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Atributos certificados: **Administradora - Instituto Politécnico do Porto.**
CARTÃO DE CIDADÃO

INSTITUTO POLITÉCNICO DO PORTO

CONSULTA PRÉVIA PARA

SERVIÇOS DE AUDITORIA A PROJETO COMUNITÁRIO *ERASMUS+ KA2 CAPACITY BUILDING FOR HIGHER EDUCATION – PROJETO LOVE DISTANCE*

REF.ª 35/000/A/921_2020

CADERNO DE ENCARGOS

Cláusula 1.ª

Objeto

O presente caderno de encargos compreende as cláusulas a incluir no contrato a celebrar na sequência do procedimento pré-contratual que tem por objeto principal a aquisição pelo Instituto Politécnico do Porto (P.PORTO) de **serviços de auditoria a Projeto Comunitário *Erasmus+ KA2 Capacity Building For Higher Education – Projeto Love Distance*** (***Project Number: 609949-EPP-1-2019-1-PT-EPPKA2-CBHE-JP***), de acordo com as especificações técnicas previstas no Anexo I ao presente Caderno de Encargos, que dele faz parte integrante.

Cláusula 2.ª

Contrato

1. O contrato é composto pelo respetivo clausulado contratual e os seus anexos.
2. O contrato a celebrar integra os seguintes elementos:
   a) Os suprimentos dos erros e das omissões do Caderno de Encargos identificados pelos concorrentes, desde que esses erros e omissões tenham sido expressamente aceites pelo órgão competente para a decisão de contratar;
   b) Os esclarecimentos e as retificações relativos ao Caderno de Encargos;
   c) O presente Caderno de Encargos;
   d) A proposta adjudicada;
   e) Os esclarecimentos sobre a proposta adjudicada prestados pelo adjudicatário.

3. Em caso de divergência entre os documentos referidos no número anterior, a respetiva prevalência é determinada pela ordem pela qual aí são indicados.

4. Em caso de divergência entre os documentos referidos no n.º 2 e o clausulado do contrato e seus anexos, prevalecem os primeiros, salvo quanto aos ajustamentos propostos de acordo com o disposto no artigo 99.º do Código dos Contratos Públicos e aceites pelo adjudicatário nos termos do disposto no artigo 101.º desse mesmo diploma legal.

Cláusula 3.ª

Prazo do Contrato

O contrato terá início na data da sua assinatura, ou em data a combinar, e será válido até **30 de março de 2023,** em conformidade com os respetivos termos e condições e o disposto na lei, sem prejuízo das obrigações acessórias que devam perdurar para além da cessação do Contrato.

Cláusula 4.ª

Obrigações principais do prestador de serviços

1. Sem prejuízo de outras obrigações previstas na legislação aplicável ou no Caderno de Encargos, da celebração do contrato, decorrem para o prestador de serviços as obrigações constantes das Especificações Técnicas do presente Caderno de Encargos.

2. A título acessório, o prestador de serviços fica ainda obrigado, designadamente, a recorrer a todos os meios humanos, materiais e informáticos que sejam necessários e adequados à prestação do serviço, bem como ao estabelecimento do sistema de organização necessário à perfeita e completa execução das tarefas a seu cargo.

Cláusula 5.ª

Forma de Prestação do Serviço

Para acompanhamento da execução do contrato, o Prestador de Serviços fica obrigado a, sempre que solicitado, reunir nas instalações da Escola Superior de Saúde (ESS) com os seus representantes.

Cláusula 6.ª

Fases da prestação do serviço

1. A presente consulta será organizada por tarefas de acordo com as especificações técnicas distribuídas em dois períodos temporais:

    a) Fase 1 (2021) – **reunião preparatória** para esclarecimentos de dúvidas e informação relativa à organização dos dossiers financeiros e **primeira auditoria** a decorrer em julho 2021 que auditará todas as despesas decorridas entre janeiro de 2020 e março 2021;
    b) Fase 2 (2023) – **segunda auditoria**, a decorrer no último trimestre do projeto das despesas realizadas de março de 2021 até ao penúltimo trimestre do projeto bem como auditoria às despesas identificadas na primeira auditoria que careceram de informações complementares e/ou correções e elaboração da certificação de contas.

2. Os serviços apresentados no número anterior devem estar concluídos considerando as seguintes datas:
    a) Fase 1 até julho 2021;
    b) Fase 2 até último trimestre do projeto (fevereiro 2023).

Cláusula 7.ª

Objeto do dever de sigilo

1. O prestador de serviços deve guardar sigilo sobre quaisquer matérias sujeitas a segredo nos termos da lei, relativas ao P.PORTO e suas Unidades Orgânicas, às quais tenham acesso por força da execução do contrato.
2. A informação e a documentação cobertas pelo dever de sigilo não podem ser transmitidas a terceiros, nem objeto de qualquer uso ou modo de aproveitamento que não o destinado direta e exclusivamente à execução do contrato.
3. Exclui-se do dever de sigilo previsto, a informação e a documentação que fossem comprovadamente do domínio público à data da respetiva obtenção pelo prestador de serviços, ou que este seja legalmente obrigado a revelar, por força da lei, de processo judicial ou a pedido de autoridades reguladoras ou outras entidades administrativas competentes.

