



# **Intelligent Energy - Europe II**

**2007 - 2013**

## **Grant agreements**

### **FINANCIAL GUIDELINES**

**for co-ordinators and co-beneficiaries**

**(Projects and energy agencies)**

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## PURPOSE OF GUIDELINES

These guidelines have been prepared to help co-ordinators and co-beneficiaries (hereafter referred to as "the participants"<sup>1</sup>) to understand the financial provisions of the IEE grant agreement. Participants should read the guidelines carefully together with the submitted model grant agreement and its special and general terms and conditions. The grant agreement referenced below refers to the model grant agreement for Intelligent Energy - Europe II (IEE II) actions.

If the guidelines conflict with the provisions of the agreement, the latter shall prevail.

### I ACCOUNTING DOCUMENTS

All participating organisations must keep proper accounts and supporting documents to justify as necessary all costs incurred and generated by the action.

Original documents, especially accounting and tax records, or in exceptional and duly justified cases, certified copies of original documents relating to the agreement (stored on any appropriate medium that ensures their integrity in accordance with the national legislation) must be kept for five years after the date of payment of the balance of the Community contribution.

Evidence of costs, explanations and justifications, must be readily available for inspection by the Executive Agency for Competitiveness and Innovation (EACI) and/or the European Commission and their authorised representatives, as well as by the European Anti-fraud Office (OLAF) and the European Court of Auditors.

Please note that the flat rate indirect costs do not need to be supported by accounting documents.

In order to substantiate the time worked on an IEE II project, participants must have daily records of all hours spent by a given person (i.e. the timesheet shall not only record the time spent on a specific project, but shall reconcile the total working time of each person, say for example 1700 hours per year).

An 'example' of a timesheet template can be found under the following link:

[http://ec.europa.eu/energy/intelligent/files/implementation/doc/template\\_timesheet\\_en.xls](http://ec.europa.eu/energy/intelligent/files/implementation/doc/template_timesheet_en.xls)

### II COST REIMBURSEMENT

Funding is based on **cost-sharing** grant agreements. This means that the EACI contributes up to a maximum of 75% of the eligible costs incurred for the performance of the work defined in the grant agreement.

**Associations and affiliates** (if applicable to you, please see under Art. I.11 of the grant agreement + Annex I)

Where an association participating in the action involves its members or a participating company involves its affiliates to carry out the work or parts thereof, the costs incurred by the members or the affiliates can be accepted provided they can be verified as being 'actual' and follow the guidance below.

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<sup>1</sup> **NB!** Subcontractors are not participant to the grant agreement.

(a) For members of an association / European Economic Interest Group

The participant (association) shall

- Provide a clear description and evidence of the association's structure including the membership list;
- Ensure that the contractual provisions applicable to him, especially those related to the eligibility of costs and the checks and audit that the EACI and/or the European Commission may carry out, are also applicable to its members;
- Retain sole responsibility to carry out the action and for compliance with the provisions of the grant agreement.

The member(s) involved in the action shall be clearly identified and their activities duly described in the work programme (Annex I to the grant agreement).

(b) For affiliate(s)

The participant ('Mother Company') shall

- Provide a clear description and evidence of the ownership structure showing the affiliation with the affiliate(s);
- Provide clear evidence that the costs are recharged and therefore incurred by the participant;

The affiliate will execute the tasks in relation to the project on behalf of the participant at no additional financial cost and without profit.

The affiliate(s) involved in the action shall be clearly identified and their activities duly described in the work programme (Annex I to the grant agreement).

When submitting the final technical implementation report, the participant (Association/Mother Company) shall identify the work performed and resources deployed by each member/affiliate involved in the action. In addition, the participant (Association/Mother Company) shall provide an individual financial statement from each member/affiliate involved in the action and a summary financial statement consolidating the sum of eligible costs borne by the participant (Association/Mother Company) and each member/affiliate involved in the action, as stated in their individual financial statements.

