



## **Guidelines on how to manage EU funded projects**

The unit Grants Management is part of the accounting department of the University of Zurich and supports all EU grant holders regarding the financial management of their projects. This guideline has been drafted in order to facilitate and support the financial issues regarding EU projects.

Most of the comments and recommendations included in this guide are directly taken over from the „Guide to Financial Issues relating to FP7 Indirect Actions“ issued by the European Commission and can be found on the following web-site:

[http://cordis.europa.eu/fp7/find-doc\\_en.html](http://cordis.europa.eu/fp7/find-doc_en.html)

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## **Audits**

The EU reserves the right of auditing any EU funded project even 5 years after the termination of the project. Therefore the relevant documents must be kept on file and in the most possible detailed way.

A financial audit is compulsory as soon as the requested EU contribution indicated in the Form C has reached the amount of EUR 375'000.00 or more (in one reporting period or over several reporting periods together).

The financial audits are currently conducted by the KPMG Ltd.

## **Time sheets / Time recording**

The time sheets are compulsory for all FP7 funded projects. The template, which complies with the EU regulations, can be downloaded from our web site:

<http://www.rw.uzh.ch/drittmittel/euprojekte.html>

This is the only accepted template and we strongly recommend that the filling out of the timesheets is done carefully and by the respective researchers directly. Time sheets showing the same number of hours over a longer period of time are critically looked at by the auditors and could possibly lead to sanctions by the EU.

Time sheet must be reliable in compliance with rules given by the EU:

- full name of beneficiary as indicated in the ECGA (=Grant Agreement);
- full name and signature of the employee directly contributing to RTD (=Research Technology and Development) project;
- title of RTD project as indicated in the ECGA;
- project account number must be indicated;
- periodicity of filling in (for instance on daily, weekly, monthly basis)
- amount of hours claimed on the RTD project. All hours claimed must be able to be verified in a reliable manner;
- full name and a signature of the person in charge of the project
- the timesheets must be reconcilable with the absences for holidays, illness, travels or others.
- the time records disclose the hours worked on a daily basis;
- reference to the tasks or WP (=work package) included in the Description of Work, allowing an easy reconciliation of the work done with the work assigned; a reference to the type of activity (RTD, management, other...) to which the work has been attributed;
- a description of the actions carried out by the staff, allowing to understand the work done and substantiate it, in particular in the case of a technical audit.

In cases where personnel work on several projects during the same period the time recording system must enable complete reconciliation of total hours per person, listing all activities (EU projects, internally funded research, administration, absences etc.). It is important to remember that an effective time-recording system (a system which certifies the reality of the hours worked) is a requisite for the eligibility of the costs. A contract, as a document signed before the work is actually performed, would not be sufficient. It is worth mentioning that the above elements are the basic ones, thus there are no obstacles to running the timesheets in a more detailed way.



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

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

Time sheets are to be provided for the respective reporting period according to the details in our payroll (SAP). Time sheets and work contracts are needed for all persons shown on the payroll for the respective reporting period as well as for those working on honorary basis.

A couple of weeks before a financial statement is due, Grants Management will contact the administrator and/or the Principal Investigator and will request the original time sheets.

Time sheets are to be checked by the principal investigator/project administrator/project manager before sending them to Grants Management.

All staff funded by FP7 grants is required to compile signed time sheets ('Arbeitszeittabelle') on a monthly basis, which should be approved and signed by the Principal Investigator on a monthly basis and sent on request to Grants Management when a financial report is due.

Time sheets have to reflect the productive time spent on the relevant project and not the presence time.

Working time is the total number of hours, excluding holidays, personal time, sick leave, or other allowances.

Only the hours worked on the project can be charged. Working time charged must be recorded throughout the duration of the project by timesheets, adequately supported by evidence of their reality and reliability.

### **Work contracts**

A couple of weeks before a financial statement is due, the Grants Management Department will contact the administrator and/or the PI (=Principal Investigator) and will request copies of the employment contracts and mutations (Mutationen).

Work contracts and mutations are to be provided for all persons shown on the payroll for the respective reporting period.

Only personnel costs related to the persons directly carrying out work under the project are eligible.

Mutations are only valid if there is also a work contract available, even if the respective work contract is issued for or related to another costs centre.

The personnel must be directly hired by the beneficiary in accordance with its national legislation.



## Travel costs

Travel costs must be needed for the work on the project, or for activities related to it (e.g. presentation of a paper explaining the results of the project in a conference). Travel costs related to a conference where no specific project-related work will be performed or presented by the beneficiary would not be eligible.