Cláusula 8.ª

Prazo do dever de sigilo

O dever de sigilo mantém-se em vigor até ao termo do prazo de cinco anos a contar do cumprimento ou cessação, por qualquer causa, do contrato, sem prejuízo da sujeição subsequente a quaisquer deveres legais relativos, designadamente, à proteção de segredos comerciais ou da credibilidade, do prestígio ou da confiança devidos às pessoas coletivas.

Cláusula 9.ª

Proteção de dados pessoais

1. As partes obrigam-se a cumprir, nos seus precisos termos, o disposto na legislação nacional e comunitária relativa à proteção da privacidade e de dados pessoais, nomeadamente o Regulamento Geral Sobre a Proteção de Dados (Regulamento (EU) 2016/679, de 27 de abril).
2. A entidade adjudicatária obriga-se ainda, durante a vigência do contrato e após a sua cessação, a respeitar a confidencialidade sobre todos os dados pessoais e quaisquer elementos ou informações que tenham sido confiados pela contraparte ou de que tenham tido conhecimento, por força da adjudicação do presente procedimento, na estrita observância das instruções emitidas pelo P.PORTO e da legislação aplicável.
3. A entidade adjudicatária garante a segurança e proteção de dados, através do estabelecimento de uma política de segurança, de controlos adequados e de gestão de riscos.
4. Sempre que a relação contratual implique a subcontratação, deve ser garantido pelo cocontratante, sucessivamente, que terceiros que envolva na execução do contrato, respeitem as obrigações de sigilo e confidencialidade, bem como as relativas à proteção jurídica de bases

de dados e ao tratamento de dados pessoais, nos termos legalmente previstos na legislação à proteção de dados pessoais, designadamente as constantes do artigo 28.º do Regulamento Geral Sobre Proteção de Dados. As obrigações previstas na presente cláusula são aplicáveis no caso de cessão da posição contratual.

Cláusula 10.ª

Preço Contratual

1. Pela prestação de serviços objeto do contrato, bem como pelo cumprimento das demais obrigações constantes do presente Caderno de Encargos, o Instituto Politécnico do Porto deve pagar ao prestador de serviços os valores indicados na proposta adjudicada, os quais não podem, porém, ultrapassar o somatório de **€5.750,00 (cinco mil, setecentos e cinquenta euros)**, acrescido de IVA à taxa legal em vigor, durante a vigência do contrato, discriminados da seguinte forma:

    a) Fase 1 – 50% do preço contratual: **reunião preparatória** para esclarecimentos de dúvidas e informação relativa à organização dos dossiers financeiros e **primeira auditoria** a decorrer em julho 2021 que auditará todas as despesas decorridas entre janeiro de 2020 e março 2021.

    b) Fase 2 – 50% do preço contratual: **segunda auditoria**, a decorrer no último trimestre do projeto das despesas realizadas de março de 2021 até ao penúltimo trimestre do projeto bem como auditoria às despesas identificadas na primeira auditoria que careceram de informações complementares e/ou correções e elaboração da certificação de contas.

2. O preço referido no número anterior inclui todos os custos, encargos e despesas cuja responsabilidade não esteja expressamente atribuída ao Instituto Politécnico do Porto, incluindo as despesas de deslocações, aquisição, transporte, armazenamento e manutenção de meios materiais bem como quaisquer encargos decorrentes da utilização de marcas registadas, patentes ou licenças.

Cláusula 11.ª

Condições de Pagamento

1. A quantia devida nos termos da cláusula anterior deve ser paga no final da conclusão de cada tarefa e em função do valor apresentado para cada uma delas.
2. As quantias devidas pelo P.PORTO devem ser pagas no prazo de 30 dias após a receção pelo Instituto Politécnico do Porto da respetiva fatura, a qual só pode ser emitida após o vencimento da obrigação respetiva.
3. Para efeitos do número anterior, considera-se que a obrigação de cada uma das fases está vencida sempre que o P.PORTO receba e aceite o resultado da auditoria constante das Especificações Técnicas apresentado pelo prestador de serviços no final de cada uma das fases.

4. Em caso de discordância por parte do Instituto Politécnico do Porto, quanto aos valores indicados na fatura, deve este comunicar ao fornecedor, por escrito, os respetivos fundamentos, ficando o fornecedor obrigado a prestar os esclarecimentos necessários ou proceder à emissão de nova fatura corrigida.
5. Desde que devidamente emitida e observado o disposto no n.º 1, a fatura é paga, preferencialmente, através de transferência bancária.

Cláusula 12.ª

Caução

Nos termos do n.º 2 do artigo 88.º do CCP, não é necessária a prestação de caução para garantia do presente contrato.

Cláusula 13.ª

Resolução do contrato por parte do contraente público

1. Sem prejuízo de outros fundamentos de resolução previstos na lei, o Instituto Politécnico do Porto pode resolver o contrato, a título sancionatório, no caso de o prestador de serviços violar de forma grave ou reiterada qualquer das obrigações que lhe incumbem.
2. O direito de resolução referido no número anterior exerce-se mediante declaração enviada ao prestador de serviços.