### III WHAT ARE ELIGIBLE COSTS?

To be eligible all costs must

- relate to the purpose of the action;
- be included in the estimated budget annexed to the grant agreement;
- be **necessary** for the fulfilment of the action which is the subject of the grant;
- be generated during the duration of the action (except for costs relating to final reports and audit certificates **when incurred within a maximum period of two months following the completion of the action**).

In addition, direct eligible costs must

- be reasonable, justified, consistent with the usual internal rules of the participant, and in accordance with the principle of sound financial management, especially cost-effectiveness and "value for money";
- be identifiable, verifiable and determined in accordance with the relevant accounting principles;
- be **actually incurred** by the participant and recorded in the accounts of the participant no later than the grant agreement completion date;

- be compliant with the requirements of applicable tax and social legislation;
- be substantiated by proper evidence allowing identification and checking (except for the flat rate indirect costs).

#### **Actual costs as opposed to budgeted costs:**

"Budgeted" costs are used for establishing a budget estimate only (Cfr. Contract Preparation Forms, which finally resulted in Annex II to the grant agreement, i.e. the estimated budget of the action). Once the project has started "actual" costs incurred and only actual costs must be used as a basis for completing the financial statements.

#### **Exchange Rates to be used in financial statements**

For beneficiaries of non-EURO countries there are two options to choose, i.e. any conversion of actual costs into euro shall either be made

1. at the monthly accounting rate established by the Commission and published on its website applicable on the day when the cost was incurred
- or
2. at the monthly accounting rate established by the Commission and published on its website applicable on the first working day of the month following the period covered by the financial statement concerned.

Website: <http://ec.europa.eu/budget/inforeuro/index.cfm?fuseaction=home&Language=en>

#### **Cost categories:**

Eligible costs must be split into direct and indirect costs. They shall be presented in Annex II of the grant agreement as well as in the financial statements under the following headings:

<u>Direct Costs</u>	<u>Indirect Costs</u>
1. Staff Costs	6. Indirect eligible costs
2. Subcontracting	
3. Travel costs and Subsistence Allowances for Staff	
4. Purchase Costs for Equipment	
5. Other specific costs	

## **IV WHAT ARE NOT ELIGIBLE COSTS?**

Costs calculated in accordance with other conventions e.g. "current costs", "notional rents", "opportunity costs", etc. are not eligible. Therefore, no notional costs should be charged, e.g. in respect of revaluation of buildings or capital equipment, estimated or imputed interest, estimated rentals, etc.

Other costs which are not eligible include in particular:

- value of contributions in kind, e.g. if a party who is not a signatory to the grant agreement provides expertise, meeting rooms, brochures etc. free of charge as their contribution to the action, the value of these cannot be included as part of the eligible costs nor be claimed, as no cost is incurred by a participant to the Agreement;
- "return on capital employed", including dividends and other distributions of profits;
- provisions for losses or possible future losses or charges;
- debt and debt service charges;
- interest owed;
- provisions for doubtful debts;
- resources made available to a participant free of charge;
- unnecessary or ill-considered expenses, excessive or reckless expenditure;

- VAT, unless the participant can show that he is unable to recover it;<sup>2</sup>
- any cost incurred or reimbursed in respect of another Community grant;
- exchange losses,

## V COST CATEGORIES

### V.1 STAFF COSTS

The cost of staff assigned to the action, comprising actual salaries plus social charges and other statutory costs included in the remuneration, provided that this does not exceed the average rates corresponding to the beneficiary's usual policy on remuneration.

The corresponding salary costs of personnel of national administrations (incl. local, regional,... administrations) are eligible to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the project concerned were not undertaken;

Only costs related to the actual hours worked by the persons directly carrying out the **technical, analytical, promotional and dissemination work** under the action may be charged to the grant agreement (Management, administrative and secretarial staff can only be charged in exceptional cases as 'direct staff costs' and are normally deemed to be covered in the indirect costs.).

Such persons must be

- directly employed by the participant in accordance with national law;
- under the participant's sole technical supervision (in essence the technical output must belong to the participant);
- remunerated in accordance with the normal practices of the participant provided these are acceptable to the EACI.

