

FREQUENTLY ASKED QUESTIONS (FAQ) CERTIFICATES ISSUED BY EXTERNAL AUDITORS

Table of Contents

1. Acronyms.....	1
2. General issued related to CFS, CoM and Comav.....	2
3. CFS - specific issues related to Certificates on the Financial Statements.....	7
4. CoM - specific issues related to Certificates on the Methodology for personnel and indirect costs ...	11
5. CoMav - specific issues related to Certificates On Average personnel costs.....	14

Disclaimer

This document is aimed at assisting beneficiaries and auditors. It is provided for information purposes only and its contents are not intended to replace consultation of any applicable legal sources or the necessary advice of a legal expert, where appropriate. Neither IMI nor any person acting on its behalf can be held responsible for the use made of these guidance notes

1. Acronyms

CFS: Certificate on Financial statements

CoM: Certificate on the methodology for personnel and indirect costs

CoMAv: Certificate on average personnel costs.

FP7: Seven Framework Program.

Please refer to the IMI Guidance notes for beneficiaries and auditors in IMI 1 Projects for further details.

2. General issued related to CFS, CoM and Comav

#	TOPIC:	QUESTION:	ANSWER:
1.	Qualifications of auditors	Who can deliver the Certificates (CFS, CoM and CoMAv)?	<ul style="list-style-type: none"> - The beneficiary is free to choose a qualified external auditor (including the statutory auditor) provided that the external auditor is independent from the beneficiary and qualified to carry out statutory audits of accounting documents in accordance with national legislation implementing the Directive on statutory audits of annual accounts and consolidated accounts. - Competent public officer - please refer to question 3.
	Multiple-countries	Is it possible for an auditor (who is properly authorised to issue Certificates on the Financial Statements or on the Methodology in an EU country) to certify the costs of a beneficiary located in a different Member State?	<ul style="list-style-type: none"> - YES. - Auditors who are qualified to provide a Certificate on the Financial Statements or on the Methodology in one Member State are qualified to provide a Certificate on the Financial Statements in any other Member State.
2.	Statutory Auditor	Should the statutory auditor provide the Certificate on the Financial Statements (and/or on the Methodology)?	The advantage of using the statutory auditor (the same auditor of the beneficiary's annual financial statements) to provide the certificates is that they are familiar with the in-house procedures, which is one of the aspects reviewed. However, this is not an obligation and the beneficiary is free to choose the auditor.
		Is there a contradiction in using the statutory auditor? If the external auditor already audits the beneficiary's financial statements and/or provides other services such as tax, consulting etc. does this not restrict the auditor's independence, in as much as there is an "economic" link between the two parties?	<ul style="list-style-type: none"> - There is no contradiction. - Beneficiaries may use their statutory auditors, provided that they are independent. The fact that the beneficiary usually engages the same auditor does not affect the independence of the latter.

3.	Competent public officer	How does a public body establish the legal capacity of the internal audit unit to act as competent public officer?	Relevant national authorities establish the legal capacity of the internal audit unit (of a given public body) to act as competent public officer.
		Can the competent public officer be a staff member of the audited organisation, as long as they are not involved in the grant agreement activity?	YES , the competent public officer can be a member of staff but his/her independence has to be established by the relevant national authorities.
		How do we demonstrate that the competent public officer is completely independent of the grant agreement activity - scientifically, administratively and financially?	An organisation chart and/or a job description of the organisation can show that the competent public officer is not involved in processing the financial claim (Form C). Internal audit officers usually have this independence.
		Do we have to name the competent public officer to the IMI in advance of a financial statement?	NO , the name of the competent public officer does not need to be given in advance.
		Is an internal auditor of an International Organisation eligible to deliver Certificate on the Financial Statements to that organisation?	International organisations are treated as public bodies for the purposes of IMI grant agreements. Accordingly, such organisations can opt for an internal auditor. N.B.: An internal auditor for a public body must meet the criteria described in the IMI financial guidelines.
		Would it be possible for the internal audit service to present an invoice for the service to the department?	<ul style="list-style-type: none"> - The principle of using a public competent officer within the same organisation to prepare the Certificate on the Financial Statements means that the real costs (excluding any profit margin) of carrying out that work would be eligible. - It is not possible to charge a market price (profit) for work carried out by the same beneficiary within the IMI Grant Agreement
4.	Certificate on the Financial Statements and on the Methodology templates	Are the model Certificates on the Financial Statements provided in the IMI1 Model Agreement and on the Methodology provided in the EC FP7 Model Grant Agreement	<ul style="list-style-type: none"> - YES, the model certificate provided in the Annex VI-Form D of the IMI1 Model Grant Agreement is mandatory. - YES, the model certificate provided in the Annex VII (certificate on the methodology) of the EC FP7 Model Grant Agreement is mandatory.