Cláusula 14.ª

Resolução do contrato por parte do prestador de serviços

3. Sem prejuízo de outras situações de grave violação das obrigações assumidas pelo contraente público especialmente previstas no contrato e independentemente do direito de indemnização, o cocontratante tem o direito de resolver o contrato nas seguintes situações:
   a) Incumprimento de obrigações pecuniárias pelo contraente público por período superior a seis meses; ou
   b) Quando o montante em dívida exceda 25% do preço contratual, excluindo juros.
4. Nos casos previstos no n.º 1, o direito de resolução pode ser exercido mediante declaração ao contraente público, produzindo efeitos 30 dias após a receção dessa declaração, salvo se o contraente público cumprir as obrigações em atraso nesse prazo, acrescidas dos juros de mora a que houver lugar.

Cláusula 15.ª

Resolução de litígios – Foro competente

Para resolução de todos os litígios decorrentes do contrato fica estipulada a competência do Tribunal Administrativo e Fiscal do Porto, com expressa renúncia a qualquer outro.

Cláusula 16.ª

Comunicações e notificações

1. Sem prejuízo de poderem ser acordadas outras regras quanto às notificações e comunicações entre as partes do contrato, estas devem ser dirigidas, nos termos do CCP, para o domicílio ou sede contratual de cada uma, identificados no contrato.
2. Qualquer alteração das informações de contacto constantes do contrato deve ser comunicada à outra parte.

Cláusula 17.ª

Contagem dos prazos

Os prazos previstos no contrato são contínuos, não se suspendendo nos sábados, domingos e dias feriados.

Cláusula 18.ª

Subcontratação e cessão da posição contratual

A subcontratação pelo prestador de serviços e a cessão da posição contratual por qualquer das partes depende da autorização da outra, nos termos do Código dos Contratos Públicos.

Cláusula 19.ª

Legislação aplicável

O contrato é regulado pelo CCP e pela demais legislação portuguesa aplicável.

ANEXO I

ESPECIFICAÇÕES TÉCNICAS

O P.PORTO pretende contratar a Prestação de **Serviços de auditoria a projeto comunitário – *Erasmus+ KA2 Capacity Building For Higher Education – Projeto LOVE DISTANCE (Project Number: 609949-EPP-1-2019-1-PT-EPPKA2-CBHE-JP)***, que deverá compreender a verificação:

- das despesas elegíveis;
- dos custos de imputação;
- do cumprimento dos requisitos legais;
- do cumprimento das regras do contrato, de acordo com as orientações descritas no Grant agreement , e os termos específicos do Anexo VII Model terms of reference for the certificate on the financial statements (report of factual findings on the final financial report – type ii).

GUIDANCE NOTES

Report of Factual Findings on the Final Financial Report

Type II

Education, Audiovisual & Culture Executive Agency

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INTRODUCTION

These guidance notes have been compiled to guide beneficiaries of grants from the Education, Audiovisual and Culture Executive Agency – EACEA (hereafter the Agency) and external auditors in the preparation of the Report of Factual Findings on the Final Financial Report – Type II.

The objective of these guidance notes is to give an overview of the requirements and provisions which are of importance in claiming costs for reimbursement and hence in the certification of the Final Financial Report.

This document is composed of four sections:

- Section I: Purpose and content of the Report of Factual Findings on the Final Financial Report – Type II
- Section II: Practical guidelines for the beneficiary and background documents
- Section III: Glossary
- Section IV: Engagement Letter for the Report of Factual Findings on the Final Financial Report– Type II

I. PURPOSE AND CONTENT OF THE REPORT OF FACTUAL FINDINGS ON THE FINAL FINANCIAL REPORT – TYPE II

I.1. General principles

The Report of Factual Findings on the Final Financial Report – Type II is an independent report produced by an auditor.

The purpose of the Report is to provide the Agency with a reasonable assurance that the costs as well as the receipts have been declared by the beneficiary[1] in the Final Financial Report in accordance with the relevant legal and financial provisions of the Grant Agreement.

N.B: The submission of a Report of Factual Findings on the Final Financial Report – Type II does not mean that the Agency, the Commission or the Court of Auditors waive their rights to carry out their own audits[2].

Notwithstanding the procedures to be carried out, the beneficiary remains at all times responsible and accountable for the accuracy of the Final Financial Report. A beneficiary that has been found guilty of making false declarations or has been found to have seriously failed to meet its obligations under the Grant Agreement shall be liable to financial penalties according to Article II.17 of the Grant Agreement.

The auditor has a contractual relationship solely with the beneficiary. The auditor does not have a contractual relationship with the Agency and the Agency will not intervene in any dispute between the auditor and the beneficiary.