#### Staff Costs are calculated as follows:

The following **three elements** must be known in order to calculate the total staff costs that can be charged to the action:

**Working time** to be charged must be recorded ("timesheets") throughout the duration of the action. For each person involved in the project, participants must have daily records of all hours spent by a given person (i.e. the timesheet shall not only record the time spent on a specific project, but shall reconcile the total working time of each person, say for example 1700 hours per year). The records should be certified at least once per month by the person in charge of the work ('project manager'). Estimates of hours worked are not acceptable.

A timesheet template can be found at :

[http://ec.europa.eu/energy/intelligent/files/implementation/doc/template\\_timesheet\\_en.xls](http://ec.europa.eu/energy/intelligent/files/implementation/doc/template_timesheet_en.xls)

- **Remuneration costs** charged should be taken from the payroll account and should be the total gross remuneration plus the employer's portion of social charges (e.g. holiday pay, pension contributions, health insurance and social security payments). Remuneration costs can be calculated individually for each employee or as an average by category of staff (the method should fairly represent actual labour costs).
- **Productive time** is the total hours worked, excluding holidays, sick leave, or other allowances like personal leave, training (i.e. average training days per person per year in your organisation – with a maximum of 10 days). Productive hours include all

<sup>2</sup> In such a case the participant must provide the EACI with proof from his national tax authorities.

working activities of the personnel of the beneficiary; they include also activities such as :

- Sales and Marketing
- Preparation of proposals
- Administrative time
- "Unsold time"/ "non billable" hours

In order to obtain an hourly rate for a given period, the salary costs related to that period must be divided by the productive time calculated for that period. Total productive hours can be obtained either on the basis of actual hours recorded in time sheets or on the basis of standard hours. In the latter case they should represent the total workable hours based on the contract of employment less a provision for allowances such as holidays, training and sick leave (these must correspond to the actual situation of the participant).

An example for determining the total productive hours per year on the basis of standard hours would be as follows:

Days/year	365 days	
Less 52 weekends	<u>104 days</u>	
Subtotal	261 days	
Less		
Annual holidays	22 days	
Statutory holidays	15 days	
Sick leave	5 days	
Training	<u>4 days</u>	
<b>Total-Productive days</b>	<b>215 days</b>	
Productive hours/year (215 days x 7 hrs/day)		1.505 hrs
Productive hours/year (215 days x 7,5 hrs/day)		1.613 hrs
Productive hours/year (215 days x 8 hrs/day)		1.720 hrs
Productive hours/month (1.505 hours/12 months)		125 hrs
Productive hours/month (1.613 hours/12 months)		134 hrs
Productive hours/month (1.720 hours/12 months)		143 hrs

Please note that the time charged by the participant should not exceed the actual productive time. Otherwise a participant would recover more than its actual personnel costs.

**NB!** As a general rule, no overtime should be charged to projects in the framework of Community Programmes, unless this element has been taken into account in the calculation of the total productive hours and overtime is reimbursed specifically by the participant.

#### **Special case : Owners of companies not receiving a 'salary'**

**Remuneration Cost** : as remuneration cost we will consider the average income as declared over the last three years.

#### **Please remember that :**

👉 **Hourly rates included in the 'Contract Preparation Forms' do not constitute 'agreed' hourly rates, they are only to be considered as 'estimates'.**

The financial statements to be submitted at the time of the interim/final report on the action should present the actual costs incurred and therefore use the actual rates, recalculated on the basis of the real staff costs paid. These actual costs need to be evidenced by the corresponding payslips, bank transfers, etc. - evidence which might be requested by the EACI on a case by case basis.

☞ **Only costs can be reimbursed and not prices** (price = staff cost + commercial uplift) that would normally be charged to customers when engaging in commercial activities. Staff costs will only be considered eligible if they are reasonable and justified, and if they accord with the principles of sound financial management (i.e. (i) they may not unnecessarily increase the cost of the project and (ii) substantial deviations from the average cost of similar labour in the country concerned must be justified).

