

MODEL SPECIFIC AGREEMENT

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EIT KIC logo

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SPECIFIC AGREEMENT

Contract No. EIT/KIC/SGA20XX/X

This 'Specific Agreement' is **between** the following parties:

on the one part,

The European Institute of Innovation and Technology ('the EIT'),
represented for the purposes of signature of this Specific Agreement by its Director [forename
and surname],

and

on the other part,

1. The Knowledge and Innovation Community Legal Entity ('the KIC LE'):

[full official name (short name)][legal form] [official registration No] established in [official
address in full] [VAT number], represented for the purposes of signing the Specific Agreement
by [function, forename and surname]

2. and the other Knowledge and Innovation Community ('KIC') Partners listed in Annex 2 of the
Framework Partnership Agreement, represented for the purposes of signing the Specific
Agreement by the KIC LE (see the mandate in Annex 4 of the Framework Partnership
Agreement and Article 62 of the Framework Partnership Agreement).

By entering into the Specific Agreement, the KIC Partners accept the grant and agree to
implement the specific action under their own responsibility and in accordance with the
Framework Partnership Agreement and this Specific Agreement, with all the obligations and
conditions they set out.

The Specific Agreement is composed of:

Terms and Conditions

Annex 1: Description of the specific action

Annex 2: Estimated budget 20XX;

Annex 3: Model for the financial statements

Annex 4: Model for the certificate on the financial statements

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CHAPTER 1 GENERAL

ARTICLE 1 — SUBJECT OF THE AGREEMENT

This Agreement sets out the specific terms and conditions and rights and obligations applicable to the specific grant awarded to the KIC Partners for implementing a specific action under the Framework Partnership Agreement No [insert number] [insert acronym] ('**Framework Partnership Agreement (FPA)**')

CHAPTER 2 ACTION

ARTICLE 2 — ACTION TO BE IMPLEMENTED

The specific action to be implemented is described in Annex 1.

ARTICLE 3 — DURATION AND STARTING DATE OF THE ACTION

The duration of the specific action will be from 1 January 20XX ('**starting date of the specific action**') until 31 December 20XX.

CHAPTER 3 SPECIFIC GRANT

ARTICLE 4 — GRANT AMOUNT, FORM OF GRANT, REIMBURSEMENT RATES AND FORMS OF COSTS

4.1 Financing of the KIC Business Plan

The total cost of the implementation of the KIC Business Plan is estimated at EUR [insert amount (insert amount in words)], as set out in Annex 2.

4.2 Maximum grant amount

The '**maximum grant amount**' for the specific grant is EUR [insert amount (insert amount in words)].

4.3 Form of grant, reimbursement rates and forms of costs

The grant reimburses [insert amount] % of the specific action's eligible costs (see Article 5) ('**reimbursement of eligible costs**') (see Annex 2).

The estimated eligible costs of the specific action are EUR [insert amount (insert amount in words)].

Eligible costs (see Article 5) must be declared under the following forms ('forms of costs'):

- a.) for direct **personnel costs** [(excluding personnel costs covered by the unit cost/lump sum under Point f)]¹:
- as actually incurred costs ('actual costs') or
 - on the basis of an amount per unit calculated by the KIC Partner in accordance with its usual cost accounting practices ('unit costs').

Personnel costs for **SME owners or for KIC Partners that are natural persons** not receiving a salary (see Points A4 and A5 of Article 5.2) must be declared on the basis of the amount per unit set out in Annex 2 (**unit costs**);

- b.) for direct costs of **subcontracting** [(excluding subcontracting costs covered by the unit cost/lump sum under Point f)]²: as actually incurred costs (**actual costs**);
- c.) for direct costs of **providing financial support to third parties** [(excluding costs of financial support covered by the unit cost/lump sum under Point f)]³: as actually incurred costs (**actual costs**);
- d.) for **other direct costs** [(excluding other direct costs covered by the unit cost/lump sum under Point (f))]⁴: as actually incurred costs (**actual costs**);
- e.) for **indirect costs** [(excluding indirect costs for the unit cost/lump sum under Point (f))]⁵: on the basis of a flat-rate applied as set out in Article 5.2, Point E ('flat-rate costs');
- (f) **[OPTION for specific unit costs (if unit cost foreseen by Commission decision and applicable to the grant): for [insert name of specific cost category(ies)]⁶: on the basis of the amount(s) per unit set out in Annex 2⁷ (unit costs).]**

[OPTION for specific lump sum costs (if lump sum foreseen by Commission decision and applicable to the grant): for [insert name of specific cost category(ies)]: as the lump sum set out in Annex 2 (lump sum cost).]

[OPTION: specific cost category(ies): not applicable.]

¹ To be used only if option in Point (f) is used.

² To be used only if option in Point (f) is used.

³ To be used only if option in Point (f) is used.

⁴ To be used only if option in Point (f) is used.

⁵ To be used only if option in Point (f) is used.

⁶ Insert precise name of cost category (as in the Commission decision authorising the use of the unit cost/lump-sum). For example: 'costs for clinical studies'; 'costs for energy efficiency measures in buildings'.

⁷ Annex 2 must clearly show, for each KIC Partner (and linked third party) concerned, all the parameters for the unit cost (i.e. the unit(s), the amount(s) per unit, e.g. the clinical study for which it is used, etc).

ARTICLE 5 — ELIGIBLE AND INELIGIBLE COSTS

5.1 General conditions for costs to be eligible

'Eligible costs' are costs of KIC added value activities, which meet the following criteria:

a.) for **actual costs**:

- (i) they must be actually incurred by the KIC Partner;
- (ii) they must be incurred in the period set out in Article 3, with the exception of costs relating to the submission of the final report (see Article 16);
- (iii) they must be indicated in the estimated budget set out in Annex 2;
- (iv) they must be incurred in connection with the specific action as described in Annex 1 and necessary for its implementation;
- (v) they must be identifiable and verifiable, in particular recorded in the KIC Partner's accounts in accordance with the accounting standards applicable in the country where the KIC Partner is established and with the KIC Partner's usual cost accounting practices;
- (vi) they must comply with the applicable national law on taxes, labour and social security, and
- (vii) they must be reasonable, justified and must comply with the principle of sound financial management, in particular regarding economy and efficiency;

b.) for **unit costs**:

- (i) they must be calculated as follows:

{amounts per unit set out in Annex 2 or calculated by the KIC Partner in accordance with its usual cost accounting practices (see Article 5.2, Point A)}

multiplied by

the number of actual units};
- (ii) the number of actual units must comply with the following conditions:
 - the units must be actually used or produced in the period set out in Article 3;
 - the units must be necessary for implementing the specific action or produced by it, and

- the number of units must be identifiable and verifiable, in particular supported by records and documentation (see Article 24 FPA).
- c.) for **flat-rate costs**:
- (i) they must be calculated by applying the flat-rate set out in Annex 2, and
 - (ii) the costs (actual costs or unit costs or lump-sum costs) to which the flat-rate is applied must comply with the conditions for eligibility set out in this Article[;].]
- d.) *[OPTION if lump sum foreseen in Article 4.2: for lump sum costs:*
- (i) *the eligible amount is equal to the amount set out in Annex 2, and*
 - (ii) *the corresponding tasks or parts of the specific action must have been properly implemented in accordance with Annex 1.]*

5.2 Specific conditions for costs to be eligible

Costs are eligible if they comply with the general conditions (see above) and the specific conditions set out below for each of the following budget categories:

- A. direct personnel costs;
- B. direct costs of subcontracting;
- C. direct costs of providing financial support to third parties;
- D. other direct costs;
- E. indirect costs;
- F. ***[OPTION for specific unit/[lump sum] costs: [insert name(s) of specific cost category(ies)⁸][OPTION: not applicable].***

'Direct costs' are costs that are directly linked to the implementation of the specific action and can therefore be attributed to it directly. They must not include any indirect costs (see Point E below).

'Indirect costs' are costs that are not directly linked to the implementation of the specific action and therefore cannot be attributed directly to it.

A. Direct personnel costs *[(not covered by in Point F)]*

Types of eligible personnel costs

A.1 Personnel costs are eligible, if they are related to personnel working for the KIC Partner under an employment contract (or equivalent appointing act) and assigned to the specific

⁸ Insert precise name of the cost (as in the Commission decision authorising the use of the unit cost or lump sum). For example: 'costs for clinical studies'; 'costs for energy efficiency measures in buildings'.

action ('costs for employees (or equivalent)'). They must be limited to salaries (including during parental leave), social security contributions, taxes and other costs included in the remuneration, if they arise from national law or the employment contract (or equivalent appointing act).

The KIC Partners that are non-profit legal entities⁹ may also declare as personnel costs **additional remuneration** for personnel assigned to the action (including payments on the basis of supplementary contracts regardless of their nature), if:

- (a) it is part of the KIC Partner's usual remuneration practices and is paid in a consistent manner whenever the same kind of work or expertise is required;
- (b) the criteria used to calculate the supplementary payments are objective and generally applied by the KIC Partner, regardless of the source of funding used.

Additional remuneration for personnel assigned to the action is eligible up to the following amount:

- (a) if the person works full time and exclusively on the action during the full year: up to EUR 8 000;
- (b) if the person works exclusively on the action but not full-time or not for the full year: up to the corresponding pro-rata amount of EUR 8 000, or
- (c) if the person does not work exclusively on the action: up to a pro-rata amount calculated as follows:
 - {{EUR 8 000 divided by
 - the number of annual productive hours (see below)},
 - multiplied by
 - the number of hours that the person has worked on the action during the year}.

A.2 The costs for **natural persons working under a direct contract** with the KIC Partner other than an employment contract are eligible personnel costs, if:

- (a) the person works under the KIC Partner's instructions and, unless otherwise agreed with the KIC Partner, on the KIC partner's premises;
- (b) the result of the work carried out belongs to the KIC Partner, and

⁹ For the definition, see Article 2.1(14) Rules for Participation Regulation (EU) No 1290/2013: '**non-profit legal entity**' means a legal entity which by its legal form is non-profit-making or which has a legal or statutory obligation not to distribute profits to its shareholders or individual members.

- (c) the costs are not significantly different from those for personnel performing similar tasks under an employment contract with the KIC Partner.

A.3 The costs of **personnel seconded by a third party against payment** are eligible personnel costs if the conditions in Article 9 are met.

A.4 **Costs of owners of KIC Partners that are small and medium-sized enterprises ('SME owners')** who are working on the action and who do not receive a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual hours worked on the action.

A.5 Costs of **'KIC Partners that are natural persons'** not receiving a salary are eligible personnel costs, if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual hours worked on the action.

Calculation

Personnel costs must be calculated by the KIC Partners as follows:

{{hourly rate

multiplied by

the number of actual hours worked on the action},

plus

for non-profit legal entities: additional remuneration to personnel assigned to the action under the conditions set out above (Point A.1)}.

The number of actual hours declared for a person must be identifiable and verifiable (see Article 24 FPA).

The total number of hours declared in EIT, EU or Euratom grants, for a person for a year, cannot be higher than the annual productive hours used for the calculations of the hourly rate. Therefore, the maximum number of hours that can be declared for the specific grant are:

{number of annual productive hours for the year (see below)

minus

total number of hours declared by the KIC Partner for that person for that year, for other EIT, EU or Euratom grants}.