The auditor shall ensure that the work has been undertaken:

- in accordance with the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Auditing and Assurance Standards Board (IAASB) of IFAC;

- in compliance with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA) of IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Agency requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

I.2. Auditors eligible to deliver the Report of Factual Findings on the Final Financial Report – Type II

Each beneficiary is free to choose a qualified external auditor, including its statutory external auditor, provided that the following cumulative requirements are met:

- the external auditor must be **independent** from the beneficiary;
- the external auditor must be **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

[1] For the purpose of these guidance notes, the term 'beneficiary' refers both to the beneficiary (coordinator) and co-beneficiaries (partners). For further details please refer to the 'Glossary'.

[2] The Agency may at any time during the Grant Agreement/Decision and up to five years after the closure of the action, arrange for audits to be carried out as explained in article II.27 of the Grant Agreement.

accounts[3] or any European Union legislation replacing this Directive. A beneficiary established in a third country must comply with equivalent national regulations in the audit field.

In accordance with the Grant Agreement, public bodies have the choice between an external auditor and a competent public officer[4]. A preliminary condition is that this competent public officer was not involved in any way in drawing up the Final Financial Report and that he/she is not hierarchically dependent on the officer responsible for the Final Financial Report. Moreover, to be in the position of delivering the report, the public officer should meet at least one of the following competency criteria:

1) Professional experience: minimum three years' professional experience in one of these fields: accounting, financial, taxation and auditing;

2) Qualifications: a level of education which corresponds to completed university studies of at least 4 years attested by a diploma in the accounting, finance and/or auditing field, or professional training/a professional qualification of an equivalent level relevant to these fields.

In choosing an auditor to draw up the Report on the Final Financial Report, the beneficiary must also ensure that no conflict of interest exists between the chosen auditor and the beneficiary. A conflict of interest arises when the auditor's objectivity in drawing up the Report is compromised in fact or in appearance because, for instance, the auditor:

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

I.3. Reimbursement of the costs of the certification

The cost of the certification and the production of the **Report of Factual Findings on the Final Financial Report – Type II** is an **eligible cost** in the Grant Agreement for which the certification is submitted (Article II.19 of the Grant Agreement).

The cost of the certification is a direct cost and may be charged in the respective category of the budget, as specified in the call for proposal and in the detailed budget tables attached to the project proposal/application.

The price charged for certification is subject to the general eligibility criteria of the Grant Agreement and should take account of relevant market prices for similar services. Excessive or reckless audit expenditure will be rejected.

The auditor invoices the beneficiary directly, giving a breakdown of the amount of fees charged, travel & subsistence reimbursement(s) as well as the VAT applied.

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[3] 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.

[4] See 'Glossary' for a definition of 'competent public officer'.

The Agency will not pay the costs of developing methodology. The eligible costs are limited to the performance of the agreed-upon procedures (Annex II to the engagement letter) and exclude any costs relating to consultancy for improvement or refinement of the methodology.

II. PRACTICAL GUIDELINES FOR THE BENEFICIARY AND ESSENTIAL BACKGROUND DOCUMENTS

In order to avoid delays in the submission of the Report, the beneficiary should select and contract the auditor well in advance. An engagement letter should be signed by both the beneficiary and the auditor.

A model for the engagement letter is provided in Section IV of these guidance notes.

As a first step, it is essential that the auditor fully understands the requirements of the certification and is provided with a complete set of the documents necessary for the certification.

- Auditor's role:

  The auditor's role is to report factual findings and form an independent opinion on the compliance of the costs declared in Final Financial Report with the provisions of the grant agreement. In this context, it is crucial that the Agency specifies in detail the procedures to be undertaken and that the auditor reports the factual findings observed as a result of performing those procedures, including the eligibility of costs and exceptions[5], since these will form the basis for the Agency's acceptance of the beneficiary's Final Financial Report.

- Supporting documents:

  In addition to the normal supporting documents needed to perform the required testing procedures, the following documents may serve as a basis for certification (the list is not exhaustive):

  - Call for proposals
  - Project application
  - Grant Agreement signed between the beneficiary and the Agency, or Grant, including the General Conditions (in particular part B, which sets out the financial provisions), any amendments, and the Annexes, i.e. 'Description of Work', 'Budget', etc.
  - Erasmus+ Programme Guide
  - The present guidance notes

II.1. Submission of the Report of Factual Findings on the Final Financial Report – Type II

The beneficiary is required to submit to the Agency a Report of Factual Findings on the Final Financial Report – Type II produced by an auditor in support of the payment request under Article I.4 of the Grant Agreement.

The agreed-upon procedures as defined by the Agency are performed to assist the Agency in evaluating that the costs claimed by the beneficiary in the Final

[5] See 'Glossary' for a definition of 'exception'.

Financial Report have been claimed in accordance with the provisions of the Grant Agreement.

The external auditor or competent public officer must use the reporting format attached in Annex 3 to the Engagement Letter (see Section IV).

The Report of Factual Findings on the Final Financial Report – Type II is composed of two documents:

- the auditor's Report of Factual Findings to be issued on the auditor's letterhead and dated, stamped and signed by the auditor (or competent public officer)
- The cost breakdown relating to the Action (conforming to the template provided by the Agency, i.e. the Excel Final Financial Statement), compiled, dated and signed the beneficiary and countersigned[6] by the auditor (or competent public officer): http://eacea.ec.europa.eu/erasmus-plus/beneficiaries-space/capacity-building-in-higher-education_en

The Report of Factual Findings on the Final Financial Report – Type II must be written in English, French or German.