## V.2 SUBCONTRACTING (external services)

Subcontracting may only cover the execution of a limited part of the action. Subcontracts must be awarded in accordance with the conditions set out in Article II.9 of the grant agreement. In summary this means that subcontractors should be selected on transparent grounds, to the best offer taking into consideration price and quality (best value for money). In a very simplified procedure, three different offers should be obtained and evaluated against common criteria to ensure that each of them is treated fairly and equitably.

When work is subcontracted it must be identified in the Description of the Action (Annex I of the grant agreement). Note that according to Article II.9.2 any subcontracting during the course of the action, which was not foreseen or identified in the Description of the Action, (Annex I of the grant agreement), is subject to prior written approval of the EACI.

The participants must ensure that their agreements with subcontractors mention in particular that the EACI and/or the European Commission may at any time during the grant agreement and up to five years from the date of payment of the balance, arrange for audits to be carried out by the EACI and/or the European Commission or any other outside body authorised by them as well as by the European Court of Auditors and the European Anti-fraud Office (OLAF).

Copies of the three highest invoices for subcontracting must be submitted to the EACI with the corresponding financial statement. Copies of the other invoices (if any) may however, be requested on a case by case basis. In general, Supporting documentation should be kept in the participant's files and provided at the EACI's request.

All copies of invoices for subcontracting must be certified by the participant and must make reference to the grant agreement or action and to the concrete tasks and services concerned.

### Work contracts

**In-house consultants** deliver 'external services' and are in principle to be considered under the 'subcontracting' cost category. However : costs of consultants (i.e. natural (physical) persons) who join the beneficiary's project team may be classified under staff costs, regardless of whether the consultants are self-employed or employed by a third party, **if the criteria listed below are fulfilled** (in addition to the general eligible cost criteria of the grant agreement).

Persons delivering services under '**civil contracts**' (a form of service contract under private law with the obligation to deliver results in a specified timeframe) are in principle to be considered under the 'subcontracting' cost category. However, if the persons join the beneficiary's project team the costs may be classified under staff costs **if the criteria listed below are fulfilled** (in addition to the general eligible cost criteria of the grant agreement).

#### THE CRITERIA :

(1) The consultant/person has a contract to work for the beneficiary and (some of) that work involves tasks to be carried out under the IEE grant agreement

(2) The consultant/person works under direct instructions/supervision of the beneficiary

(3) The consultant/person works in the premises of the beneficiary as a member of the project team

(4) The output of the work belongs to the beneficiary

(5) The costs of employing the consultant/person **are reasonable, are in accordance with the normal practices of the beneficiary** (provided that these are acceptable to the EACI) and are **not significantly different from the personnel costs of employees** of the same category working under a labour law contract for the beneficiary

(6) Travel and subsistence costs related to the participation of the consultant/person in project meetings or other travel relating to the project is directly paid by the beneficiary. The applicable tax and social security costs related to the consultant are paid by himself/herself, the applicable tax and social security costs related to the person working under a civil contract are paid by the beneficiary.

(7) The consultant/person **MUST** be a user of the beneficiary's infrastructure (i.e. user of the 'indirect costs')

Please note that teleworking may only be allowed if the standard working conditions applicable to the employees of the beneficiary allow it and the above mentioned criteria are still respected. A copy of the standard working conditions might be requested by EACI on a case by case basis.

#### **Remuneration cost :**

=> in the case of "in-house consultants", the costs (excluding VAT when applicable), should be taken from the invoice received for the work performed. Invoices should indicate the project on which the persons have worked, the tasks carried out and the hours spent.

=> in the case of "persons working under a civil contract", the costs (excluding VAT when applicable) should be taken from the payroll account and should be the total gross remuneration plus the employer's portion of social charges (e.g. holiday pay, pension contributions, health insurance and social security payments) in line with the amounts agreed in the civil contract.

**DISCLAIMER** : The beneficiary should make sure that he/she complies with the legislation in force in his/her Member State related to the use of consultants (self-employed or employed by a third party). The legislation may prohibit or restrict the use of such consultants. The beneficiary remains responsible for checking, prior to the allocation of such consultants to the project and taking into account the aforementioned conditions, that he/she does not infringe this legislation.