The **'hourly rate'** is one of the following:

- (a) for personnel costs declared as **actual costs**: the hourly rate is the amount calculated as follows:

{actual annual personnel costs (excluding additional remuneration) for the person
divided by
the number of annual productive hours}.

The KIC Partners must use the annual personnel costs and the number of annual productive hours for each financial year covered by the reporting period concerned. If a financial year is not closed at the end of the action, the KIC Partners must use the hourly rate of the last closed financial year available.

For the 'number of annual productive hours', the KIC Partners may choose one of the following:

- (i) 'fixed number of hours': 1 720 hours for persons working full time (or corresponding pro-rata for persons not working full time);
- (ii) 'individual annual productive hours': the total number of hours worked by the person in the year for the KIC Partner, calculated as follows:

{annual workable hours of the person (according to the employment contract, applicable collective labour agreement or national law)

Plus

overtime worked minus

absences (such as sick leave and special leave)}.

'Annual workable hours' means the period during which the personnel must be working, at the employer's disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.

If the contract (or applicable collective labour agreement or national working time legislation) does not allow to determine the annual workable hours, this option cannot be used.

- (iii) 'standard annual productive hours': the 'standard number of annual hours' generally applied by the KIC Partner for its personnel in accordance with its usual cost accounting practices. This number must be at least 90% of the 'standard annual workable hours'.

If there is no applicable reference for the standard annual workable hours, this option cannot be used.

For all options, the actual time spent on **parental leave** by a person assigned to the action may be deducted from the number of annual productive hours;

(b) for personnel costs declared on the basis of unit costs: the hourly rate is one of the following:

(i) for SME owners or for KIC Partners that are natural persons: the hourly rate set out in Annex 2 (see Points A.4 and A.5 above), or

(ii) for personnel costs declared on the basis of the KIC Partner's usual cost accounting practices: the hourly rate calculated by the KIC Partner in accordance with its usual cost accounting practices, if:

- the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;

- the hourly rate is calculated using the actual personnel costs recorded in the KIC Partner's accounts, excluding any ineligible cost or costs included in other budget categories.

The actual personnel costs may be adjusted by the KIC Partner on the basis of budgeted or estimated elements. Those elements must be relevant for calculating the personnel costs, reasonable and correspond to objective and verifiable information;

and

- the hourly rate is calculated using the number of annual productive hours (see above).

B. Direct costs of subcontracting *[(not covered by Point F)]* (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner) are eligible if the conditions in Article 11.1.1 are met.

C. Direct costs of providing financial support to third parties *[(not covered by Point F)]* are eligible if the conditions set out in Article 13.1.1 or 13.2.1 are met.

D. Other direct costs *[(not covered by Point F)]*

D.1 Travel costs and related subsistence allowances (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner) are eligible if they are in line with the KIC Partner's usual practices on travel.

D.2 The **depreciation costs for equipment, infrastructure or other assets** (new or second-hand) as recorded in the KIC Partner's accounts are eligible, if they were purchased in accordance with Article 8.1.1 and written off in accordance with international accounting standards and the KIC Partner's usual accounting practices.

The costs of renting or leasing equipment, infrastructure or other assets (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner are also eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets and do not include any financing fees.

The costs of equipment, infrastructure or other assets contributed in-kind against payment are eligible, if they do not exceed the depreciation costs of similar equipment, infrastructure or assets, do not include any financing fees and if the conditions in Article 9.1 are met.

The only portion of the costs that will be taken into account is that which corresponds to the duration of the action and rate of actual use for the purposes of the action.

D.3 **Costs for other goods and services** (including related duties, taxes and charges such as non-deductible value added tax (VAT) paid by the KIC Partner are eligible if they are:

- (a) purchased specifically for the specific action and in accordance with Article 8.1.1 or
- (b) contributed in kind against payment and in accordance with Article 9.1.

Such goods and services include, for instance, consumables and supplies, dissemination (including open access), protection of results, certificates on the financial statements (if they are required by the Agreement), certificates on the methodology, translations and publications.

D.4 **Capitalised and operating costs of 'large research infrastructure'**¹⁰ *[OPTION by default: directly used for the specific action are eligible, if:*

- (a) *the value of the large research infrastructure represents at least 75% of the total fixed assets (at historical value in its last closed balance sheet before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure¹¹);*

¹⁰ 'Large research infrastructure' means research infrastructure of a total value of at least EUR 20 million, for a partner, calculated as the sum of historical asset values of each individual research infrastructure of that partner, as they appear in its last closed balance sheet before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure.

¹¹ For the definition, see Article 2(6) of the H2020 Framework Programme Regulation No 1291/2013: 'Research infrastructure' are facilities, resources and services that are used by the research communities to conduct research and foster innovation in their fields. Where relevant, they may be used beyond research, e.g. for education or public services. They include: major scientific equipment (or sets of instruments); knowledge-based resources such as collections, archives or scientific data; e-infrastructures such as data and computing systems and communication networks; and any other infrastructure of a unique nature essential to achieve excellence in research and innovation. Such infrastructures may be 'single-sited', 'virtual' or 'distributed'.

- (b) *the partner's methodology for declaring the costs for large research infrastructure has been positively assessed by the EIT ('ex-ante assessment');*
- (c) *the partner declares as direct eligible costs only the portion which corresponds to the duration of the action and the rate of actual use for the purposes of the action, and*
- (d) *they comply with the conditions as further detailed in the annotations to the H2020 Grant Agreements.]*

E. Indirect costs [(not covered by Point F)]

Indirect costs are eligible if they are declared on the basis of the flat-rate of 25% of the eligible direct costs (see Article 4.3 and Points A to D above), from which are excluded:

- (a) costs of subcontracting;
- (b) costs of in-kind contributions provided by third parties which are not used on the KIC Partner's premises;
- (c) costs of providing financial support to third parties; and
- (d) *[OPTION if Point F applies and the unit or lump sum cost includes indirect costs: unit costs under Article 4.2 f.) and Point F below), lump sum costs under Article 4.2(f) and Point F below.] [OPTION: not applicable.]*

KIC Partners receiving an operating grant¹² financed by the EU or Euratom budget cannot declare indirect costs for the period covered by the operating grant.

F. [OPTION: [Insert name of specific cost category(ies)]¹³][OPTION if no specific cost categories applicable to grant: Specific cost category(ies)]

[OPTION for specific unit costs (if unit cost foreseen by Commission decision and applicable to the grant): [Insert name of specific cost category] are eligible, if they correspond to the amount per unit set out in Annex 2 multiplied by the number of actual units [and if [insert eligibility conditions]].]

¹² For the definition, see Article 121(1)(b) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 218, 26.10.2012, p.1) ('**Financial Regulation No 966/2012**): 'operating grant' means direct financial contribution, by way of donation, from the budget in order to finance the functioning of a body which pursues an aim of general EU interest or has an objective forming part of and supporting an EU policy.

¹³ Insert precise name of cost category (as in the Commission decision authorising the use of the unit cost/lump-sum). For example: 'costs for clinical studies'; 'costs for energy efficiency measures in buildings'

[OPTION for specific lump sum costs (lump sum foreseen by Commission decision and applicable to the grant): [Insert name of specific cost category] are eligible, if they correspond to the lump sum set out in Annex 2 and the corresponding tasks or parts of the action have been properly implemented in accordance with Annex 1.]

[same for each specific cost category]

[OPTION: Not applicable]

5.3 Conditions for costs of linked third parties to be eligible

Costs incurred by linked third parties are eligible if they fulfil — mutatis mutandis — the general and specific conditions for eligibility set out in this Article (Article 5.1 and 5.2) and Article 12.1.1.

5.4 Conditions for in-kind contributions provided by third parties free of charge to be eligible

In-kind contributions provided free of charge are eligible direct costs (for the KIC Partner or linked third party), if the costs incurred by the third party fulfil — mutatis mutandis — the general and specific conditions for eligibility set out in this Article (Article 5.1 and 5.2) and Article 10.1.

5.5 Ineligible costs

'Ineligible costs' are:

- (a) costs of implementing KIC complementary activities;
- (b) costs that do not comply with the conditions set out above (Article 5.1 to 5.4), in particular:
 - (i) costs related to return on capital;
 - (ii) debt and debt service charges;
 - (iii) provisions for future losses or debts;
 - (iv) interest owed;
 - (v) doubtful debts;
 - (vi) currency exchange losses;
 - (vii) bank costs charged by the KIC LE's bank for transfers from the EIT;
 - (viii) excessive or reckless expenditure;

- (ix) deductible VAT;
 - (x) costs incurred during suspension of the implementation of the specific action (see Article 55 FPA);
- (c) costs declared under another EIT, EU or Euratom grant (including grants awarded by a Member State and financed by the EU or Euratom budget and grants awarded by bodies other than the EIT for the purpose of implementing the EU or Euratom budget); in particular, indirect costs if the KIC Partner is already receiving an operating grant financed by the EU or Euratom budget in the same period.

5.6 Consequences of declaration of ineligible costs

Declared costs that are ineligible will be rejected (see Article 48 FPA).

This may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

CHAPTER 4 RIGHTS AND OBLIGATIONS OF THE PARTIES

SECTION 1 RIGHTS AND OBLIGATIONS RELATED TO IMPLEMENTING THE SPECIFIC ACTIONS

ARTICLE 6 — RESOURCES TO IMPLEMENT THE SPECIFIC ACTION — THIRD PARTIES INVOLVED IN THE SPECIFIC ACTION

The KIC Partners must have the appropriate resources to implement specific action.

If it is necessary to implement the specific action, the KIC Partners may:

- purchase goods, works and services (see Article 8);
- use in-kind contributions provided by third parties against payment (see Article 9);
- use in-kind contributions provided by third parties free of charge (see Article 10);
- call upon subcontractors to implement action tasks described in Annex 1 (see Article 11);
- call upon linked third parties to implement action tasks described in Annex 1 (see Article 12).

In these cases, the KIC Partners retain sole responsibility towards the EIT and the other KIC Partners for implementing the specific action.

ARTICLE 7 — IMPLEMENTATION OF ACTION TASKS BY KIC PARTNERS NOT RECEIVING EIT FUNDING

7.1 Rules for the implementation of action tasks by KIC Partners not receiving EIT funding

KIC Partners not receiving EIT funding must implement the specific action tasks attributed to them in Annex 1 according to Article 12 of the Framework Partnership Agreement.

Their costs are estimated in Annex 2 but:

- will not be reimbursed and
- will not be taken into account for the calculation of the specific grant (see Articles 4 and Article 17 SGA and Article 10 FPA.)

For KIC Partners not receiving EIT funding which do not have linked third parties receiving EIT funding, Articles 4, 5, 8 to 13, 16.3(b), 16.4(b), 16.6, 17 of the Specific Agreement and Articles 24.1.2, 29a, 32.4, 33.2, 34.1 (with the exception of additional exploitation obligations), 34.2, 36.3, 37.5, 46, 48, 49, 50, 53, 54 of the Framework Partnership Agreement do not apply.

They will not be subject to financial checks, reviews and audits under Article 28 of the Framework Partnership Agreement for their own costs.

For KIC Partners not receiving EIT funding which have linked third parties receiving EIT funding, Articles 4, 5, 8 to 13, 16.6 of the Specific Agreement and articles 29a and 46 of the Framework Partnership Agreement do not apply.