II.2. Procedures to be carried out for the Report of Factual Findings on the Final Financial Report – Type II

The Agency has designed these procedures in order to obtain standardised and comparable reports from all auditors, who are expected to carry out the procedures without adaptation for the particular circumstances of the beneficiary. In particular, the minimum percentage of expenditure verified must be respected, and all procedures have to be carried out in full and **unaltered**.

Where the auditor is not able to carry out or complete a procedure or where the auditor's factual findings are not consistent with the Final Financial Report or the provisions of the Grant Agreement, then an exception should be reported (see Section II.3.6). The Agency will consider each exception in the context of the report as a whole and any other evidence at its disposal. Consequently, the Responsible Authorising Officer will look at eligibility decisions on a case-by-case basis using the evidence provided.

II.3. List of Procedures to be performed and specific guidance

1. General procedures

1) Terms and Conditions of the Grant Agreement

The auditor obtains an understanding of the terms and conditions of the Grant Agreement by reviewing:

[6] i.e. by counter-signing, dating and stamping the copy of the list of invoices the auditor (or competent public officer) will confirm that the costs and the revenues declared in the Final Financial Report respect the provisions of the agreed-upon-procedure.

- a signed copy of the Grant Agreement, its annexes and other relevant information. Particular attention should be paid to the Description of the Action and the Budget;
- the Final Financial Report (which includes a narrative and a financial section).

2) Beneficiary's legal and VAT status (not applicable for costs reimbursed on the basis of "unit costs")

- The auditor confirms the legal status of the beneficiary, and thus determines the treatment of VAT (deductible or not).
- Deductible VAT means that VAT is recoverable by the beneficiary under the national 'VAT system' (i.e. the system of collection and deduction under the national VAT legislation) is not an eligible cost. The final financial report should exclude deductible VAT amounts.
- Conversely, if VAT is NOT deductible, it is an eligible cost for the Final financial statement.
- In the framework of his/her work, the auditor is expected to verify the necessary supporting documents provided by the beneficiary and clearly confirm their status as regarding VAT treatment.
  Specific rules contained in Article II.19.4 of the Grant Agreement on VAT apply.

3) Final Financial Report and the Grant Agreement

- The Final Financial Report must conform to the model annexed to the Grant Agreement;
- The Final Financial Report should cover the Action or the Work Programme as a whole, regardless of which part of it is financed by the Agency.

4) Rules for Accounting and Record Keeping

The auditor examines whether the beneficiary has complied with the rules for accounting and record keeping in accordance with Articles II.19, II.20 and II.27.2 of the Grant Agreement;

- The accounts kept by the beneficiary for the implementation of the Action must be accurate, up-to-date and exhaustive (including all expenditure and income);
- The auditor examines whether the beneficiary has a double-entry book-keeping system;
- The income and expenditure relating to the Action must be easily identifiable and verifiable;

5) Exchange Rates (not applicable for costs reimbursed on the basis of "unit costs")

The auditor verifies that amounts of expenditure incurred in a currency other than the euro have been converted in accordance with the provisions of the Grant Agreement (Article I.4.6).

2. Verification evidence

The beneficiary will allow the auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action.

The beneficiary will allow the auditor access to all documents and databases concerning the technical and financial management of the Action (Article II.27 of the Grant Agreement). **It should also be noted that it is the beneficiary's responsibility to obtain the accounting documents necessary to enable the auditor to verify costs incurred by co-beneficiaries / project partners.**

Supporting documentation must be available in the form of original documents for the beneficiary (or certified copies of originals for the co-beneficiaries) rather than photocopies or facsimiles.

If the auditor finds that the above criteria for evidence are not sufficiently met, this should be reported as an exception.

3. Procedures to verify the conformity of expenditure with the budget and analytical review

- The auditor carries out a substantive review of the expenditure headings in the Final Financial Report;
- The auditor verifies whether there have been amendments to the budget of the Grant Agreement;
- The auditor verifies that the budget in the Final Financial Report corresponds[7] to the budget of the Grant Agreement (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Agreement;
- The auditor verifies any transfers between budget headings by comparing the initial budget with the budget in the Final Financial Report and checks that the provisions of Articles I.14 and II.13 of the Grant Agreement have been complied with.

4. Selecting expenditure for verification and Expenditure Coverage

The expenditure claimed by the beneficiary in the Final Financial Report is presented in the budget form provided in the Grant Agreement.

Expenditure headings can be broken down into expenditure subheadings. Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics.

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[7] Some degrees of flexibility in the implementation of the budget are allowed. The rule proposed in the grant agreement is that changes of up to 10% of each item/heading (+ or -) are allowed without amendment, and will remain eligible. Please verify the rule in the grant agreement (some grant agreements have 15% or 20% flexibility). Any changes within the limit specified in the grant agreement didn't require the beneficiary's request for amending the grant agreement.