### **V.3 TRAVEL AND SUBSISTENCE ALLOWANCES**

Actual travel costs and related subsistence allowances for staff taking part in the action may be charged to the action provided they comply with the participant's established internal rules and usual practice.

Travel costs of subcontractors, if applicable, are to be included in their subcontracts.

Subscription fees to conferences or events, where relevant, should be charged under "other specific costs" (see point V.5 below).

Missions to any destination outside the Member States and the third countries eligible to participate in the programme should be reasonable and justifiable as necessary for the fulfilment of the action (see definition of eligible costs).



Please note that each beneficiary, according to their internal travel rules, should claim less daily allowance if dinner (or lunch) costs are paid by the organising beneficiary.

#### **V.4 DURABLE EQUIPMENT**

Durable equipment charged to the grant agreement must be specifically required for the purpose of the action, have an expected life equal to or greater than the duration of the work under the grant agreement and must be entered in the inventory of capital expenditure of the participant according to the relevant accounting principles.

It must be acquired during the duration of the action. Utilisation of existing equipment and installations are deemed to be included in the budget via the indirect costs.

It must be depreciated in accordance with the tax and accounting rules applicable to the participant and generally accepted for items of the same kind. Only the portion of the equipment's depreciation corresponding to the duration of the action and the rate of actual use for the purpose of the action may be taken into account by the EACI.

Due to the type of actions (non-technological), equipment costs will **only be accepted under exceptional circumstances** and only with prior written approval from the EACI.

#### **V.5 OTHER SPECIFIC COSTS**

Other specific costs, are those costs arising directly from requirements imposed by the agreement (dissemination of information, specific evaluation of the action, audits, translations, reproduction, etc.), including the costs of any financial services (especially the cost of financial guarantees). Such costs may also include specific costs incurred by the coordinator when fulfilling his responsibilities in relation to the overall management of the action and the co-ordination of the beneficiaries.

All other specific costs, which cannot be included under the previous classifications of direct costs, may only be charged either with the prior written approval of the EACI or alternatively if these costs were foreseen and clearly specified in the Description of the Action (Annex I of the grant agreement).

These costs may include items such as,

- costs of organising seminars, workshops, conferences (unless a subcontract has been concluded with a service provider, in which case these costs should be charged under "Subcontracting");
- subscription fees for conferences and events;
- travel and subsistence allowances of persons who are not on the payroll of the participants foreseen in the Description of the Action (Annex I of the grant agreement);
- charges for financial guarantees required by the agreement;
- costs of audit certificates required by the agreement;
- bank charges of the co-ordinator related to opening a specific bank account for the agreement or re-distributing the payments from the EACI to other participants.

#### **Dinner costs**

When participants organise project meetings, the costs for the organisation of one dinner per meeting can be accepted under 'Other Specific Costs'. The maximum eligible number of persons to be included in the dinner costs is twice the number of participants in the consortium (this is deemed to cover also invited external experts). The maximum dinner price per person should not exceed 40€. Any deviations should be explained when submitting the financial statements.

Where a dinner is paid by one of the participants, the subsistence allowance of the participants is to be reduced accordingly when claiming the travel cost (to avoid double funding).

## Participation in events

The participation in events (conferences, exhibitions etc.) is often already included in Annex 1 and the CPF's. If not, participants should apply the definition of eligible direct costs – the participation in an event must be reasonable and necessary for the fulfilment of the action. If participants have doubts they might consult the EACI prior to the event in question. Participation in events should normally be by one person and be limited to two persons per project consortium.

## V.6 ELIGIBLE INDIRECT COSTS

The indirect costs incurred in carrying out the action are only eligible for flat-rate funding fixed at 60% of the beneficiaries total eligible direct staff costs. Indirect costs do not need to be supported by accounting documents.

Energy Management Agencies created under the IEE programmes may only claim indirect costs as of the moment that they are no longer part of an ongoing IEE Grant Agreement in which their agency was established.

Equally, any organisation receiving an operating grant from the EC for the period of the action or parts of the period cannot claim the 60% indirect costs for the period in question.