Articles 32.4, 33.2, 34.1, 34.2, 36.3, 37.5 of the Framework Partnership Agreement do not apply to results generated without EU funds.

They will not be subject to financial checks, reviews and audits under Article 28 of the Framework Partnership Agreement for their own costs.

KIC Partners not receiving EU funding may provide in-kind contributions to another KIC Partner. In this case, they will be considered as a third party for the purpose of Articles 9 and 10 of the Specific Agreement.

7.2 Consequences of non-compliance

If a KIC Partner not receiving EU funding breaches any of its obligations under this Article, its participation of the Agreement may be terminated (see Article 56 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement that are applicable to it.

ARTICLE 8 — PURCHASE OF GOODS, WORKS AND SERVICES

8.1 Rules for purchasing goods, works or services

8.1.1 If necessary to implement the specific action, the KIC Partners may purchase goods, works or services.

The KIC Partners must make such purchases ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 41 FPA).

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the Framework Partnership Agreement also towards their contractors.

8.1.2 KIC Partners that are 'contracting authorities' within the meaning of Directive 2004/18/EC¹⁴ or 'contracting entities' within the meaning of Directive 2004/17/EC¹⁵ must comply with the applicable national law on public procurement.

8.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under Article 8.1.1, the costs related to the contract concerned will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If a KIC Partner breaches any of its obligations under Article 8.1.2, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 9 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES AGAINST PAYMENT

9.1 Rules for the use of in-kind contributions against payment

If necessary to implement the specific action, the KIC Partners may use in-kind contributions provided by third parties against payment.

The KIC Partners may declare costs related to the payment of in-kind contributions as eligible (see Article 5), up to the third parties' costs for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services.

¹⁴ Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public work contracts, public supply contracts and public service contracts (OJ L 134, 30.04.2004, p. 114).

¹⁵ Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.04.2004, p. 1).

The third parties and their contributions must be set out in Annex 1. The EIT may however approve in-kind contributions not set out in Annex 1 without amendment (see Article 61 FPA), if:

- they are specifically justified in the final report, and
- their use does not entail changes to the Specific Agreement which would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants or the KICs.

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the Framework Partnership Agreement also towards the third parties.

9.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the costs related to the payment of the in-kind contribution will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 10 — USE OF IN-KIND CONTRIBUTIONS PROVIDED BY THIRD PARTIES FREE OF CHARGE

10.1 Rules for the use of in-kind contributions free of charge

If necessary to implement the specific action, the KIC Partners may use in-kind contributions provided by third parties free of charge.

The KIC Partners may declare costs incurred by the third parties for the seconded persons, contributed equipment, infrastructure or other assets or other contributed goods and services as eligible in accordance with Article 5.

The third parties and their contributions must be set out in Annex 1. The EIT may however approve in-kind contributions not set out in Annex 1 without amendment (see Article 61 FPA), if:

- they are specifically justified in the final report, and
- their use does not entail changes to the Specific Agreement which would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants.

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the Framework Partnership Agreement also towards the third parties.

10.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under this Article, the costs incurred by the third parties related to the in-kind contribution will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 11 — IMPLEMENTATION OF ACTION TASKS BY SUBCONTRACTORS

11.1 Rules for subcontracting action tasks

11.1.1 If necessary to implement the specific action, the KIC Partners may award subcontracts covering the implementation of certain action tasks described in Annex 1.

Subcontracting may cover only a limited part of the specific action.

The KIC Partners must award the subcontracts ensuring the best value for money or, if appropriate, the lowest price. In doing so, they must avoid any conflict of interests (see Article 41 FPA).

The tasks to be implemented and the estimated cost for each subcontract must be set out in Annex 1. The EIT may however approve subcontracts not set out in Annex 1 without amendment (see Article 61 FPA), if:

- they are specifically justified in the final report, and
- they do not entail changes to the Specific Agreement which would call into question the decision awarding the specific grant or breach the principle of equal treatment of applicants or the KICs.

The KIC Partners must ensure that the EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the Framework Partnership Agreement also towards their subcontractors.

11.1.2 The KIC Partners must ensure that their obligations under Articles 41, 42, 44 and 52 of the Framework Partnership Agreement also apply to the subcontractors.

KIC Partners acting as ‘contracting authorities’ within the meaning of Directive 2004/18/EC or as ‘contracting entities’ within the meaning of Directive 2004/17/EC must comply with the applicable national law on public procurement.

11.2 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under Article 11.1.1, the costs related to the subcontract concerned will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If a KIC Partner breaches any of its obligations under Article 11.1.2, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 12 — IMPLEMENTATION OF ACTION TASKS BY LINKED THIRD PARTIES

12.1 Rules for calling upon linked third parties to implement part of the specific action

12.1.1 The linked third parties listed in Annex 5 to the Framework Partnership Agreement may implement action tasks attributed to them in Annex 1.

They may declare as eligible the costs they incur for implementing the action tasks in accordance with Article 5.

The KIC Partners must ensure that EIT, the Commission, the European Court of Auditors (ECA) and the European Anti-Fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the Framework Partnership Agreement also towards their linked third parties.

12.1.2 The KIC Partners must ensure that their obligations under Articles 24, 26, 41, 42 and 44 of the Framework Partnership Agreement also apply to their linked third parties.

12.2 Consequences of non-compliance

If any obligation under Article 12.1.1 is breached, the costs of the linked third party will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If any obligation under Article 12.1.2 is breached, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 13 — FINANCIAL SUPPORT TO THIRD PARTIES

13.1 Rules for providing financial support to third parties

13.1.1 The KIC Partners must provide financial support in accordance with the conditions set out in Annex 1.

At a minimum, these conditions must include:

- (a) the maximum amount of financial support for each third party.

The maximum amount may not exceed EUR 60 000 for each third party, unless it is necessary to achieve the objectives of the specific action as described in Annex 1;

- (b) the criteria for calculating the exact amount of the financial support;
- (c) the different types of activity that qualify for financial support, on the basis of a closed list;
- (d) the persons or categories of persons that may receive financial support, and
- (e) the criteria for giving financial support.

The KIC Partners must ensure that the EIT, Commission, the European Court of Auditors (ECA) and the European Anti-fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the Framework Partnership Agreement also towards the third parties receiving financial support.

13.1.2 The KIC Partners must ensure that their obligations under Articles 41, 42, 44 and 52 of the Framework Partnership Agreement also apply to the third parties receiving financial support.

13.2 Financial support in the form of prizes

13.2.1 The KIC Partners must provide prizes in accordance with the conditions described in Annex 1.

At a minimum, these conditions must include:

- (a) the conditions for participation;
- (b) the award criteria;
- (c) the amount of the prize, and
- (d) the payment arrangements.

The KIC Partners must ensure that the EIT, Commission, the European Court of Auditors (ECA) and the European Anti-fraud Office (OLAF) can exercise their rights under Articles 28 and 29 of the Framework Partnership Agreement also towards the third parties receiving a prize.

13.2.2 The KIC Partners must ensure that their obligations under Articles 41, 42, 44 and 52 of the Framework Partnership Agreement also apply to the third parties receiving a prize.

13.3 Consequences of non-compliance

If a KIC Partner breaches any of its obligations under Articles 13.1.1 or 13.2.1, the costs related to the financial support or prize will be ineligible (see Article 5) and will be rejected (see Article 48 FPA).

If a KIC partner breaches any of its obligations under Articles 13.1.2 or 13.2.2, the specific grant may be reduced (see Article 49 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 13a — SUPPORT TO OR IMPLEMENTATION OF TRANS-NATIONAL PROJECTS

Not applicable

ARTICLE 14 — PROVISION OF TRANS-NATIONAL OR VIRTUAL ACCESS TO RESEARCH INFRASTRUCTURE

Not applicable

SECTION 2 RIGHTS AND OBLIGATIONS RELATED TO THE GRANT ADMINISTRATION

ARTICLE 15 — SUBMISSION OF DELIVERABLES

15.1 Obligation to submit deliverables

The KIC LE must submit the 'deliverables' identified in Annex 1, in accordance with the timing and conditions set out in it.

15.2 Consequences of non-compliance

If the KIC LE breaches any of its obligations under this Article, the EIT may apply any of the measures described in Section 5 of the Framework Partnership Agreement.

ARTICLE 16 — REPORTING — PAYMENT REQUESTS

16.1 Obligation to submit reports

The KIC LE must submit to the EIT (see Article 58 FPA) the final report set out in this Article. This report includes the request for payment of the balance and must be drawn up in conformity with EIT guidelines on reporting and using the forms and templates provided by the EIT (see Article 58 FPA).

16.2 Final report

The KIC LE must submit the final report within 90 days following the end of the period set out in Article 3.

The **final report** must include the following:

- (a) a **'technical report'** containing:
 - (i) an **explanation of the work carried** out by the KIC Partners in implementing the specific action;
 - (ii) an **overview of the progress** towards the objectives of the specific action, including milestones and deliverables identified in Annex 1;

This report must include explanations justifying the differences between work expected to be carried out in accordance with Annex 1 and that actually carried out;

- (iii) a **summary** for publication by the EIT;
 - (iv) an **overview of the results** and their exploitation and dissemination;
 - (v) the **conclusions on the specific action**, and
 - (vi) a description of the **socio-economic impact** of the specific action;
- (b) a **'financial report'** containing:
 - (i) an **'individual financial statement'** (see Annex 7) from each KIC Partner and from each linked third party, for the period set out in Article 3.

The individual financial statement must detail the eligible costs (actual costs, unit costs, flat-rate costs and lump sum costs; see Article 5) for each budget category (see Annex 2).

The KIC Partners and linked third parties must declare all eligible costs, even if — for actual costs, unit costs and flat-rate costs — they exceed the amounts indicated in the estimated budget (see Annex 2). Amounts which are not declared in the individual financial statement will not be taken into account by the EIT.

The individual financial statements must also detail the receipts of the specific action (see Article 10 FPA).

Each KIC Partner and each linked third party must certify that:

- the information provided is full, reliable and true;
 - the costs declared are eligible (see Article 5);
 - the costs can be substantiated by adequate records and supporting documentation (see Article 24 FPA) that will be produced upon request (see Article 23 FPA) or in the context of checks, reviews, audits and investigations (see Article 28 FPA), and
 - that all the receipts have been declared (see Article 10 FPA);
- (ii) an **explanation of the use of resources and the information on subcontracting** (see Article 18 FPA) and in-kind contributions provided by third parties (see Articles 16 and 17 FPA) from each KIC Partner and from each linked third party for the period set out in Article 3;
- (iii) a **'summary financial statement'**, consolidating the individual financial statements including the request for payment of the balance and
- (iv) a **'certificate on the financial statement'** (drawn up in accordance with Annex 4) for each KIC Partner and for each linked third party, if it requests a total contribution of EUR 325 000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Articles 4.2 and 5.2. Point A).

16.3 Currency for financial statements and conversion into euro

Financial statements must be drafted in euro.

KIC Partners and linked third parties with accounting established in a currency other than the euro must convert the costs recorded in their accounts into euro at the average of the daily exchange rates published in the C series of the Official Journal of the European Union calculated over the corresponding reporting period.

If no daily euro exchange rate is published in the Official Journal of the European Union for the currency in question, they must be converted at the average of the monthly accounting rates published on the Commission's website calculated over the corresponding reporting period.

KIC Partners and linked third parties with accounting established in euro must convert costs incurred in another currency into euro according to their usual accounting practices.