Changes above the limit did require an amendment of the budget annexed to the grant agreement. If such request was not approved by the Agency, the costs exceeding the limit should be considered ineligible.

What percentage of expenditure needs to be verified by the auditor?

The Expenditure Coverage Ratio ('ECR') represents the total amount of expenditure verified by the auditor expressed as a percentage of the total amount of expenditure reported by the beneficiary in the Final Financial Report (i.e. funded from EU funds and other sources).

The auditor ensures that the overall ECR is at least 70%. If the exception rate is less than 10% of the total amount of expenditure verified (i.e. 7% of total expenditure), the auditor finalises the verification procedures and continues with reporting.

If the exception rate is greater than 10%, the auditor is required to extend the verification procedures until the ECR is at least 85%.

In addition to reaching the minimum coverage of total expenditure stated in the previous two paragraphs, the auditor must ensure that the ECR for each expenditure heading in the Final Financial Report is at least 10%.

On what basis should expenditure items be selected for verification?

In order to both meet the minimum ECR above and ensure that the expenditure verification is systematic and representative:

- value should be the principal factor used by the auditor, i.e. an appropriate number of high value expenditure items should be selected; and
- otherwise, the population selected for testing should be selected on a random basis in order to produce a representative sample.

5. Procedures to verify selected expenditure

The Report of Factual Findings on the Final Financial Report - Type II is intended to verify the costs incurred by the beneficiary within the framework of the Grant Agreement for an Action reimbursed through a mixed financing system: (1) reimbursement based on eligible costs (or "actual costs") and (2) unit costs.

The following substantive procedures are required to be performed by the auditor in order to verify expenditure for items financed through actual costs and outputs produced for items financed through unit costs. These procedures are different depending on the category of costs:

(1) costs financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs;

(2) costs financed through a reimbursement on the basis of "unit costs": Staff costs, Travel costs and Costs of stay.

(1) Eligibility of costs for "Actual costs"

For the purpose of these guidance notes, this heading refers to the following categories of costs, financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs.

All costs must be justified by the relevant supporting documents.

The auditor verifies, for each expenditure item selected, that the eligibility criteria set out below have been met.

– Costs actually incurred [8]

  The auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the beneficiary. For this purpose the auditor examines supporting documentation (e.g. invoices, contracts) and proof of payment. The auditor also examines proof of work done, goods received or services rendered and verifies the existence of assets if applicable.

  The auditor verifies that the monetary value of a selected expenditure item is in line with underlying documents (e.g. invoices, payroll documents) and that correct exchange rates are used where applicable.

– Cut-off - Implementation period:

  The auditor verifies that the expenditure for a selected item was incurred during the period of implementation or eligibility in accordance with Article I.2 of the Grant Agreement. Invoices received during the eligibility period but not yet paid, as well as costs relating to the Final Financial Report, should be reported by the auditor under the 'exceptions'. The costs relating to the Final Financial Report should be reasonable and in line with the provisions of Article II.19 of the Grant Agreement.

– Classification:

  The auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub) heading of the Final Financial Report.

– Necessary / connected [9]

  The auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure together with supporting documents.

– Sound financial management / economy[10]

  For each selected item, the auditor verifies that the price paid for the goods/services does not represent expenditure that has been incurred excessively or recklessly[11].

– Compliance with sub-contracting rules:

  Where applicable, the auditor checks that the sub-contracted tasks or activities have been provided for in the initial budget or have been approved by the Agency.

– Compliance with procurement rules:

[8] Article II.19 of the Grant Agreement.

[9] Article II.19 of the Grant Agreement.

[10] Article II.19 of the Grant Agreement.

[11] See 'Glossary' for a definition of ‘excessive or reckless expenditure’.

Where applicable, the auditor examines which procurement rules (as provided for by the Grant Agreement) apply for any given expenditure (sub)heading, class of expenditure items or expenditure item. The auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process, e.g. tenders/quotes. Where the auditor finds instances of non-compliance with procurement rules, the nature thereof as well as their financial impact in terms of ineligible expenditure should be reported as an exception.

– Compliance with eligibility of costs:

The auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article I.9 and II.19.4 of the Grant Agreement.

Which documents should the beneficiary prepare for the auditor?

For most transactions in these cost categories, the original third-party invoices (or certified copies for co-beneficiaries), proofs of payment and documents on tendering procedures (when applicable) should be sufficient proof of expenditure.

What are the most common errors made by beneficiaries for Equipment and Subcontracting?

- General: invoices are not detailed enough to establish a clear connection to project activities.
- Deductible VAT is included in the invoice and charged as project expenditure;
- Tendering procedure is not applied for the purchase of goods or services exceeding 25.000 EUR, or applicable national legislation is not applied where the estimate value of a contract to be awarded exceeds EUR 134.000;
- Purchase of equipment is split into smaller contracts with individual amounts lower than the 25.000 EUR threshold;
- Proof of expenditure is a pro-forma invoice, an offer or a quotation instead of an invoice.

The guidance provided above is of a generic nature meant to draw attention to these matters. However, it is recommended that the beneficiary and auditor refer to relevant chapters of the Erasmus+ Programme Guide for detailed guidance on both cost eligibility and documentary requirements for Equipment, Subcontracting and Exceptional costs.

