect costs Advantages

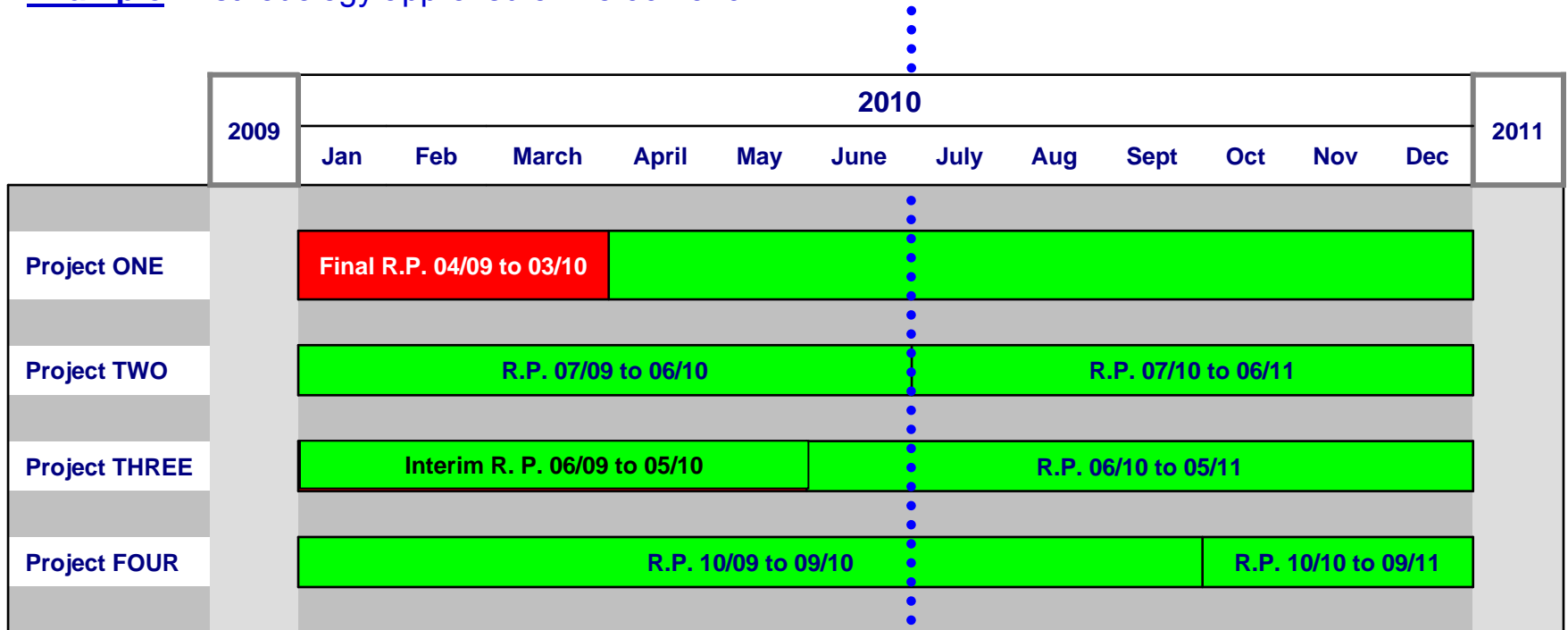
- Accepted CoM valid for the duration of FP7 (unless change of methodology)
- Assurance that methodology used to calculate personnel and indirect costs conforms to FP7 requirements (early detection and correction of possible methodological errors)
- No CFS for interim payments (only a CFS at the end of the project when EC contribution \geq 375.000 €)
- Contributes to reduce :
 - audit scope for the certifying auditor in CFS (compliance to methodology versus audit tests / individual recalculations)
 - administrative burden (less CFS to be submitted by beneficiaries of multiple grants)
 - costs for the whole certification system (less funds spent on certificates)



Validity of the Certificate on the Methodology

Once approved, the certificate is valid for all FP7 unless exceptional circumstances (change in the methodology or cancellation of the certificate following an ex-post audit). The validity is retroactive for the ongoing projects when the methodology is approved.

Example: methodology approved on 25/06/2010



- Not retroactive
- Retroactive

R.P.: reporting period

Exception: the validity of the mandatory certificates for SME owners and physical persons without a salary is retroactive to the beginning of FP7





Particular case of SME owners and physical persons not receiving a salary



In FP6 no specific provisions for the particular case of SME owners without a salary; general eligibility criteria applied (only actual costs registered in the accounts are eligible)



FP7 Guide to financial issues states that:

« [Physical persons without a salary] *must opt to declare average personnel costs, on the basis of a certified methodology approved by the Commission [...], based on their income (e.g. tax declarations) as recognised by national law (usually fiscal law)*”

In FP7, personnel costs charged by the beneficiary (in this case SME owner or physical person) on the basis of a certified methodology are deemed not to differ significantly from the actual costs



Special cases : Physical persons , SME owners

Salaries paid and accounted for

SME owners
Self employed,
One-man companies
Physical persons



Salaries represent *actual* cost, they are eligible in accordance with the GA



NO Certificate (CoMAv)



Costs eligible in the same way as any other company/legal entity which claims costs on the basis of actual costs.

Salaries NOT paid and NOT accounted for

SME owners
Self employed,
One-man companies
Physical persons



must opt to declare *average* personnel costs, on the basis of a certified methodology



Certificate (CoMAv) needed



Costs are eligible if :

1. In accordance with grant agreement
2. Certified methodology, based on their income (e.g. tax declarations) as recognised by national law (usually fiscal law) and approved by the EC



State of Play (as of 24 September 2010)

Type of Certificate	Eligibility Requests		CERTIFICATES				
	Submitted	Accepted	Submitted	Accepted	Rejected	Withdrawn	Pending
CoM Average Personnel Costs and IC	108	66	22	5	9	2	6
CoM Real Personnel Cost and IC			18	9	2	1	6
Certificate Average Personnel Costs (CoMAv)	N/A		61	24	9	15	13
TOTALS			101	38	20	18	25



Rejection of Certificates & Main reasons

Recurrent underlying reasons for the rejection of certificates

- weaknesses in time-recording,
- non-compliance with acceptability criteria decided by the Commission for average personnel costs (C(2009)4705),
- ineligible costs included in direct and indirect costs



ADDITIONAL INFORMATION



Guidance notes on FP7 audit certification

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



FP6 / FP7 Audit certification policy website

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



FP7 Certification FAQs

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



Thank you very much for your attention!