16.4 Language of reports

The final report must be submitted in English.

16.5 Consequences of non-compliance — Suspension of the payment deadline — Termination

If the final report submitted does not comply with this Article, the EIT may suspend the payment deadline (see Article 53 FPA) and apply any of the other measures described in Section 5 of the Framework Partnership Agreement.

If the KIC LE breaches its obligation to submit the final report and if it fails to comply with this obligation within 30 days following a written reminder sent by the EIT, the Specific Agreement may be terminated (see Article 56 FPA).

ARTICLE 17 — PAYMENTS AND PAYMENT ARRANGEMENTS

17.1 Payments to be made

The following payments will be made to the KIC LE:

- one **pre-financing payment**;
- one **payment of the balance**, on the basis of the request for payment of the balance (see Article 16).

17.2 Pre-financing payment — Amount — Amount retained for the Guarantee Fund

The aim of the pre-financing is to provide the KIC Partners with a float.

It remains the property of the EIT until the payment of the balance.

The amount of the pre-financing payment will be **EUR [insert amount (insert amount in words)]**.

The EIT will — except if Article 54 of the Framework Partnership Agreement applies — make the pre-financing payment to the KIC LE within 30 days either from the entry into force of the Specific Agreement (see Article 21) or from 10 days before the starting date of the specific action (see Article 3), whichever is the latest.

An amount of **EUR [insert amount (insert amount in words)]**, corresponding to 5% of the maximum grant amount (see Article 4.1), is retained by the EIT from the pre-financing payment and transferred into the 'Guarantee Fund'.

17.3 Interim payments — Amount — Calculation

Not applicable

17.4 Payment of the balance — Amount — Calculation — Release of the amount retained for the Guarantee Fund

The payment of the balance reimburses the remaining part of the eligible costs incurred by the KIC Partners for the implementation of the specific action.

If the total amount of earlier payments is greater than the final grant amount (see Article 10 FPA), the payment of the balance takes the form of a recovery (see Article 50 FPA).

If the total amount of earlier payments is lower than the final grant amount, the EIT will pay the balance within 90 days from receiving the final report (see Article 16), except if Articles 53 or 54 of the Framework Partnership Agreement apply.

Payment is subject to the approval of the final report. Its approval does not imply recognition of the compliance, authenticity, completeness or correctness of its content.

The **amount due as the balance** is calculated by the EIT by deducting the pre-financing payment already made, from the final grant amount determined in accordance with Article 10 of the Framework Partnership Agreement:

{final grant amount (see Article 10 of the Framework Partnership Agreement)

minus

{pre-financing payment (if any) made}.

At the payment of the balance, the amount retained for the Guarantee Fund (see above) will be released and:

- if the balance is positive: the amount released will be paid in full to the KIC LE together with the amount due as the balance;
- if the balance is negative (payment of the balance taking the form of recovery): it will be deducted from the amount released (see Article 50 FPA). If the resulting amount:
 - is positive, it will be paid to the KIC LE
 - is negative, it will be recovered.

The amount to be paid may however be offset — without the KIC Partner's consent — against any other amount owed by the KIC Partner to the EIT, up to the maximum EIT contribution indicated, for that KIC Partner, in the estimated budget (see Annex 2).

17.5 Notification of amounts due

When making payments, the EIT will formally notify to the KIC LE the amount due as the payment of the balance, specifying the final grant amount.

In the case of reduction of the specific grant or recovery of undue amounts, the notification will be preceded by the contradictory procedure set out in Articles 49 and 50 of the Framework Partnership Agreement.

17.6 Currency for payments

The EIT will make all payments in euro.

17.7 Payments to the KIC LE — Distribution to the KIC Partners

Payments will be made to the KIC LE.

Payments to the KIC LE will discharge the EIT from its payment obligation.

The KIC LE must distribute the payments between the KIC Partners without unjustified delay.

Pre-financing may however be distributed only:

- (a) if the minimum number of KIC Partners set out in the call for proposals has acceded to the Framework and Specific Agreement (see Article 62 FPA) and
- (b) to KIC Partners that have entered into the Specific Agreement (see Article 62 FPA).

17.8 Bank account for payments

All payments will be made to the following bank account:

Name of bank: [...]

Address of branch: [...]

Full name of the account holder: [...]

Full account number (including bank codes): [...]

[IBAN code: [...]]¹⁶

17.9 Costs of payment transfers

The cost of the payment transfers is borne as follows:

- the EIT bears the cost of transfers charged by its bank;
- the KIC partner bears the cost of transfers charged by its bank;

¹⁶ BIC or SWIFT code applies to for countries if the IBAN code does not apply.

- the party causing a repetition of a transfer bears all costs of the repeated transfer.

17.10 Date of payment

Payments by the EIT are considered to have been carried out on the date when they are debited to its account.

17.11 Consequences of non-compliance

17.11.1 If the EIT does not pay within the payment deadlines (see above), the KIC Partners are entitled to **late-payment interest** at the rate applied by the European Central Bank (ECB) for its main refinancing operations in euros ('reference rate'), plus three and a half points. The reference rate is the rate in force on the first day of the month in which the payment deadline expires, as published in the C series of the Official Journal of the European Union.

If the late-payment interest is lower than or equal to EUR 200, it will be paid to the KIC LE only upon request submitted within two months of receiving the late payment.

Suspension of the payment deadline or payments (see Articles 53 and 54 FPA) will not be considered as late payment.

Late-payment interest covers the period running from the day following the due date for payment (see above), up to and including the date of payment.

Late-payment interest is not considered for the purposes of calculating the final grant amount.

17.11.2 If the KIC LE breaches any of its obligations under this Article, the specific grant may be reduced (see Article 49 FPA) and the Specific Agreement may be terminated (see Article 56 FPA).

Such breaches may also lead to any of the other measures described in Section 5 of the Framework Partnership Agreement.

SECTION 3 RIGHTS AND OBLIGATIONS RELATED TO PRE-EXISTING RIGHTS (BACKGROUND) AND RESULTS

ARTICLE 18 — ADDITIONAL RIGHTS AND OBLIGATIONS RELATED TO BACKGROUND AND RESULTS

Not applicable

CHAPTER 5 DIVISION OF PARTNERS' ROLES AND RESPONSIBILITIES — RELATIONSHIP WITH COMPLEMENTARY BENEFICIARIES — RELATIONSHIP WITH PARTICIPANTS OF A JOINT ACTION

ARTICLE 19 — DIVISION OF PARTNERS' ROLES AND RESPONSIBILITIES - RELATIONSHIP WITH COMPLEMENTARY BENEFICIARIES— RELATIONSHIP WITH PARTICIPANTS OF A JOINT ACTION

19.1 Relationship with complementary beneficiaries — Collaboration agreement

Not applicable

19.2 Relationship with partners of a joint action — Coordination agreement

Not applicable

19.3 Governance

19.3.1 The KIC LE and KIC Partners must set up a governance structure that:

- a) Reflects the diversity in the composition of the partnership, in particular the balance within the knowledge triangle;
- b) Separates ownership/membership from operational management;
- c) Ensures an open and high-quality decision-making process, composed of top-management from KIC Partners' as well as independent high-level members;
- d) Separates the supervisory function from the operations and integrates a system of checks and balances, the body with supervisory function should have an independent chairperson;
- e) Has a size allowing to function in an effective and efficient way.

The members of the governance structure must act in the best interest of the KIC, safeguarding its goals, mission and identity, in an independent way.

19.3.2. The KIC LE and KIC Partners must set up an effective operational structure ensuring that the KIC management has executive power to implement the integrated KIC Strategic Agenda and yearly KIC Business Plans.

The KIC management must act in the best interest of the KIC, safeguarding its goals, mission and identity, independently from the particular interest of individual KIC Partners.

19.3.3. Within six months after the signature of the FPA, the KIC LE and KIC Partners must adopt a code of good conduct including a policy on conflict of interests.

19.3.4. These principles shall be transposed in the KIC Internal Agreements.

19.3.5. The KIC LE will notify the EIT of the above arrangements, its code of conduct and any modifications thereof.

CHAPTER 6 REJECTION OF COSTS — REDUCTION OF THE GRANT — RECOVERY — PENALTIES — DAMAGES — SUSPENSION — TERMINATION — FORCE MAJEURE

ARTICLE 20 — ADDITIONAL GROUNDS FOR TERMINATION

Not applicable

CHAPTER 7 FINAL PROVISIONS

ARTICLE 21 — ENTRY INTO FORCE OF THE SPECIFIC AGREEMENT

The Specific Agreement will enter into force on the day of signature by the EIT or the KIC LE, depending on which is later.

SIGNATURES

For the KIC LE

[function/forename/surname]

[signature]

For the EIT

[forename/surname]

[signature]

Done in [English] at [place] on [date]

Done in [English] at [place] on [date]

SGA Annex 2 - Estimated budget for Year N KIC Business Plan (in EURO) (activity based)

1. The estimated budget must be provided at the level of specific activity. The Activity Titles used in the Estimated Budget shall be identical with those presented in the Business Plan and Annexes;
2. Budget Heading corresponds to the Area as described in the Business Plan (e.g. Education; Research; Business; EIT RIS; Governance, management and communication);
3. Budget Subheading (if applicable) corresponds to the Segment (if applicable) as described in the Business Plan (e.g.: master, doctoral, continuous professional development programmes within the education area, thematic scope of innovation projects, etc.);
4. Budget Item corresponds to the KIC Activity (e.g.: specific master, specific doctoral school within the education area, specific innovation projects, etc.) as described in the Business Plan;
5. Costs of governance, management, including operational costs of the Legal Entity and co-location centres should be budgeted under a separate area/heading. It will include the cost of services that directly derive from the requirements of the Grant Agreement (e.g. cost of certificates on the financial statements). For the estimation of EIT contribution of salaries at the KIC management (i.e. KIC LE and Co-Location Centres), the remuneration levels according to the EU Staff Regulations shall be considered as benchmark. This benchmark concerns only the EIT contribution while KIC has own autonomy and responsibility with regards to their employees and overall salary levels set. Deviations from this approach are possible but should be justified.
6. RIS specific costs should be budgeted under a separate area/ segment.
7. The overall percentage of EIT funding under KAVA shall in principle be applied as the single reimbursement rate introduced in the Specific Grant Agreement. This rate shall be used at reimbursement of eligible cost of KAVA.

Title	KIC Added Value Activities (KAVA)				KIC complementary activities (KCA)	KIC ACTIVITIES (KAVA+KCA)
	Costs	Sources of Funding				
	(A) Total	(B) EIT grant	(C) KIC Partners/LE	(D) Other		
[X]. Total of Area						
X.Y Total of Segment						
X.Y.1 Activity Title						
X.Y.2 Activity Title						
X.2 Total of Segment						
X.Y.1. Activity Title						
Total [1+2+3+X]						

(A) Estimated full costs of KIC Added Value activities (KAVA), both direct (including financial support to third parties and sub-contracting) and indirect.