(2) Eligibility of costs for "Unit costs"

For the purpose of these guidance notes, this heading refers to the following categories of budget items, financed through a reimbursement on the basis of "unit costs": Staff costs, Travel costs and Costs of stay.

Financial reporting for this type of costs will be based on the principle of the "triggering event". Beneficiaries will have to prove that the activities have been actually and properly implemented and the output produced. As a consequence, beneficiaries will have flexibility in the way they manage the funds awarded to cover the corresponding expenses.

Beneficiaries do not need to justify the level of spending. The supporting documents will have to demonstrate that the volume and/or the nature of the activities actually implemented, justify the number of unit costs charged to the grant.

(a) Staff costs

The auditor verifies that Staff costs are reported according to the rules set out in the supporting documents specified in section II.
For this purpose, considering that the calculation of the grant is based exclusively on the application of the unit costs and is independent from the actual remuneration of the staff involved, the auditor verifies that:

- unit costs were applied according to the correct staff category and applicable country category;

- the number of unit costs declared by the beneficiary corresponds to the total number of days worked for the implementation of the project by the staff member concerned.

For the verification of the relation between the workload declared and the results/outputs of the project, the auditor verifies that there is a reasonable assurance that the volume of working days reported (in accordance with the national legislation and/or internal practices for what concerns the minimum requirements in terms of time worked per day) is justified by the volume of results achieved and/or of tangible outputs produced

As a general rule, declared working days per individual may not exceed 20 days per month or 240 days per year.

In addition, the auditor verifies the employment status and conditions of employment of the personnel.

For the employees selected, the auditor checks that they:

- were hired[12] by the beneficiary[13] in accordance with its national legislation;
- were:
  - employed by the Institution and they were part of its payroll system, or;
  - were natural persons* assigned to the project on the basis of a contract against payment;

[12] See 'Glossary' for a definition of 'directly hired'.

[13] Reminder of footnote n° 2: for the purpose of these guidance notes, the term ‘beneficiary’ refers both to the beneficiary (coordinator) and co-beneficiaries (partners). For further details please refer to the 'Glossary'.

- were performing tasks directly necessary to the achievement of the objectives of the project;

  * *A natural person (individual) can be assigned to the action also on the basis of e.g. a civil contract, a free-lance contract, an expert contract, a service contract with self-employed person ("in house consultant) or a secondment to the Institution against payment. The costs of such natural persons working under the action may be assimilated to the costs of personnel, if:*

    (i) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed); and

    (ii) the result of the work belongs to the Institution (unless exceptionally agreed otherwise); and

    (iii) the costs are not significantly different from the costs of staff performing similar tasks under an employment contract within the institution.

Any employment condition that does not meet these criteria must be reported by the auditor under the category 'exception'.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

What is the objective of this procedure?

The Agency seeks to ensure that reported staff costs relate to employees of the beneficiary carrying out the Action, and have not been 'outsourced' to a different entity, unless priory authorised by the Agency. The Agency also seeks to ensure that no special employment conditions are applied which do not form part of the normal practice of the beneficiary.

Which documents should the beneficiary prepare for the auditor?

- Employment contracts for the staff in question, as well as standard employment contracts in use for personnel who perform a variety of work for the beneficiary (i.e. are not exclusively devoted to an EU-funded project or Work Programme).

- A duly filled-in Joint Declaration (Template provided by the Agency and available in its website) for each person for whom staff costs have been charged to the project. The declaration must be signed by the person concerned, then signed and stamped by the person responsible in the Institution where this person worked for the project. The Institution must be a member of the partnership.

- If the staff member performs tasks corresponding to different categories of staff, a separate Joint Declaration must be signed for each category.

- Time-sheets must be signed by the person concerned and countersigned by the person responsible in the employing institution. They must indicate the following:

- the project reference
- the name of the person performing the tasks, his/her position and the staff category
- the institution and the country where the person is employed
- the number of days worked for the corresponding month and year
- the description of the tasks performed, the outputs produced and the related work package.

- Any material evidence allowing to verify that the declared workload corresponds to actual activities/outputs (e.g. attendance lists for lectures given, tangible outputs / products, salary slips, etc.).

- The auditor should verify if any prior authorisation from the Agency was granted for Staff costs.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

What kind of information would give rise to exceptions?

Any deviation from the above principles should be highlighted by the auditor as an exception. Some examples have been provided below (list not exhaustive).

Exceptions should be highlighted if no reasonable activity or output could be verified for the working days declared.

Exceptions should be highlighted if there is no reasonable assurance that the number of unit costs declared corresponds to the number of working days dedicated to the project in terms of workload and tangible outputs.

Exceptions should be highlighted if there are indications in the employment contract that the employee has been hired by a different legal entity.

Exceptions should be highlighted if the employment relation between the staff member and the employing organisation is questioned.

(b) Travel costs and costs of stay

The auditor verifies that *Travel costs and costs of stay* costs are reported according to the rules set out in the supporting documents specified in section II.