***Relation to the project must be mentioned on the cover sheet of the travel expenses form!***

<http://www.rw.uzh.ch/verzeichnis/Spesenrechnung3M.pdf>

Travel & subsistence procedures and guidelines regarding the approval of travel expenses are to be ensured (e.g. 2 signatures on the travel expense report).

Supporting documents are to be kept for all travel costs – flight invoices, plane tickets, receipts, boarding cards, agenda and meeting minutes.

Supporting documents to travel costs are to be attached for the reimbursement of these costs and to ensure that the UZH policy on the approval of travel and subsistence costs is clearly implemented.

Boarding passes are to be kept and handed in with the travel expenses. Only an itinerary, booking confirmation or flight schedule is not sufficient.

Hotel invoices are to be handed in. Only a booking confirmation is not sufficient.

Travel expenses of experts participating on punctual basis in the project (i.e. attendance to specific meetings) are not travel costs; however, they may be considered direct eligible costs, provided the participation of those experts is duly foreseen in Annex I.

## Conferences

The contribution to the implementation of the project has to be sufficiently demonstrated; otherwise the costs will be rejected. The agenda of the conference has to reveal a direct link to the project. Only an invoice for the registration fees is not a sufficient proof; certificate of attendance, list of participants and further documentation are to be handed in. The relation to the project has to be shown on the documentation.

The necessity for the project to pay a participant to assist to a conference should be carefully checked. It could however, be acceptable for example if the participant were to present a paper related to the research in the project. In any case, this participation should have been mentioned in Annex I (Description of work) to the Grant Agreement. If it is not mentioned in the Annex I, it is recommended to ask for approval (Coordinator / Project Officer) before participating in a conference.



### **Consumables / Durable equipment**

Purchase orders and delivery notes linked to the equipment and consumables charged to the EU funded projects are to be kept on file and handed in together with the invoices.

The acquisition of consumables has to be necessary and linked to the project; otherwise these costs will be rejected.

Only equipment purchased for the purposes of carrying out the action can be charged as direct costs.

The costs of consumables and supplies are eligible provided they are identifiable and assigned to the project.

### **Miscellaneous/Management**

Costs incurred for the certificates on the financial statements constitute eligible direct costs and are charged under management costs, which are part of "Other activities".

The audits are currently conducted by the KPMG Ltd. This is an external partner. Therefore, the audit costs must be budgeted as "subcontracting". No overheads will be reimbursed on the "subcontracting" category.

### **Costs in general**

Supporting documents have to show the direct link with the EU funded project and are to be kept for all direct costs charged to the project.

- Date of purchase: only costs incurred during the duration of the project are eligible
- Necessity for the project must be demonstrated
- Reasonableness of costs in comparison with market prices (reckless/excessive)
- Expenses must be necessary and related to the project
- Costs must be related to an eligible period
- Supporting documents must be kept on file
- Organisation's internal rules for travel must be followed (Spesenreglement)
- Expenses incurred must be reasonable
- Original invoices are to be properly signed prior to payments

Grants Management is to be informed in advance if some of the costs are to be attributed to different categories (Coordination and Support, Management, Demonstration etc.). Otherwise, all costs will be attributed to the main budgeted category (e.g. RTD). Ex-post communication of different categories (=once the Form C is already issued by Grants Management) will not be accepted.

In order to be eligible, costs must be:

- Actual
- Incurred by the beneficiary
- Incurred during the duration of the project and in the financial periods audited
- Have been determined in accordance with the usual accounting principles of the beneficiary and are identifiable and verifiable
- Have been used for the sole purpose of achieving the objectives of the *project* and its expected results, in a manner consistent with the principles of economy, efficiency and effectiveness
- Have been recorded in the accounts of the beneficiary



- Have been indicated in the estimated overall budget in Annex I of GA
- are exclusive of any non-eligible costs

### Eligibility criteria

To be considered eligible costs must be:

- **actual (Article II.14.1.a) of ECGA**

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

- **incurred by the beneficiary (Article II.14.1.b) of the ECGA)**

Supporting documents proving **occurrence**, the bookkeeping and the payment of the costs by the beneficiaries must be kept for all costs and for up to five years after the end of the project.

- **incurred during the duration of the project, with the exception of costs relating to final reports and certificates on the financial statements (Article II.14.1.c) of the ECGA)**

Only costs generated during the lifetime of the project can be eligible; as a result the period during which the project starts determines the beginning of the period of eligibility of the corresponding costs (Article 3 of the ECGA – Duration and start date of the project).

Costs related to the **drafting of the Consortium Agreement** are not eligible insofar the Consortium Agreement is deemed to have been concluded by the time of the signature of the GA, in other words, it must be finalised before (Article 1 of the ECGA). Costs related to **updating the Consortium Agreement**, however, are eligible.