	Certificate on the Methodology	What is the purpose of Section 1.8 of Annex VII (Certificate on Methodology)?	Sections 1.1 to 1.8 of Annex VII (certificate on the methodology) are part of the Agreed-Upon-Procedures defined by the Commission and constitute the minimum terms of reference to frame the works undertaken by the auditor. Article 1.8 of the Terms of Reference which makes reference to "Other Terms" is in itself an open point that allows beneficiaries and auditors to insert any specific terms such as auditor's fees, liability, applicable law, etc.
5.	The Certificate on the Methodology (CoM) versus the Certificate on the Methodology for Average Personnel Costs (CoMAv)	Are the certificates optional or compulsory?	<ul style="list-style-type: none"> - Following the Commission Decision C(2011)174 on three measures for simplifying the implementation of FP7 both certificates (CoM and CoMAv) are optional. Nevertheless, as described under point 2.1 below only certain beneficiaries of multiple grants are eligible to submit a CoM for personnel costs (actual or average) and indirect costs. - The new criteria for the use of average personnel costs are defined in the Commission Decision C(2011)174.

		<p>What information needs to be provided when submitting a CoM/CoMAv?</p>	<ul style="list-style-type: none"> - The Certificate on the Methodology should be composed of three separate documents: <ol style="list-style-type: none"> (1) A list of the minimum terms (sections 1.1 to 1.8) required by the Commission to be included in the engagement letter between the beneficiary and the auditor. The engagement letter must be dated and signed by both parties. (2) The model auditor's Report of Factual Findings (section 1.9) to be issued on the auditor's letterhead and dated, stamped and signed by the auditor (or competent public officer). (3) A detailed description (table of Annex VII - Form E) including the statements made by the beneficiary and the procedures to be performed by the auditor and the findings expected to result there from. This table has to be dated, stamped and signed on the one hand by the beneficiary for the statements in the left-column and on the other hand by the auditor (or competent public officer) for the procedures and the factual findings.
6.	<p>Language of certificates</p>	<p>In what language should the certificates be provided?</p>	<p>The certificates should be in the language indicated in Art. 4 of the grant agreement.</p>
7.	<p>Costs</p>	<p>Costs of audits services regarding certificates (CFS/CoM/CoMAv)</p>	<ul style="list-style-type: none"> - Costs incurred for the Certificates on the Methodology issued by the external auditors are eligible direct costs charged under the "Management" activity in the "Subcontracting" category. They are therefore subject to the requirements of best value for money (Article II.7 of the IMI1 model Grant Agreement). - However the costs for the Certificates on the Methodology established by the Competent Public Officers can be treated as "Other direct costs" under the "Management" activity. Where it is the usual practice of the beneficiary to consider these costs as indirect costs, they cannot be charged as direct eligible costs.

		Cost incurred for the CFS	The cost of the CFS is an eligible cost in the Grant Agreement for which the certificate is submitted. The cost is linked to a specific project.
		Cost incurred for a CoM/CoMAv	The cost of the CoM/CoMAv approved by the Commission is an eligible cost in any of the financial statement submitted in any IMI FP7 Grant Agreement. Please note that costs are eligible <u>after the acceptance of the certificate</u> . The cost of the certificate can be claimed only once in the lifetime of FP7 unless the submission of a new certificate is required due to a change of the methodology.
		Should the cost for a CoM/CoMAv be claimed solely through one FP7 project or apportioned across them?	The cost has to be claimed once in one single FP7 Grant Agreement. Therefore it is recommended that the consortium partners anticipate the submission and identify the estimated costs already at proposal/ negotiation stage in order to avoid that this cost disproportionately weigh a specific project.
8.	Methodologies	Where can the beneficiary find information with regard to the establishment of the methodology? Is a record of approved methodologies available?	All necessary information and practical hints for the establishment of the CoM and CoMAv (as well as CFS) are available in the Guidance Notes for Beneficiaries and Auditors on Certificates issued by external auditors available on Cordis (EC portal for FP7). Since each beneficiary will establish the methodology in line with the usual accounting and management principles depending on the national legislative and financial frame, the approved methodology cannot be standardized.
9.	Further questions	To whom can I address further questions?	The IMI Helpdesk can be contacted at the following email address info@imi.europa.eu

3. CFS - specific issues related to Certificates on the Financial Statements

This section applies to all participants in IMI projects.