(B), (C), (D) Breakdown of estimated sources of funding for each KAVA: EIT grant, KIC Partner/LE and Other

(E) Estimated full costs of KCA

(A+E): Total costs of KIC activity: sum of KAVA and KCA costs

Estimated budget for Year N KIC Business Plan (in EURO) (partner based)

KIC Partner / linked third parties	Indicative KAVA cost	Indicative EIT contribution
TOTAL EIT CONTRIBUTION		

MODEL

MODEL FOR THE FINANCIAL STATEMENT

Consolidated statements of the costs and sources of funding incurred during the year N

KIC Summary Financial Report & Signature
Grant Agreement [year N]

(I.1) Cost Declaration for KIC Added Value Activities (Total eligible costs and EIT claim in Euro)								
KIC action id.	Title	Personnel	Other direct costs	Sub-contracting	Financial support to third parties	Indirect costs	Total KAVA	Unit costs
			<u>1.Travel</u> <u>2.Equipment</u> <u>3.Cost of other goods and services</u> <u>4.Cost of large infrastructure</u>					
1	Area-1							
2	Area-2							
3	Area-3							
4	Area-4							
5	Area-5							
	Total costs							

(I.2) Funding summary (amounts in Euro) and ratios							
	EIT funding	KIC Partner own resources	Receipt	National or Regional	Private	Other Sources	Total funding
KIC Added Value Activities			 				

(I.3) Receipts
Grant Agreement [year N]

MODEL FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS

- For options [*in italics in square brackets*]: choose the applicable option. Options not chosen should be deleted.
- For fields in [grey in square brackets]: enter the appropriate data

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TERMS OF REFERENCE FOR AN INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS DECLARED UNDER A GRANT AGREEMENT FINANCED UNDER THE HORIZON 2020 RESEARCH FRAMEWORK PROGRAMME2

INDEPENDENT REPORT OF FACTUAL FINDINGS ON COSTS DECLARED UNDER A GRANT AGREEMENT FINANCED UNDER THE HORIZON 2020 RESEARCH FRAMEWORK PROGRAMME 6

Terms of Reference for an Independent Report of Factual Findings on costs declared under a Specific Agreement financed under the Horizon 2020 Research and Innovation Framework Programme

This document sets out the ‘**Terms of Reference (ToR)**’ under which

[OPTION 1: [insert name of the partner] (*the Partner*)] [OPTION 2: [insert name of the linked third party] (*the Linked Third Party*), third party linked to the Partner [insert name of the partner] (*the Partner*)]

agrees to engage

[insert legal name of the auditor] (*the Auditor*)

to produce an independent report of factual findings (*the Report*) concerning the Financial Statement(s)¹ drawn up by the [Partner] [Linked Third Party] for the Horizon 2020 specific agreement [insert number of the specific agreement, title of the specific action, acronym and duration from/to] (*the Agreement*), and

to issue a Certificate on the Financial Statements’ (*CFS*) referred to in Article 16 of the Specific Agreement based on the compulsory reporting template stipulated by the Commission.

The Agreement has been concluded under the Horizon 2020 Research and Innovation Framework Programme (H2020) between the KIC LE on behalf of the Partner and *EIT*.

The *EIT* is mentioned as a signatory of the Agreement with the KIC LE on behalf of the *Partner* only. The *EIT* is not a party to this engagement.

¹ By which costs under the Agreement are declared (see template ‘Model Financial Statements’ in Annex 4 to the Specific Agreement).

1.1 Subject of the engagement

The KIC LE must submit to the *EIT* the final report within 60 days following the end of the last reporting period which should include, amongst other documents, a CFS for each *partner* and for each linked third party that requests a total contribution of EUR 325 000 or more, as reimbursement of actual costs and unit costs calculated on the basis of its usual cost accounting practices (see Article 16 of the Specific Agreement). The CFS must cover all reporting periods of the partner or linked third party indicated above.

The *Partner* must submit to the EIT the CFS for itself and for its linked third party(ies), if the CFS must be included in the final report according to Article 16 of the Specific Agreement..

The CFS is composed of two separate documents:

- The Terms of Reference ('the ToR') to be signed by the *[Partner]* *[Linked Third Party]* and the Auditor;
- The Auditor's Independent Report of Factual Findings ('the Report') to be issued on the Auditor's letterhead, dated, stamped and signed by the Auditor (or the competent public officer) which includes the agreed-upon procedures ('the Procedures') to be performed by the Auditor, and the standard factual findings ('the Findings') to be confirmed by the Auditor.

If the CFS must be included in the final report according to Article 16 of the Specific Agreement, the request for payment of the balance relating to the Agreement cannot be made without the CFS. However, the payment for reimbursement of costs covered by the CFS does not preclude the Commission *EIT* the European Anti-Fraud Office and the European Court of Auditors from carrying out checks, reviews, audits and investigations in accordance with Article 28 of the Framework Partnership Agreement.

1.2 Responsibilities

The *[Partner]* *[Linked Third Party]*:

- must draw up the Financial Statement(s) for the action financed by the Agreement in compliance with the obligations under the Agreement. The Financial Statement(s) must be drawn up according to the *[Partner's]* *[Linked Third Party's]* accounting and book-keeping system and the underlying accounts and records;
- must send the Financial Statement(s) to the Auditor;
- is responsible and liable for the accuracy of the Financial Statement(s);
- is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures. It must provide the Auditor with a written representation letter supporting these statements. The written representation letter must state the period covered by the statements and must be dated;
- accepts that the Auditor cannot carry out the Procedures unless it is given full access to the *[Partner's]* *[Linked Third Party's]* staff and accounting as well as any other relevant records and documentation.

The Auditor:

- *[Option 1 by default:* is 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 or similar national regulations].

- *[Option 2 if the Partner or Linked Third Party has an independent Public Officer: is a competent and independent Public Officer for which the relevant national authorities have established the legal capacity to audit the Partner].*
- *[Option 3 if the Partner or Linked Third Party is an international organisation: is an [internal] [external] auditor in accordance with the internal financial regulations and procedures of the international organisation].*

The Auditor:

- must be independent from the Partner *[and the Linked Third Party]*, in particular, it must not have been involved in preparing the *[Partner's] [Linked Third Party's]* Financial Statement(s);
- must plan work so that the Procedures may be carried out and the Findings may be assessed;
- must adhere to the Procedures laid down and the compulsory report format;
- must carry out the engagement in accordance with this ToR;
- must document matters which are important to support the Report;
- must base its Report on the evidence gathered;
- must submit the Report to the *[Partner] [Linked Third Party]*.

The Commission sets out the Procedures to be carried out by the Auditor. The Auditor is not responsible for their suitability or pertinence. As this engagement is not an assurance engagement, the Auditor does not provide an audit opinion or a statement of assurance.

1.3 Applicable Standards

The Auditor must comply with these Terms of Reference and with²:

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as issued by the International Auditing and Assurance Standards Board (IAASB);
- the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA). Although ISRS 4400 states that independence is not a requirement for engagements to carry out agreed-upon procedures, the EIT requires that the Auditor also complies with the Code's independence requirements.

The Auditor's Report must state that there is no conflict of interests in establishing this Report between the Auditor and the Partner *[and the Linked Third Party]*, and must specify - if the service is invoiced - the total fee paid to the Auditor for providing the Report.

1.4 Reporting

The Report must be written in the language of the Agreement (see Article 16 SGA).

Under Article 28 of the Framework Partnership Agreement, the EIT, the European Anti-Fraud Office and the Court of Auditors have the right to audit any work that is carried out under the specific action

² Supreme Audit Institutions applying INTOSAI-standards may carry out the Procedures according to the corresponding International Standards of Supreme Audit Institutions and code of ethics issued by INTOSAI instead of the International Standard on Related Services ('ISRS') 4400 and the Code of Ethics for Professional Accountants issued by the IAASB and the IESBA.

and for which costs are declared from EIT budget. This includes work related to this engagement. The Auditor must provide access to all working papers (e.g. recalculation of hourly rates, verification of the time declared for the action) related to this assignment if the *EIT*, Commission, the European Anti-Fraud Office or the European Court of Auditors requests them.

1.5 Timing

The Report must be provided by [dd Month yyyy].

1.6 Other terms

[The [Partner] [Linked Third Party] and the Auditor can use this section to agree other specific terms, such as the Auditor's fees, liability, applicable law, etc. Those specific terms must not contradict the terms specified above.]

[legal name of the Auditor]

[name & function of authorised representative]

[dd Month yyyy]

Signature of the Auditor

[legal name of the [Partner][Linked Third Party]]

[name & function of authorised representative]

[dd Month yyyy]

Signature of the [Partner][Linked Third Party]

Independent Report of Factual Findings on costs declared under Horizon 2020 Research and Innovation Framework Programme

(To be printed on the Auditor's letterhead)

To
[name of contact person(s)], [Position]
[*[Partner's]* *[Linked Third Party's]* name]
[Address]
[dd Month yyyy]

Dear [Name of contact person(s)],

As agreed under the terms of reference dated [dd Month yyyy]

with [OPTION 1: *[insert name of the partner]* ('the Partner')] [OPTION 2: *[insert name of the linked third party]* ('the Linked Third Party'), third party linked to the Partner *[insert name of the partner]* ('the Partner')],

we

[name of the auditor] ('the Auditor'),

established at

[full address/city/state/province/country],

represented by

[name and function of an authorised representative],

have carried out the procedures agreed with you regarding the costs declared in the Financial Statement(s)³ of the *[Partner]* *[Linked Third Party]* concerning the Specific Agreement

[insert specific agreement reference: number, title of the action and acronym] ('the Agreement'),

with a total cost declared of

[total amount] EUR,

and a total of actual costs and 'direct personnel costs declared as unit costs calculated in accordance with the *[Partner's]* *[Linked Third Party's]* usual cost accounting practices' declared of

[sum of total actual costs and total direct personnel costs declared as unit costs calculated in accordance with the *[Partner's]* *[Linked Third Party's]* usual cost accounting practices] EUR

and **hereby provide our Independent Report of Factual Findings ('the Report')** using the compulsory report format agreed with you.

The Report

³ By which the Partner declares costs under the Specific Agreement (see template 'Model Financial Statement' in Annex 3 to the Specific Agreement).

Our engagement was carried out in accordance with the terms of reference ('the ToR') appended to this Report. The Report includes the agreed-upon procedures ('the Procedures') carried out and the standard factual findings ('the Findings') examined.

The Procedures were carried out solely to assist the EIT in evaluating whether the [partner's] [Linked Third Party's] costs in the accompanying Financial Statement(s) were declared in accordance with the Agreement. The EIT draws its own conclusions from the Report and any additional information it may require.

The scope of the Procedures was defined by the Commission. Therefore, the Auditor is not responsible for their suitability or pertinence. Since the Procedures carried out constitute neither an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, the Auditor does not give a statement of assurance on the Financial Statements.

Had the Auditor carried out additional procedures or an audit of the [Partner's] [Linked Third Party's] Financial Statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to its attention and would have been included in the Report.

Not applicable Findings

We examined the Financial Statement(s) stated above and considered the following Findings not applicable:

Explanation (to be removed from the Report):

If a Finding was not applicable, it must be marked as 'N.A.' ('Not applicable') in the corresponding row on the right-hand column of the table and means that the Finding did not have to be corroborated by the Auditor and the related Procedure(s) did not have to be carried out.

The reasons of the non-application of a certain Finding must be obvious i.e.

- i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable;*
- ii) if the condition set to apply certain Procedure(s) are not met the related Finding(s) and those Procedure(s) are not applicable. For instance, for Partners with accounts established in a currency other than euro' the Procedure and Finding related to 'partners with accounts established in euro' are not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.*

List here all Findings considered not applicable for the present engagement and explain the reasons of the non-applicability.