In general, indirect costs are deemed to cover (non-exhaustive list, examples only) :

- secretarial/administrative/financial/managerial etc...costs (Exceptions could occur when tasks outlined in the action justify a distinct role of such staff, which then also has to be recorded in time sheets, and on condition that these costs are directly booked to the project)
- Consumables : Toner, office supplies, paper, photocopies, etc...
- Bank charges (except bank charges incurred by coordinator as specified under V.5)
- Postal services except when it concerns courier services (e.g. DHL, UPS, TNT) necessary for the action or in case of mass mailings. The latter should then be registered as a direct cost for the project.
- Utilisation of existing equipment and installations

...

## VI BUDGET TRANSFERS

The budget should be set up in the best possible way before the beginning of the action. Nevertheless, changes in budget between partners and/or between categories can be expected during the course of the action. However, budget transfers shall remain limited.

An **amendment to the grant agreement** through a supplementary agreement is necessary in the event where:

- The amount to be transferred between participants exceeds **20%** of the total budget of the receiving participant (i.e. the participant receiving the extra budget) and/or
- The amount to be transferred between cost categories of a given participant exceeds **20%** of the total budget of this participant and/or
- The adjustment of expenditure affects the implementation of the action

Any transfer of budget exceeding the above thresholds or affecting the implementation of the action must be proposed to EACI by the coordinator. He/she shall submit to the Agency a **written request** substantiating the need for the budget transfer for himself and/or for the co-beneficiaries concerned together with a **new version of Annex II** (including the **updated Contract Preparation Forms**).

Failure to submit a written request to the EACI in good time, and **at the latest 30 days before the end of the action**, will result in the costs being limited to the original budgeted level per beneficiary and per cost category.

The EACI should be informed in writing, at the latest at the moment of the final report, on budget transfers below the 20% thresholds which did not substantially affect the implementation.

## VII REVENUE

Any revenue generated by the action needs to be recorded and must be reported to the EACI in the final Financial Statement.

Account must be taken of revenue which is

- **established** (revenue that has been collected and entered in the accounts),
- **generated or confirmed** (revenue that has not yet been collected but which has been generated or for which the participant has a commitment or written confirmation) **on the date when the request for payment of the balance of the grant is established**.

Revenue can be, for example, financial transfers or their equivalent to the participant from third parties, income generated by the project and "co-financing".

The grant shall be limited to the amount necessary to balance the action's receipts and expenditures; it may not in any circumstances produce a profit for the beneficiaries (i.e. any surplus of total actual receipts over the total actual costs). Any surplus shall result in a corresponding reduction in the amount of the grant.

### Interest yielded by pre-financing

Interest yielded by pre-financing should be declared by coordinators when the amount of pre-financing received from EACI exceeds 50.000 EUR.

## VIII FINANCIAL GUARANTEES

Where required by the special conditions of the grant agreement, the participant concerned shall provide a financial guarantee from a bank or an approved financial institution established in one of the Member States of the European Union.

The following conditions apply per partner:

First pre-financing per partner < 50.000€ <i>or EC requested contribution per partner &lt;166.667€</i>	Normally no guarantee is requested, however, the authorising officer may decide otherwise after having checked the risk involved.
First pre-financing per partner > 100.000€ <i>or EC requested contribution per partner &gt;333.333€</i>	Guarantee is <u>always</u> requested

First pre-financing is between 50.000€ and 100.000€ or EC requested contribution per partner between 166.667€ and 333.333€	Guarantee could be requested depending on the risk involved (you will be informed on a case by case basis)
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The financial guarantee shall be drawn up in accordance with the model letter to be provided by the EACI, linked here below,  
[http://ec.europa.eu/energy/intelligent/files/call\\_for\\_proposals/doc/2010\\_2011\\_model\\_bank\\_guarantee\\_en.doc](http://ec.europa.eu/energy/intelligent/files/call_for_proposals/doc/2010_2011_model_bank_guarantee_en.doc)

and shall indicate that the guarantor stands as first call guarantor who shall not require the Agency to have recourse against the principal debtor (i.e. the beneficiary concerned).