#	TOPIC:	QUESTION:	ANSWER:
1.	CFS	When do I need a CFS?	<p>FOR EFPIA COMPANIES:</p> <ul style="list-style-type: none"> - During interim periods only when cumulative in-kind contribution is €375,000 or more, in case there is no accepted Certified Methodology on in-kind Contribution. - With an accepted Certified Methodology on in-kind Contribution: CFS is only required at the end of the project. - In all cases in final period <p>FOR BENEFICIARIES AND LINKED THIRD PARTIES</p> <ul style="list-style-type: none"> - During interim periods only when cumulative requested IMI contribution is €375,000 or more. - In all cases in final period unless the following conditions apply (not for efpia companies): <ul style="list-style-type: none"> -During their participation the cumulated IMI JU contribution does not exceed EUR 50.000, or -In the final reporting period (at the end of the project) or, earlier, when a beneficiary(or a linked third party) is terminating its participation the two following conditions subsist: <ul style="list-style-type: none"> a CFS has already been submitted by the concerned beneficiary/linked third party during the lifetime of the project and has been accepted by the IMI2 JU, the cumulative remaining amounts of IMI JU contribution and EFPIA receipts received by the beneficiary do not exceed EUR 375.000 - With an accepted CoM: CFS is only required at the end of the project unless conditions above apply.
		Which format does the external auditor have to use for the certificate?	<ul style="list-style-type: none"> - It is compulsory to use Annex VI Form D for the issue of CFS.

		Can the auditors perform different procedures from the ones in the table in annex VI?	NO , but they can perform more procedures and provide more information if they wish to.
2.	Cost	How much should a Certificate on the Financial Statements cost?	<ul style="list-style-type: none"> - The cost of a Certificate on the Financial Statements is determined by the professional judgment of the auditor, who must find the right balance between carrying out the procedures requested and on the other hand, the amount of work required (and the directly related price according to market prices). - The cost of a Certificate on the Financial Statements depends on the auditor and the testing procedures to perform.
		Is there an upper limit to the cost of a Certificate on the Financial Statements?	Generally there is no upper financial limit set for the certificate itself. As any other subcontract the costs have to reflect a reasonable market price and the general eligibility criteria of the grant agreement (Art II.13 and II.14).
		To which activity should the cost of the Certificate on the Financial Statements be charged?	<ul style="list-style-type: none"> - Costs incurred for the Certificates on the Financial Statements issued by the external auditors are eligible direct costs charged under the "Management" activity in the "Subcontracting" category. There are therefore subject to the requirements of best value for money (Article II.7 of the IMI1 model Grant Agreement). - However the costs for the Certificates on the Financial Statements established by the Competent Public Officers can be treated as "Other direct costs" under the "Management" activity. Where it is the usual practice of the beneficiary to consider these costs as indirect costs, they cannot be charged as direct eligible costs.

3.	Eligibility of the costs	Is the cost of a CFS eligible if the IMI contribution is below € 375,000 and the CFS is not otherwise required by the IMI?	<ul style="list-style-type: none"> - Only those costs incurred to provide the mandatory CFS are eligible. The cost of the certificate on the Financial Statements is an eligible cost in the Grant Agreement for which the certificate is submitted. - If the beneficiary decides to submit a certificate on the financial statements voluntarily (when it is not required by the Grant Agreement), the cost of the CFS will not be eligible.
4.	Personnel costs - Sampling of staff	<ul style="list-style-type: none"> - Form D (Procedures performed by the Auditor), procedure 1 (Personnel Costs) reads: - "For each employee in the sample, the Auditor obtained the personnel costs" <p>How should this section be completed when the full coverage refers to a sample smaller than 20?</p>	<p>The size of the sample proposed in this procedure is based on the population of researchers or research-related persons involved in the project. In this context, the size of the sample has to respect the following:</p> <ul style="list-style-type: none"> -if the population is less than 20 employees, full coverage. - if the population is equal or greater than 20 employees : <ul style="list-style-type: none"> - a minimum of 20 employees - or 20 % of the employees (whichever is the greater) <p>It is not allowed to change the wording of the procedures - only in the case of exceptions where the standard wording cannot cover the case. E.g. If the population is less than 20 and full coverage is needed, the standard wording it would say for example "in the sample of 8" which is then not compliant with the conditions. For these cases the following temporary solution is to add "out of X". In the example one would read "in the sample of 8 out of 8" so it is clear that it was actually full coverage.</p>