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

Costs that cannot be justified are, as a matter of principle, to be considered not eligible.

Direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents is necessary.

- **used for the sole purpose of achieving the objectives of the project and its expected results, in a manner consistent with the principles of economy, efficiency and effectiveness (Article II.14.1.e)**

These costs must be essential for the performance of the project and would not be incurred if the project did not take place. The beneficiary must be able to justify the resources used to attain the objectives set. The EU/Euratom grant must not be diverted to finance other projects or other activities.

- **have been indicated in the estimated overall budget annexed to the ECGA – Annex I**



### **Indirect costs (Overheads)**

Indirect costs, also called overheads, are all the structural and support costs of an administrative, technical and logistical nature which are cross-cutting for the operation of the beneficiary body's various activities and cannot therefore be attributed in full to the project.

Overheads comprise costs connected with infrastructures and the general operation of the organisation such as hiring or depreciation of buildings and plant, water/gas/electricity, maintenance, insurance, supplies and petty office equipment, communication and connection costs, postage, etc. and costs connected with horizontal services such as administrative and financial management, human resources, training, legal advice, documentation, etc.

Therefore no costs (personnel, invoices...) can be charged to or paid via the overheads.

Grants Management will charge overheads to the cost centre after each reporting period and once the Form C has been completed, signed and sent to the European Commission. The basis for the calculation of the overheads is the sum of the direct costs incurred during the respective reporting period. If a contribution profit margin (Kostendeckungsbeitrag) was due, then it would be credited to the cost centre at the same time.

### **Subcontracting**

The need for a subcontract must be detailed and justified in Annex I to ECGA. The description of the tasks to be subcontracted should include a financial estimation of the costs.

Please report to Grants Management all subcontracting costs latest at the end of each reporting period.

### **Minor tasks**

Minor tasks correspond to minor services, which are not project tasks identified as such in the Annex I but are needed for implementation of the project. They do not have to be specifically identified in Annex I to ECGA, as by definition their importance is minor.

*Examples:*

- *Organisation of the rooms and catering for a meeting*
- *Printing of material, leaflets, etc.*

### **Third parties**

Costs incurred by third parties may be eligible under certain conditions:

- The third party, the tasks to be performed, an estimation of the costs and the resources allocated to the project by a third party must be identified during the negotiations and mentioned in Annex I to ECGA (and in some cases in a special clause in the ECGA).



### **Non-eligible costs**

- identifiable indirect taxes including value added tax
- duties
- interest owed
- provisions for possible future losses or charges
- exchange losses, cost related to return on capital
- costs declared or incurred, or reimbursed in respect of another EU/Euratom project
- debt and debt service charges, excessive or reckless expenditure: Excessive must be understood as paying significantly more for products, services or personnel than the prevailing market rates, resulting in an avoidable financial loss to the project. Reckless means failing to exercise care in the selection of products, services or personnel resulting in an avoidable financial loss to the project

### **Internally invoiced costs**

Sometimes the use of certain equipment or facilities is shared between the different units of the same legal entity, and the costs of their use are charged through internal invoices. This type of costs maybe eligible if their use for the project and the usage is properly recorded. In such case, the costs claimed must represent a fair apportionment and be based on objective, measurable and auditable criterias.

Internally invoiced personnel costs for project specific activities may be eligible if records covering all the workable time of the relevant personnel substantiate the time worked on the project. The eligible hourly rate must be calculated based on the actual cost for salaries and social charges incurred by the beneficiary.

Internal invoicing may apply also to items like animal maintenance, computer runs, laboratory tests and other similar services where it is difficult to substantiate the actual time and the actual cost of each individual involved in each individual operation, and where an average personnel cost per type of animal, type of computer run, type of test etc. has been calculated based on the actual costs incurred for the personnel involved. For these costs to be eligible the calculation of costs must be auditable.

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





## Financing

There is **only one** pre-financing payment (advance payment) during the life of the project. It will be received by the coordinator at the beginning of the project and in any case within 45 days of the entry into force of the grant agreement (unless a special clause stipulates otherwise).

After approval of the periodic reports interim payments will follow and will be calculated on the basis of the accepted eligible costs and the corresponding reimbursement rates as indicated in Article II.16 of ECGA. The amounts paid for interim payments will correspond to the accepted EU/Euratom contribution. However, the total amount of interim payments + pre-financing will be limited to 90% of the maximum EU/Euratom contribution. This may imply that in some cases payment for the interim periods may be reduced in order to respect this limit.

The final payment will be transferred after the approval of the final reports and consists of the difference between the calculated EU/Euratom Contribution (on the basis of the eligible costs) minus the amounts already paid. The total payment is however limited to the maximum EU/Euratom contribution as defined in Article 5 of ECGA. If the total amount already paid would prove to be higher than the EC contribution accepted, the Commission will recover the difference.