The financial guarantee shall remain in force until the Agency proceeds with the payment of the balance of the grant pursuant to the provisions of Article I.5.3. The Agency undertakes to release the guarantee within sixty (60) days following that date. EACI will return the original financial guarantee to the coordinator who shall be responsible to return the financial guarantee immediately to the co-beneficiary.

**a) When to submit the financial guarantee?**

Once the coordinator has received the duly completed and original financial guarantee(s) from the consortium partner(s), he/she will submit it/them, in any case within 60 days from the date of entry into force of the agreement as provided for in Article I.5.1 second paragraph.

**b) Where to submit the financial guarantee?**

The coordinator shall submit the financial guarantee(s) to the EACI to the address indicated in the grant agreement.

**c) How to avoid frequent mistakes?**

- The amount of the pre-financing should be correctly calculated. It must equal exactly 30% (two decimals accuracy) of the Community financial contribution of the participant concerned.
- Do not add any calendar date indicating the end of validity of the financial guarantee. This will result in the rejection of the financial guarantee.
- The financial guarantee shall be governed by the law applicable to the grant agreement; if modified this will result in the rejection of the financial guarantee.

## **IX AUDIT CERTIFICATE**

An audit certificate on the actions' accounts is required from each private body participating in the action whose total Community financial contribution exceeds EUR 225.000 (please refer to the special conditions of the grant agreement). It shall be provided by an independent external auditor, chosen by the participant. The external auditor shall issue the audit certificate for the attention of the participant and not for the attention of the EACI and/or the European Commission.

The participant is free to choose the external auditor, including her/his usual external auditor, provided that the external auditor is both independent from the participant and qualified to carry out statutory audits of accounting documents, in accordance with 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.

In case the participant does not use his/her usual external auditor, the selection procedure has to comply with the requirements for subcontracting (see model grant agreement, article II.9), i.e. the participant should seek competitive offers from potential external auditors and select the offer providing the best value for money; the principles of transparency and equal treatment of the offers should be observed.

The purpose of the audit (see general conditions of the grant agreement) is to examine the actions' accounts and certify that :

- the financial documents submitted by the participants to the EACI comply with the financial provisions of the agreement, i.e. it should be checked whether, for example,
  - the declared costs satisfy the eligibility criteria of the terms of the grant agreement;
  - the eligibility rules specific to each cost category are correctly applied (e.g. ensure that the rules on subcontracting have been respected);
  - the direct and indirect costs are correctly differentiated;
  - the cost reporting model "flat-rate funding" is correctly applied and complies with the model specified in the grant agreement;
  - the interest received on pre-financing has been correctly declared (where applicable);
  - the non-profit rule is complied with;
- the costs declared are actual costs, i.e. real and not estimated, budgeted or imputed;
- the accounting procedures used in the recording of eligible costs and receipts (i) comply with the accounting rules relevant for the participant and (ii) permit reconciling costs and receipts declared in respect of the action, funded under the grant agreement, with the statement of accounts relating to the participant's overall business activity;
- all receipts have been declared.

Please note that the EACI does not require the audit certificate to comply with a specific format, nor has the EACI created a specific template for it. The auditor is free to use his/her own wording to certify the above. However, the audit certificate should clearly mention the grant agreement number, the amount of the eligible costs as well as the reporting period. With a view to avoiding delays in the submission of external audit certificates, participants should select and contract the external auditor well before the final financial statement is due.

The cost of obtaining an audit certificate (excluding VAT when applicable) is reimbursed at 75 % via the Other Specific Costs category.

## **X Amendments**

During the lifetime of a project, situations may occur that require the modification of the grant agreement. In order to make the process transparent and efficient, we have developed a form called 'Modification to the Grant Agreement'. This form contains two parts: one part that needs to be completed by the coordinator and a second part in which the documents that need to be submitted together with the modification form are listed.

You can download it from :

[http://ec.europa.eu/energy/intelligent/files/implementation/doc/modification\\_grant\\_agreement\\_template\\_en.xls](http://ec.europa.eu/energy/intelligent/files/implementation/doc/modification_grant_agreement_template_en.xls)