....

Exceptions

Apart from the exceptions listed below, the [Partner] [Linked Third Party] provided the Auditor all the documentation and accounting information needed by the Auditor to carry out the requested Procedures and evaluate the Findings.

Explanation (to be removed from the Report):

- *If the Auditor was not able to successfully complete a procedure requested, it must be marked as 'E' ('Exception') in the corresponding row on the right-hand column of the table. The reason such as the inability to reconcile key information or the unavailability of data that prevents the Auditor from carrying out the Procedure must be indicated below.*
- *If the Auditor cannot corroborate a standard finding after having carried out the corresponding procedure, it must also be marked as 'E' ('Exception') and, where possible, the reasons why the Finding was not fulfilled and its possible impact must be explained here below.*

List here any exceptions and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, include the corresponding amount.

....

Example (to be removed from the Report):

1. *The Partner was unable to substantiate the Finding number 1 on ... because ...*
2. *Finding number 30 was not fulfilled because the methodology used by the partner to calculate unit costs was different from the one approved by the Commission. The differences were as follows: ...*
3. *After carrying out the agreed procedures to confirm the Finding number 31, the Auditor found a difference of _____ EUR. The difference can be explained by ...*

Further Remarks

In addition to reporting on the results of the specific procedures carried out, the Auditor would like to make the following general remarks:

Example (to be removed from the Report):

1. *Regarding Finding number 8 the conditions for additional remuneration were considered as fulfilled because ...*
2. *In order to be able to confirm the Finding number 15 we carried out the following additional procedures:*

Use of this Report

This Report may be used only for the purpose described in the above objective. It was prepared solely for the confidential use of the [Partner] [Linked Third Party] and the EIT, and only to be submitted to the EIT in connection with the requirements set out in Article 16 of the Specific Agreement. The Report may not be used by the [Partner] [Linked Third Party] or by the EIT for any other purpose, nor may it be distributed to any other parties. The EIT may only disclose the Report to authorised parties, in particular to the European Anti-Fraud Office (OLAF) and the European Court of Auditors.

This Report relates only to the Financial Statement(s) submitted to the EIT by the [Partner] [Linked Third Party] for the Agreement. Therefore, it does not extend to any other of the [Partner's] [Linked Third Party's] Financial Statement(s).

There was no conflict of interest⁴ between the Auditor and the Partner *[and Linked Third Party]* in establishing this Report. The total fee paid to the Auditor for providing the Report was EUR [REDACTED] (including EUR [REDACTED] of deductible VAT).

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance.

[legal name of the Auditor]

[name and function of an authorised representative]

[dd Month yyyy]

Signature of the Auditor

⁴ A conflict of interest arises when the Auditor's objectivity to establish the certificate is compromised in fact or in appearance when the Auditor for instance:

- was involved in the preparation of the Financial Statements;
- stands to benefit directly should the certificate be accepted;
- has a close relationship with any person representing the Partner;
- is a director, trustee or partner of the Partner; or
- is in any other situation that compromises his or her independence or ability to establish the certificate impartially.

Agreed-upon procedures to be performed and standard factual findings to be confirmed by the Auditor

The EIT reserves the right to i) provide the auditor with additional guidance regarding the procedures to be followed or the facts to be ascertained and the way in which to present them (this may include sample coverage and findings) or to ii) change the procedures, by notifying the Partner in writing. The procedures carried out by the auditor to confirm the standard factual finding are listed in the table below.

If this certificate relates to a Linked Third Party, any reference here below to 'the Partner' is to be considered as a reference to 'the Linked Third Party'.

The 'result' column has three different options: 'C', 'E' and 'N.A.':

- 'C' stands for 'confirmed' and means that the auditor can confirm the 'standard factual finding' and, therefore, there is no exception to be reported.
- 'E' stands for 'exception' and means that the Auditor carried out the procedures but cannot confirm the 'standard factual finding', or that the Auditor was not able to carry out a specific procedure (e.g. because it was impossible to reconcile key information or data were unavailable),
- 'N.A.' stands for 'not applicable' and means that the Finding did not have to be examined by the Auditor and the related Procedure(s) did not have to be carried out. The reasons of the non-application of a certain Finding must be obvious i.e. i) if no cost was declared under a certain category then the related Finding(s) and Procedure(s) are not applicable; ii) if the condition set to apply certain Procedure(s) are not met then the related Finding(s) and Procedure(s) are not applicable. For instance, for 'Partners with accounts established in a currency other than the euro' the Procedure related to 'partners with accounts established in euro' is not applicable. Similarly, if no additional remuneration is paid, the related Finding(s) and Procedure(s) for additional remuneration are not applicable.