## Budget

An amendment to the GA will be necessary in all cases if the budget transfer arises from a significant change in Annex I. Significant change refers to a change that affects the technical work as foreseen in Annex I to ECGA, including the subcontracting of a task that was initially meant to be carried out by a beneficiary. In case of doubt, it is recommended to consult the Euresearch.

If you want to know how much money was spent until now and how much you still have at your disposal, please stick to the declared amounts in EUR in the Financial Statements (Form C) for the previous periods (declared direct costs only). For the current period, please consider the actual direct costs as per SAP in CHF and calculate them into EUR using the exchange rate published by the ECB (European Central Bank):

<http://www.ecb.int/stats/exchange/eurofxref/html/eurofxref-graph-chf.en.html>

Please do not take into consideration the indirect costs (overheads) since these are meant for the infrastructural costs of the UZH.

Budget overspending (even if it is related to exchange losses), has to be covered by the Principal Investigator (further details can be obtained using the "Merkblatt: Verluste bei Projekten in Fremdwährungen (Handhabung von Wechselkursrisiken)" dated 15 April 2011.

## Exchange rates

The daily exchange rates are fixed by the European Central Bank (ECB) and may be obtained at the following internet address:

<http://www.ecb.int/stats/eurofxref/>

<http://www.ecb.int/stats/exchange/eurofxref/html/eurofxref-graph-chf.en.html>

For the financial reports the exchange rate applicable on the first day of the month following the end of the reporting period and as published by ECB will be used.



### **Submission of the Form C (Financial Statement)**

The main task of the EU team within Grants Management is the issuance of the Financial Statements (Form C). Grants Management is not responsible for the issuance of the management or any other reports.

The institute will receive a PDF version of the costs document (for internal use only) and the Form C from Grants Management. The figures stated in the Form C are to be inserted into the online tool (Force). This task is conducted within the institutes. Grants Management is neither registered for the insertion of the figures into the online tool nor do they have the access data to the same. The step-by-step instructions on how to insert the data into the online tool can be found here:

[ftp://ftp.cordis.europa.eu/pub/fp7/docs/presentation-force\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/docs/presentation-force_en.pdf)

Please do not send PDFs received from Grants Management to the coordinator/EU, unless the coordinator takes charge of the insertion of the data and is fully introduced into our procedures.

Once the figures are inserted into the online tool, they are either submitted to the coordinator (in a multi-partner project) or to the EU (for mono-partner projects or for projects where UZH acts as the coordinator). The Form C remains „draft“ until it is approved by the coordinator/EU. Once the Form C is approved, the draft version becomes the final version and the “draft” water mark disappears. Please send a PDF of this final version of the Form C via e-mail to Grants Management. Grants Management will verify the Form C, print it four times and send all four copies stamped and signed to the institute for the countersignature by the Principal Investigator.

It is important that both names – the name of the principal investigator and the responsible financial officer – are entered into the online tool. Both signatures – the signature of the principal investigator and the responsible financial officer - are compulsory as well as the official stamp of the UZH, otherwise the Form C will be rejected. These names are provided on the Form C, which Grants Management sends to the institute.

One signed and stamped copy of the Form C remains with the institute. One copy is to be forwarded to the coordinator/EU. Two countersigned copies are to be sent back to Grants Management.

### **Bank account at the ZKB (Zürcher Kantonalbank)**

Separate bank accounts are set up for the projects where we are the only partner and for multi-partner projects where we act as the coordinator since interests are to be declared on the pre-financing we receive from the EU.



### **Marie Curie projects**

Instructions given in the e-mail, which is sent by the Euresearch prior to the start of the project, are to be followed since they contain important information on the payment of the allowances, the set up of the work contracts etc.

The travel allowance is to be calculated based on the effective distance between the place of origin and Zurich (as the crow flies, not the route between the two places). The travel allowance is paid once per year via the accounts payable department. The following link could be used for the calculation of the distance: <http://www.luftlinie.org/>

The career allowance is paid once via the HR department and only once the fellow has been working on the project for at least 12 months.

Both travel and career allowances are not paid automatically but are only paid out once the insitute has made a request for it to be done.

The calculation of the mobility allowance is based on the fact whether the fellow has family obligations or not and is included in the monthly salary paid via the HR department.

The invoices are to be assigned to the budgeted categories. Living allowance, mobility allowance, travel allowance, career allowance and contribution to the overheads have fixed categories and no invoices can be assigned to these categories.

Further information regarding Marie Curie projects can be found at:

<http://ec.europa.eu/research/mariecurieactions/manage.htm>



### Points of contact

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