5.	Third parties (special clause 4 to the IMI 1 model GA)	In case of third parties, does the threshold of € 375,000 apply separately to the beneficiary and the third party or together?	<ul style="list-style-type: none"> - The threshold of € 375,000 to submit the CFS includes the total IMI contribution (beneficiary + third party (ies)). - According to the special clause 4 of the Grant Agreement, the third parties shall provide their individual CFS independently from those of the beneficiary. However, if the beneficiary and the third party have the same auditor, the IMI could accept one certificate comprising the costs of both but identifying clearly which costs relate to whom.
----	---	--	---

4. CoM - specific issues related to Certificates on the Methodology for personnel and indirect costs

This section applies to beneficiaries who are also involved in FP6 and/or FP7 projects, in addition to IMI1 projects and have a certified methodology.

#	TOPIC:	QUESTION:	ANSWER:
1.	Eligibility	Who is eligible for the CoM?	Beneficiaries who fulfil the following eligibility criteria are eligible: <ol style="list-style-type: none"> 1. Either at least 8 participations in FP6 contracts with an EU contribution equal or above EUR 375,000 2. Or at least 4 participations in FP7 Grant Agreements signed before the 1st January 2010 with an EU contribution equal or above EUR 375,000 3. Or, at least 8 participations in FP7 Grant Agreements with an EU contribution equal or above EUR 375,000 at any time during the implementation of the FP7.
2.	Advantages of an approved Certificate on the methodology for personnel costs and indirect costs (CoM)	What are the advantages of the CoM?	An approved CoM brings the following advantages: <ol style="list-style-type: none"> 1. Early assessment of compliance to provisions of the Grant Agreement when calculating personnel and indirect costs; 2. Waiving for interim CFS; 3. Valid throughout all FP7 and IMI projects; 4. Reduced costs for the whole certification system.
3.	Scope of the CoM	Can I submit a COM even if I charge individual actual costs?	YES
		Can the CoM cover only the indirect costs?	<ul style="list-style-type: none"> - NO, the Certificate on the Methodology can NOT be submitted only for the indirect costs. - The CoM must cover both personnel and indirect costs.

		Which possibilities do I have to claim indirect costs?	Beneficiaries who have an analytical accounting system that can identify and group their indirect costs in accordance with the eligibility criteria must report their real indirect costs or choose the 20% flat rate option.
4.	Validity of a certificate	What happens when the beneficiary changes his methodology?	The beneficiary has to declare to the Commission any fundamental change in its cost accounting methodology, including the date of the change (e.g. the yearly updates of costing rates to the most recent financial data are not considered as fundamental changes). A new Certificate on the Methodology has to be submitted according to the procedure. Until the acceptance of this new certificate, the requirement to provide intermediate Certificate on the Financial Statements will not be waived.
5.	Submission	Does the beneficiary need a CoM for each of its companies that participate in a European research project?	<ul style="list-style-type: none"> - The CoM is to be submitted at the level of the Legal Entity. Different departments or cost centers which are integrating part of one legal entity will be certified within the certificate of the legal entity. Please note that a CoM may indeed cover different practices used by various departments of the legal entity. In such a case the methodologies should be described in detail in the table of Form E (and in annexes if necessary). - Companies (including affiliates) which have an independent identity from a legal point of view will need to submit a separate certificate.
		When can I apply for a CoM?	<ul style="list-style-type: none"> - Anytime during the lifetime of FP7, but at the earliest on the start date of the project of the first FP7 Grant Agreement signed with the EU.
		Is it compulsory to ask for eligibility if I intend to submit a CoM?	YES.

How to submit a CoM?

- Beneficiaries who consider to meet the eligibility criteria may send a request any time during the lifetime of FP7 to the following functional mailbox RTD- FP7-Cost-Methodology-Certification@ec.europa.eu
- The mail should contain the Grant Agreement/contracts numbers (FP7 and/or FP6) in which they participate/ed.