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
A	ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE PARTNER IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE		
	The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A. <i>(The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel seconded by a third party), otherwise the sample should have a minimum</i>		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>of 10 people, or 10% of the total, whichever number is the highest)</i></p> <p>The Auditor sampled [] people out of the total of [] people.</p>		
A.1	<p>PERSONNEL COSTS</p> <p><u>For the persons included in the sample and working under an employment contract or equivalent act (general procedures for individual actual personnel costs and personnel costs declared as unit costs)</u></p> <p>To confirm standard factual findings 1-5 listed in the next column, the Auditor reviewed following information/documents provided by the Partner:</p> <ul style="list-style-type: none"> ○ a list of the persons included in the sample indicating the period(s) during which they worked for the action, their position (classification or category) and type of contract; ○ the payslips of the employees included in the sample; ○ reconciliation of the personnel costs declared in the Financial Statement(s) with the accounting system (project accounting and general ledger) and payroll system; ○ information concerning the employment status and employment conditions of personnel included in the sample, in particular their employment contracts or equivalent; ○ the Partner’s usual policy regarding payroll matters (e.g. salary policy, overtime policy, variable pay); ○ applicable national law on taxes, labour and social security and ○ any other document that supports the personnel costs declared. <p>The Auditor also verified the eligibility of all components of the retribution (see Article 5 SGA) and</p>	<p>1) The employees were i) directly hired by the Partner in accordance with its national legislation, ii) under the Partner’s sole technical supervision and responsibility and iii) remunerated in accordance with the Beneficiary’s usual practices.</p> <p>2) Personnel costs were recorded in the Partner's accounts/payroll system.</p> <p>3) Costs were adequately supported and reconciled with the accounts and payroll records.</p> <p>4) Personnel costs did not contain any ineligible elements.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	recalculated the personnel costs for employees included in the sample.	5) There were no discrepancies between the personnel costs charged to the action and the costs recalculated by the Auditor.	
	<p><i>Further procedures if 'additional remuneration' is paid</i></p> <p>To confirm standard factual findings 6-9 listed in the next column, the Auditor:</p> <ul style="list-style-type: none"> o reviewed relevant documents provided by the Partner (legal form, legal/statutory obligations, the Partner's usual policy on additional remuneration, criteria used for its calculation...); o recalculated the amount of additional remuneration eligible for the action based on the supporting documents received (full-time or part-time work, exclusive or non-exclusive dedication to the action, etc.) to arrive at the applicable FTE/year and pro-rata rate (see data collected in the course of carrying out the procedures under A.2 'Productive hours' and A.4 'Time recording system'). <p><i>IF ANY PART OF THE REMUNERATION PAID TO THE EMPLOYEE IS NOT MANDATORY ACCORDING TO THE NATIONAL LAW OR THE EMPLOYMENT CONTRACT ("ADDITIONAL REMUNERATION") AND IS ELIGIBLE UNDER THE PROVISIONS OF ARTICLE 5.2.A.1, THIS CAN BE CHARGED AS ELIGIBLE COST TO THE ACTION UP TO THE FOLLOWING AMOUNT:</i></p> <p><i>(A) IF THE PERSON WORKS FULL TIME AND EXCLUSIVELY ON THE ACTION DURING THE FULL YEAR: UP TO EUR 8 000/YEAR;</i></p> <p><i>(B) IF THE PERSON WORKS EXCLUSIVELY ON THE ACTION BUT NOT FULL-TIME OR NOT FOR THE FULL YEAR: UP</i></p>	6) The Partner paying "additional remuneration" was a non-profit legal entity.	
		7) The amount of additional remuneration paid corresponded to the Partner's usual remuneration practices and was consistently paid whenever the same kind of work or expertise was required.	
		8) The criteria used to calculate the additional remuneration were objective and generally applied by the Partner regardless of the source of funding used.	
		9) The amount of additional remuneration included in the personnel costs charged to the	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>TO THE CORRESPONDING PRO-RATA AMOUNT OF EUR 8 000, OR</i></p> <p><i>(c) IF THE PERSON DOES NOT WORK EXCLUSIVELY ON THE ACTION: UP TO A PRO-RATA AMOUNT CALCULATED IN ACCORDANCE TO ARTICLE 5.2.A.1.</i></p>	<p>action was capped at EUR 8,000 per FTE/year (up to the equivalent pro-rata amount if the person did not work on the action full-time during the year or did not work exclusively on the action).</p>	
	<p><i>Additional procedures in case “unit costs calculated by the Partner in accordance with its usual cost accounting practices” is applied:</i></p> <p>Apart from carrying out the procedures indicated above to confirm standard factual findings 1-5 and, if applicable, also 6-9, the Auditor carried out following procedures to confirm standard factual findings 10-13 listed in the next column:</p> <ul style="list-style-type: none"> ○ obtained a description of the Partner's usual cost accounting practice to calculate unit costs; ○ reviewed whether the Partner's usual cost accounting practice was applied for the Financial Statements subject of the present CFS; ○ verified the employees included in the sample were charged under the correct category (in accordance with the criteria used by the Partner to establish personnel categories) by reviewing the contract/HR-record or analytical accounting records; 	<p>10) The personnel costs included in the Financial Statement were calculated in accordance with the Partner's usual cost accounting practice. This methodology was consistently used in all H2020 actions.</p>	
		<p>11) The employees were charged under the correct category.</p>	
		<p>12) Total personnel costs used in calculating the unit costs were consistent with the expenses recorded in the statutory accounts.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<ul style="list-style-type: none"> ○ verified that there is no difference between the total amount of personnel costs used in calculating the cost per unit and the total amount of personnel costs recorded in the statutory accounts; ○ verified whether actual personnel costs were adjusted on the basis of budgeted or estimated elements and, if so, verified whether those elements used are actually relevant for the calculation, objective and supported by documents. 	13) Any estimated or budgeted element used by the Partner in its unit-cost calculation were relevant for calculating personnel costs and corresponded to objective and verifiable information.	
	<p><u>For natural persons included in the sample and working with the Partner under a direct contract other than an employment contract, such as consultants (no subcontractors).</u></p> <p>To confirm standard factual findings 14-18 listed in the next column the Auditor reviewed following information/documents provided by the Partner:</p> <ul style="list-style-type: none"> ○ the contracts, especially the cost, contract duration, work description, place of work, ownership of the results and reporting obligations to the Partner; ○ the employment conditions of staff in the same category to compare costs and; ○ any other document that supports the costs declared and its registration (e.g. invoices, accounting records, etc.). 	14) The natural persons reported to the Partner (worked under the Partner's instructions).	
		15) They worked on the Partner's premises (unless otherwise agreed with the Partner).	
		16) The results of work carried out belong to the Partner.	
		17) Their costs were not significantly different from those for staff who performed similar tasks under an employment contract with the Partner.	
		18) The costs were supported by audit evidence and registered in the accounts.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><u>For personnel seconded by a third party and included in the sample (not subcontractors)</u></p> <p>To confirm standard factual findings 19-22 listed in the next column, the Auditor reviewed following information/documents provided by the Partner:</p> <ul style="list-style-type: none"> ○ their secondment contract(s) notably regarding costs, duration, work description, place of work and ownership of the results; ○ if there is reimbursement by the Partner to the third party for the resource made available_(in-kind contribution against payment): any documentation that supports the costs declared (e.g. contract, invoice, bank payment, and proof of registration in its accounting/payroll, etc.) and reconciliation of the Financial Statement(s) with the accounting system (project accounting and general ledger) as well as any proof that the amount invoiced by the third party did not include any profit. ○ if there is no reimbursement by the Partner to the third party for the resource made available (in-kind contribution free of charge): a proof of the actual cost borne by the Third Party for the resource made available free of charge to the Partner such as a statement of costs incurred by the Third Party and proof of the registration in the Third Party's accounting/payroll,; ○ any other document that supports the costs declared (e.g. invoices, etc.). 	<p>19) Seconded personnel reported to the Partner and worked on the Partner's premises (unless otherwise agreed with the Partner).</p> <p>20) The results of work carried out belong to the Partner.</p> <p><i>If personnel is seconded against payment:</i></p> <p>21) The costs declared were supported with documentation and recorded in the Partner's accounts. The third party did not include any profit.</p> <p><i>If personnel is seconded free of charge:</i></p> <p>22) The costs declared did not exceed the third party's cost as recorded in the accounts of the third party and were supported with documentation.</p>	
A.2	<p>PRODUCTIVE HOURS</p> <p>To confirm standard factual findings 23-28 listed in the next column, the Auditor reviewed</p>	<p>23) The Partner applied method [choose one option and delete the others]</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>relevant documents, especially national legislation, labour agreements and contracts and time records of the persons included in the sample, to verify that:</p> <ul style="list-style-type: none"> ○ the annual productive hours applied were calculated in accordance with one of the methods described below, ○ the full-time equivalent (FTEs) ratios for employees not working full-time were correctly calculated. <p>If the Partner applied method B, the auditor verified that the correctness in which the total number of hours worked was calculated and that the contracts specified the annual workable hours.</p> <p>If the Partner applied method C, the auditor verified that the ‘annual productive hours’ applied when calculating the hourly rate were equivalent to at least 90 % of the ‘standard annual workable hours’. The Auditor can only do this if the calculation of the standard annual workable hours can be supported by records, such as national legislation, labour agreements, and contracts.</p> <p><i>PARTNER'S PRODUCTIVE HOURS' FOR PERSONS WORKING FULL TIME SHALL BE ONE OF THE FOLLOWING METHODS:</i></p> <p>A. 1720 ANNUAL PRODUCTIVE HOURS (PRO-RATA FOR PERSONS NOT WORKING FULL-TIME)</p> <p>B. THE TOTAL NUMBER OF HOURS WORKED BY THE PERSON FOR THE PARTNER IN THE YEAR (THIS METHOD IS ALSO REFERRED TO AS ‘TOTAL NUMBER OF HOURS WORKED’ IN THE NEXT COLUMN). THE CALCULATION OF THE TOTAL NUMBER OF HOURS WORKED WAS DONE AS FOLLOWS: ANNUAL WORKABLE HOURS OF THE PERSON ACCORDING TO THE EMPLOYMENT CONTRACT, APPLICABLE LABOUR AGREEMENT OR NATIONAL LAW PLUS OVERTIME WORKED MINUS ABSENCES (SUCH AS SICK LEAVE OR SPECIAL LEAVE).</p>	<p>[A: 1720 hours]</p> <p>[B: the ‘total number of hours worked’]</p> <p>[C: ‘annual productive hours’ used correspond to usual accounting practices]</p> <p>24) Productive hours were calculated annually.</p> <p>25) For employees not working full-time the full-time equivalent (FTE) ratio was correctly applied.</p> <p><i>If the Partner applied method B.</i></p> <p>26) The calculation of the number of ‘annual workable hours’, overtime and absences was verifiable based on the documents provided by the Partner.</p> <p><i>If the Partner applied method C.</i></p> <p>27) The calculation of the number of ‘standard annual workable hours’ was verifiable based on the documents provided by the</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>C. THE STANDARD NUMBER OF ANNUAL HOURS GENERALLY APPLIED BY THE PARTNER FOR ITS PERSONNEL IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES (THIS METHOD IS ALSO REFERRED TO AS 'TOTAL ANNUAL PRODUCTIVE HOURS' IN THE NEXT COLUMN). THIS NUMBER MUST BE AT LEAST 90% OF THE STANDARD ANNUAL WORKABLE HOURS.</i></p> <p><i>'ANNUAL WORKABLE HOURS' MEANS THE PERIOD DURING WHICH THE PERSONNEL MUST BE WORKING, AT THE EMPLOYER'S DISPOSAL AND CARRYING OUT HIS/HER ACTIVITY OR DUTIES UNDER THE EMPLOYMENT CONTRACT, APPLICABLE COLLECTIVE LABOUR AGREEMENT OR NATIONAL WORKING TIME LEGISLATION.</i></p>	<p>Partner.</p> <p>28) The 'annual productive hours' used for calculating the hourly rate were consistent with the usual cost accounting practices of the Partner and were equivalent to at least 90 % of the 'annual workable hours'.</p>	
A.3	<p>HOURLY PERSONNEL RATES</p> <p><u>l) For unit costs calculated in accordance to the Partner's usual cost accounting practice (unit costs):</u></p> <p>If the Partner has a "Certificate on Methodology to calculate unit costs " (CoMUC) approved by the Commission, the Partner provides the Auditor with a description of the approved methodology and the Commission's letter of acceptance. The Auditor verified that the Partner has indeed used the methodology approved. If so, no further verification is necessary.</p> <p>If the Partner does not have a "Certificate on Methodology" (CoMUC) approved by the Commission, or if the methodology approved was not applied, then the Auditor:</p> <ul style="list-style-type: none"> o reviewed the documentation provided by the Partner, including manuals and internal guidelines that explain how to calculate hourly rates; o recalculated the unit costs (hourly rates) of staff included in the sample following the results of the procedures carried out in A.1 and A.2. 	<p>29) The Partner applied [<i>choose one option and delete the other</i>):</p> <p>[Option I: "Unit costs (hourly rates) were calculated in accordance with the Partner's usual cost accounting practices"]</p> <p>[Option II: Individual hourly rates were applied]</p> <p><i>For option I concerning unit costs and if the Partner applies the methodology approved by the Commission (CoMUC):</i></p> <p>30) The Partner used the</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>II) <u>For individual hourly rates:</u></p> <p>The Auditor:</p> <ul style="list-style-type: none"> ○ reviewed the documentation provided by the Partner, including manuals and internal guidelines that explain how to calculate hourly rates; ○ recalculated the hourly rates of staff included in the sample following the results of the procedures carried out in A.1 and A.2. <p><i><u>“UNIT COSTS CALCULATED BY THE PARTNER IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICES”:</u></i> <i>IT IS CALCULATED BY DIVIDING THE TOTAL AMOUNT OF PERSONNEL COSTS OF THE CATEGORY TO WHICH THE EMPLOYEE BELONGS VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF FTE AND THE ANNUAL TOTAL PRODUCTIVE HOURS OF THE SAME CATEGORY CALCULATED BY THE PARTNER IN ACCORDANCE WITH PROCEDURE A.2.</i></p> <p><i><u>HOURLY RATE FOR INDIVIDUAL ACTUAL PERSONAL COSTS:</u></i> <i>IT IS CALCULATED BY DIVIDING THE TOTAL AMOUNT OF PERSONNEL COSTS OF AN EMPLOYEE VERIFIED IN LINE WITH PROCEDURE A.1 BY THE NUMBER OF ANNUAL PRODUCTIVE HOURS VERIFIED IN LINE WITH PROCEDURE A.2.</i></p>	<p>Commission-approved methodology to calculate hourly rates. It corresponded to the organisation's usual cost accounting practices and was applied consistently for all activities irrespective of the source of funding.</p>	
		<p><i>For option I concerning unit costs and if the Partner applies a methodology not approved by the Commission:</i></p> <p>31) The unit costs re-calculated by the Auditor were the same as the rates applied by the Partner.</p>	
		<p><i>For option II concerning individual hourly rates:</i></p> <p>32) The individual rates re-calculated by the Auditor were the same as the rates applied by the Partner.</p>	
A.4	<p>TIME RECORDING SYSTEM</p> <p>To verify that the time recording system ensures the fulfilment of all minimum requirements and that the hours declared for the action were correct, accurate and properly authorised and</p>	<p>33) All persons recorded their time dedicated to the action on a daily/ weekly/ monthly basis</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>supported by documentation, the Auditor made the following checks for the persons included in the sample that declare time as worked for the action on the basis of time records:</p> <ul style="list-style-type: none"> ○ description of the time recording system provided by the Partner (registration, authorisation, processing in the HR-system); ○ its actual implementation; ○ time records were signed at least monthly by the employees (on paper or electronically) and authorised by the project manager or another manager; ○ the hours declared were worked within the project period; ○ there were no hours declared as worked for the action if HR-records showed absence due to holidays or sickness (further cross-checks with travels are carried out in B.1 below) ; ○ the hours charged to the action matched those in the time recording system. <p><i>ONLY THE HOURS WORKED ON THE ACTION CAN BE CHARGED. ALL WORKING TIME TO BE CHARGED SHOULD BE RECORDED THROUGHOUT THE DURATION OF THE PROJECT, ADEQUATELY SUPPORTED BY EVIDENCE OF THEIR REALITY AND RELIABILITY (SEE SPECIFIC PROVISIONS BELOW FOR PERSONS WORKING EXCLUSIVELY FOR THE ACTION WITHOUT TIME RECORDS).</i></p>	<p>using a paper/computer-based system. <i>(delete the answers that are not applicable)</i></p> <p>34) Their time-records were authorised at least monthly by the project manager or other superior.</p> <p>35) Hours declared were worked within the project period and were consistent with the presences/absences recorded in HR-records.</p> <p>36) There were no discrepancies between the number of hours charged to the action and the number of hours recorded.</p>	
	<p><u>If the persons are working exclusively for the action and without time records</u></p> <p>For the persons selected that worked exclusively for the action without time records, the Auditor verified evidence available demonstrating that they were in reality exclusively dedicated to the action and that the Partner signed a declaration confirming that they have worked exclusively for the action.</p>	<p>37) The exclusive dedication is supported by a declaration signed by the Partner's and by any other evidence gathered.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
B	COSTS OF SUBCONTRACTING		
B.1	<p>The Auditor obtained the detail/breakdown of subcontracting costs and sampled _____ cost items selected randomly <i>(full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest).</i></p> <p>To confirm standard factual findings 38-42 listed in the next column, the Auditor reviewed the following for the items included in the sample:</p> <ul style="list-style-type: none"> ○ the use of subcontractors was foreseen in Annex 1; ○ subcontracting costs were declared in the subcontracting category of the Financial Statement; ○ supporting documents on the selection and award procedure were followed; ○ the Partner ensured best value for money (key elements to appreciate the respect of this principle are the award of the subcontract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Partner ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment). <p>In particular,</p> <ol style="list-style-type: none"> i. if the Partner acted as a contracting authority within the meaning of Directive 2004/18/EC or of Directive 2004/17/EC, the Auditor verified that the applicable national law on public procurement was followed and that the subcontracting complied with the Terms and Conditions of the Agreement. ii. if the Partner did not fall under the above-mentioned category the Auditor verified that the Partner followed their usual procurement rules and respected the Terms and Conditions of the Agreement.. 	<p>38) The use of claimed subcontracting costs was foreseen in Annex 1 and costs were declared in the Financial Statements under the subcontracting category.</p> <p>39) There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules. Subcontracts were awarded in accordance with the principle of best value for money.</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the Partner under the caption "Exceptions" of the Report. The Commission will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> ○ the subcontracts were not awarded to other Partners in the consortium; ○ there were signed agreements between the Partner and the subcontractor; ○ there was evidence that the services were provided by subcontractor; 	40) The subcontracts were not awarded to other Partners of the consortium.	
		41) All subcontracts were supported by signed agreements between the Partner and the subcontractor.	
		42) There was evidence that the services were provided by the subcontractors.	
C	COSTS OF PROVIDING FINANCIAL SUPPORT TO THIRD PARTIES		
C.1	<p>The Auditor obtained the detail/breakdown of the costs of providing financial support to third parties and sampled <input type="text"/> cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>The Auditor verified that the following minimum conditions were met:</p> <ul style="list-style-type: none"> a) the maximum amount of financial support for each third party did not exceed EUR 60 000, unless explicitly mentioned in Annex 1; b) the financial support to third parties was agreed in Annex 1 of the Agreement and the other provisions on financial support to third parties included in Annex 1 were respected. 	43) All minimum conditions were met	
D	OTHER ACTUAL DIRECT COSTS		

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
D.1	<p>COSTS OF TRAVEL AND RELATED SUBSISTENCE ALLOWANCES</p> <p>The Auditor sampled [redacted] cost items selected randomly (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest).</p> <p>The Auditor inspected the sample and verified that:</p> <ul style="list-style-type: none"> o travel and subsistence costs were consistent with the Partner 's usual policy for travel. In this context, the Partner provided evidence of its normal policy for travel costs (e.g. use of first class tickets, reimbursement by the Partner on the basis of actual costs, a lump sum or per diem) to enable the Auditor to compare the travel costs charged with this policy; o travel costs are correctly identified and allocated to the action (e.g. trips are directly linked to the action) by reviewing relevant supporting documents such as minutes of meetings, workshops or conferences, their registration in the correct project account, their consistency with time records or with the dates/duration of the workshop/conference; o no ineligible costs or excessive or reckless expenditure was declared. 	44) Costs were incurred, approved and reimbursed in line with the Partner 's usual policy for travels.	
		45) There was a link between the trip and the action.	
		46) The supporting documents were consistent with each other regarding subject of the trip, dates, duration and reconciled with time records and accounting.	
		47) No ineligible costs or excessive or reckless expenditure was declared.	
D.2	<p>DEPRECIATION COSTS FOR EQUIPMENT, INFRASTRUCTURE OR OTHER ASSETS</p> <p>The Auditor sampled [redacted] cost items selected randomly (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is the highest).</p> <p>For “equipment, infrastructure or other assets” [from now on called “asset(s)”] selected in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> o the assets were acquired in conformity with the Partner's internal guidelines and 	48) Procurement rules, principles and guides were followed.	
		49) There was a link between the grant agreement and the asset charged to the action.	
		50) The asset charged to the action was traceable to the accounting records and the	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>procedures;</p> <ul style="list-style-type: none"> ○ they were correctly allocated to the action (with supporting documents such as delivery note invoice or any other proof demonstrating the link to the action) ○ they were entered in the accounting system; ○ the extent to which the assets were used for the action (as a percentage) was supported by reliable documentation (e.g. usage overview table); <p>The Auditor recalculated the depreciation costs and verified that they were in line with the applicable rules in the Partner's country and with the Partner's usual accounting policy (e.g. depreciation calculated on the acquisition value).</p> <p>The Auditor verified that no ineligible costs such as deductible VAT, exchange rate losses, excessive or reckless expenditure were declared (see Article 5 SGA).</p>	<p>underlying documents.</p> <p>51) The depreciation method used to charge the asset to the action was in line with the applicable rules of the Partner's country and the Partner's usual accounting policy.</p> <p>52) The amount charged corresponded to the actual usage for the action.</p> <p>53) No ineligible costs or excessive or reckless expenditure were declared.</p>	
D.3	<p>COSTS OF OTHER GOODS AND SERVICES</p> <p>The Auditor sampled <u> </u> cost items selected randomly (<i>full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest</i>).</p> <p>For the purchase of goods, works or services included in the sample the Auditor verified that:</p> <ul style="list-style-type: none"> ○ the contracts did not cover tasks described in Annex 1; ○ they were correctly identified, allocated to the proper action, entered in the accounting 	<p>54) Contracts for works or services did not cover tasks described in Annex 1.</p> <p>55) Costs were allocated to the correct action and the goods were not placed in the inventory of durable equipment.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>system (traceable to underlying documents such as purchase orders, invoices and accounting);</p> <ul style="list-style-type: none"> ○ the goods were not placed in the inventory of durable equipment; ○ the costs charged to the action were accounted in line with the Partner's usual accounting practices; ○ no ineligible costs or excessive or reckless expenditure were declared (see Article 5 SGA). <p>In addition, the Auditor verified that these goods and services were acquired in conformity with the Partner 's internal guidelines and procedures, in particular:</p> <ul style="list-style-type: none"> ○ if Partner acted as a contracting authority within the meaning of Directive 2004/18/EC or of Directive 2004/17/EC, the Auditor verified that the applicable national law on public procurement was followed and that the procurement contract complied with the Terms and Conditions of the Agreement. ○ if the Partner did not fall into the category above, the Auditor verified that the Partner followed their usual procurement rules and respected the Terms and Conditions of the Agreement. <p>For the items included in the sample the Auditor also verified that:</p> <ul style="list-style-type: none"> ○ the Partner ensured best value for money (key elements to appreciate the respect of this principle are the award of the contract to the bid offering best price-quality ratio, under conditions of transparency and equal treatment. In case an existing framework contract was used the Auditor also verified that the Partner ensured it was established on the basis of the principle of best value for money under conditions of transparency and equal treatment); <p><i>SUCH GOODS AND SERVICES INCLUDE, FOR INSTANCE, CONSUMABLES AND SUPPLIES, DISSEMINATION (INCLUDING</i></p>	<p>56) The costs were charged in line with the Partner's accounting policy and were adequately supported.</p> <p>57) No ineligible costs or excessive or reckless expenditure were declared. For internal invoices/charges only the cost element was charged, without any mark-ups.</p> <p>58) Procurement rules, principles and guides were followed. There were documents of requests to different providers, different offers and assessment of the offers before selection of the provider in line with internal procedures and procurement rules. The purchases were made in accordance with the principle of best value for money.</p> <p><i>(When different offers were not collected the Auditor explains the reasons provided by the Partner under the caption</i></p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p><i>OPEN ACCESS), PROTECTION OF RESULTS, SPECIFIC EVALUATION OF THE ACTION IF IT IS REQUIRED BY THE AGREEMENT, CERTIFICATES ON THE FINANCIAL STATEMENTS IF THEY ARE REQUIRED BY THE AGREEMENT AND CERTIFICATES ON THE METHODOLOGY, TRANSLATIONS, REPRODUCTION.</i></p>	<p><i>“Exceptions” of the Report. The Commission will analyse this information to evaluate whether these costs might be accepted as eligible)</i></p>	
D.4	<p>AGGREGATED CAPITALISED AND OPERATING COSTS OF RESEARCH INFRASTRUCTURE</p> <p>The Auditor ensured the existence of a positive ex-ante assessment (issued by the EC Services) of the cost accounting methodology of the Partner allowing it to apply the guidelines on direct costing for large research infrastructures in Horizon 2020.</p> <p><i>In the cases that a positive ex-ante assessment has been issued (see the standard factual findings 59-60 on the next column),</i> The Auditor ensured that the Partner has applied consistently the methodology that is explained and approved in the positive ex ante assessment;</p> <p><i>In the cases that a positive ex-ante assessment has NOT been issued (see the standard factual findings 61 on the next column),</i> The Auditor verified that no costs of Large Research Infrastructure have been charged as direct costs in any costs category;</p> <p><i>In the cases that a draft ex-ante assessment report has been issued with recommendation for further changes (see the standard factual findings 61 on the next column),</i></p> <ul style="list-style-type: none"> The Auditor followed the same procedure as above (when a positive ex-ante assessment has NOT yet been issued) and paid particular attention (testing reinforced) to the cost items for which the draft ex-ante assessment either rejected the inclusion as direct costs for Large 	<p>59) The costs declared as direct costs for Large Research Infrastructures (in the appropriate line of the Financial Statement) comply with the methodology described in the positive ex-ante assessment report.</p> <p>60) Any difference between the methodology applied and the one positively assessed was extensively described and adjusted accordingly.</p> <p>61) The direct costs declared were free from any indirect costs items related to the Large Research Infrastructure.</p>	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	Research Infrastructures or issued recommendations.		
E	USE OF EXCHANGE RATES		
E.1	<p>a) For Partners with accounts established in a currency other than euros</p> <p>The Auditor sampled [REDACTED] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest):</p> <p><i>COSTS INCURRED IN ANOTHER CURRENCY SHALL BE CONVERTED INTO EURO AT THE AVERAGE OF THE DAILY EXCHANGE RATES PUBLISHED IN THE C SERIES OF OFFICIAL JOURNAL OF THE EUROPEAN UNION (https://www.ecb.int/stats/exchange/eurofxref/html/index.en.html), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p> <p><i>IF NO DAILY EURO EXCHANGE RATE IS PUBLISHED IN THE OFFICIAL JOURNAL OF THE EUROPEAN UNION FOR THE CURRENCY IN QUESTION, CONVERSION SHALL BE MADE AT THE AVERAGE OF THE MONTHLY ACCOUNTING RATES ESTABLISHED BY THE COMMISSION AND PUBLISHED ON ITS WEBSITE (http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm), DETERMINED OVER THE CORRESPONDING REPORTING PERIOD.</i></p>	62) The exchange rates used to convert other currencies into Euros were in accordance with the rules established of the Specific Agreement and there was no difference in the final figures.	

Ref	Procedures	Standard factual finding	Result (C / E / N.A.)
	<p>b) For Partners with accounts established in euros</p> <p>The Auditor sampled [redacted] cost items selected randomly and verified that the exchange rates used for converting other currencies into euros were in accordance with the following rules established in the Agreement (full coverage is required if there are fewer than 10 items, otherwise the sample should have a minimum of 10 item, or 10% of the total, whichever number is highest):</p> <p><i>COSTS INCURRED IN ANOTHER CURRENCY SHALL BE CONVERTED INTO EURO BY APPLYING THE PARTNER'S USUAL ACCOUNTING PRACTICES.</i></p>	63) The Partner applied its usual accounting practices.	

[legal name of the audit firm]

[name and function of an authorised representative]

<dd Month yyyy>

<Signature of the Auditor>