5. CoMAv - specific issues related to Certificates On Average personnel costs

#	TOPIC:	QUESTION:	ANSWER:
1.	Use of average personnel costs	Is it necessary to submit a CoMAv in order to claim average personnel costs in FP7 projects?	<p>Beneficiaries are no longer required to submit a Certificate on Average Personnel Costs (CoMAv) for approval as a prior condition for the eligibility of the costs.</p> <p>Nevertheless, the CoMAv remains as an option offering beneficiaries the possibility to obtain prior assurance on the compatibility of the methodology used to calculate average personnel costs in FP7.</p> <p>If a beneficiary would like to use average personnel costs in their FP7 or IMI financial statements the following cumulative criteria for the acceptance of average personnel cost methodologies shall apply:</p> <ol style="list-style-type: none"> (1) The average personnel cost methodology shall be the one declared by the beneficiary as its usual cost accounting practice; as such it shall be consistently applied to all indirect actions of the beneficiary under the Framework Programmes; (2) The methodology shall be based on the actual personnel costs of the beneficiary as registered in its statutory accounts, without estimated or budgeted elements; (3) The methodology shall exclude from the average personnel rates any ineligible cost item as defined in Regulations (EC) No 1906/2006 and (Euratom) No 1908/2006 and the model Grant Agreements established by Decisions C(2007) 1509 and C(2007) 1625 (hereinafter "the model Grant Agreements") and any costs claimed under other costs categories in order to avoid double funding of the same costs; (4) The number of productive hours used to calculate the average hourly rates shall correspond to the usual management practice of the beneficiary provided that it reflects the actual working standards of the beneficiary, in compliance with applicable national legislation, collective labor agreements and

			contracts and that it is based on auditable data.
2.	Submission Process / Form E (of the FP7 grant agreement)	What information needs to be submitted?	<ul style="list-style-type: none"> - The entire Form E consisting of 3 parts should be submitted. However, with regard to the table of procedures in Form E only procedures 1, 2, and 3 (and not those relating to indirect costs) need to be completed. - No changes should be made to the standard template. Any deviations should be reported under "exceptions". - This certificate can be introduced only by electronic mail to the following functional mailbox: RTD-FP7-Average-Personnel-Rate-Certification@ec.europa.eu.
3.	Consequences of the acceptance of a CoMAv	Is the approved CoMAv valid for all FP7 and IMI Grant Agreements? If I have an approved CoMAv, are the intermediate CFS waived?	<ul style="list-style-type: none"> - YES, an approved CoMAv is valid for all FP7 and IMI projects. - NO, the certificate on average personnel costs does not waive the obligation to provide an intermediate CFS (whenever the threshold of EUR 375,000 is reached). Nevertheless, the auditor will only have to focus on checking compliance with the certified methodology, omitting individual calculations.
4.	One person beneficiary	Is the CoMAv obligatory for physical persons?	<ul style="list-style-type: none"> - N/A in FP7 and IMI grant agreements.

5	SME Owners	<p>What method is to be used by SME owners without a salary in the accounts for declaring personnel costs?</p>	<ul style="list-style-type: none"> - The value of the personal work of those SME owners shall be based on a flat rate to be determined by multiplying the hours worked in the project by the hourly rate to be calculated as follows: - {Annual living allowance corresponding to the appropriate research category published in the 'People' Work Programme of the year of the publication of the call to which the proposal has been submitted / standard number of annual productive hours} multiplied by {country correction coefficient published in the 'People' Work programme of the year of the publication of the call /100} - FP7 'People' Work Programmes can be obtained at the following address: http://cordis.europa.eu/fp7/find-doc_en.html - Please note that employees of SME and who receive a salary cannot use this flat rate. - Further details are available in the IMI Financial guidelines
6		<p>Is it possible to withdraw an approved CoMAv?</p> <p>If an SME-owner has already an approved CoMAv and decides to opt for the Marie Curie flat rates, can he use his approved CoMAv in a different FP7-project?</p>	<ul style="list-style-type: none"> - All SME owners having received the approval of their methodology are entitled either to: <ul style="list-style-type: none"> - Continue applying the approved methodology - Apply the flat rate system - However, if the beneficiary chooses to apply the flat-rate system they will have to apply it for all cost statements in ongoing and future participations in FP7 and IMI projects. - It is recommended that beneficiaries in this situation inform both the Commission and IMI on their choice via the functional mailbox of the EC: RTD-FP7-Average-Personnel- Rate-Certification@ec.europa.eu And IMI: info@imi.europa.eu