Considering that the calculation of the grant is based exclusively on the application of the unit costs and is independent from the level of spending for the staff and students involved, the auditor verifies that the volume and/or the nature of the activities actually implemented justify the number of unit costs charged to the grant.

In particular the auditor verifies that the journeys actually took place and they are connected to specific and clearly identifiable project-related activities.

In addition, the auditor verifies that:

- for Travel costs, the distance travel bands have been applied correctly;
- for Costs of Stay, the number of unit costs declared corresponds to the actual number of days of the activities (including the travel). Unit costs can be declared for each day spent on the activity (including the travel period), independently from the time of departure or arrival.

Beneficiaries do not need to justify the level of spending.

Any condition that does not meet these criteria must be reported by the auditor under the category 'exception'.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

Which documents should the beneficiary prepare for the auditor?

- Any proof that the journeys actually took place and are connected to specific and clearly identifiable project-related activities.
- A duly filled-in Individual Travel Report. Supporting documentation will have to be attached to each travel report in order to demonstrate the fact that the travel and the activity actually took place (e.g. travel tickets, boarding passes with points of departure and destination, dates and name of the person travelling, invoices, receipts, proof of attendance in meetings and/or events, agendas, tangible outputs/products, minutes of meetings).
- The auditor should verify if any prior authorisation from the Agency was granted for Travel and/or costs of stay.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

What kind of information would give rise to exceptions?

Any deviation from the above principles should be highlighted by the auditor as an exception.

What Travel costs and costs of stay costs are not considered eligible or should be regarded as exceptions?

Exceptions should be reported for:

- Travel costs and costs of stay which do not correspond to concrete outputs in terms of activities linked to the projects, or which cannot be justified by supporting documents demonstrating that the travel took place for the duration of the journey;

- Travels of students or staff not enrolled in or employed by a beneficiary organisation;

- Travels outside the partnership countries;

- Travels shorter than the minimal or exceeding the maximum duration.

6. Quantification of exceptions

Wherever possible, the auditor quantifies the full amount of the verification exceptions found. For example, if the auditor finds an exception of EUR 1 000 with regard to procurement rules for a Grant Agreement where the EU finances 60 % of the expenditure, the auditor reports an exception of EUR 1 000 and a financial impact of EUR 600 (EUR 1 000 x 60%).

Furthermore, the description of the exception should be sufficiently detailed to enable the Agency to determine which expense item in the Final Financial Report the exception relates to. The wording in the 'factual findings' paragraph of the report format (Section IV, Annex 3) allows details of all exceptions to be provided in the form of an Annex.

The auditor's attention is drawn to the fact that favourable exceptions, i.e. exceptions increasing eligible expenditure, are not permitted.

7. Procedures to verify revenues

The auditor examines whether revenues which should be attributed to the Action (including *inter alia* grants and funding received from other donors, revenue generated by the Action, contributions in kind, have been allocated to the Action and disclosed in the Final Financial Report. For this purpose the auditor should consult the beneficiary and examine documentation obtained from the beneficiary, e.g. income accounts in the General Ledger.

III. GLOSSARY

ACCOUNTING RECORDS

The accounting records are the accounting entries and the documents supporting the statutory financial statements and/or reporting requirements, as well as the internal procedures, reports or other documents necessary to understand the accounting system of the beneficiary/co-beneficiaries.

The accounting records include, *inter alia*:

- Accounting entries:
  - Accounting journals
  - General ledger
  - Cash book
  - Inventory register / fixed assets register
- Supporting documents
  - Sales and purchase invoices
  - Delivery notes, in particular for fixed assets
  - Credit notes
  - Salary slips
  - Bank statements
  - Employment contracts / sub-contracting contracts
- Other documents
  - Rules applied for depreciation
  - Internal rules for reimbursement of travel expenses

ACTION (PROJECT)

Activities carried out by the beneficiary and co-beneficiaries as described in Annex I of the Grant Agreement.

RESPONSIBLE AUTHORISING OFFICER (RAO)

The Agency's legal representative and signatory of the Grant Agreement.

BENEFICIARY and CO-BENEFICIARIES

For the purpose of these guidance notes, the term 'beneficiary' refers both to the beneficiary (coordinator) and co-beneficiaries (partners). It should be noted, however, that for the purposes of the call for proposal and the Grant Agreement it should be understood that:

- The beneficiary is the organisation that, on behalf of the partners (defined as co-beneficiaries) has signed an agreement with the Agency. The beneficiary has the primary legal responsibility towards the Agency for the proper execution of the agreement; he/she also is responsible for the day-to-day coordination and management of the Action and for the usage of the EU funds allocated to the Action.

- The co-beneficiaries are the partners (or consortium) involved in the Action.

COMPETENT PUBLIC OFFICER

A public servant entitled to carry out an audit and/or financial verification as part of his/her duties (e.g. internal or external auditor).

DIRECTLY HIRED (STAFF)

Statutory staff, having either a permanent or a temporary employment contract with the beneficiary/co-beneficiaries. The costs of directly hired staff should be processed through the organisation's payroll.

EXCESSIVE OR RECKLESS EXPENDITURE

Excessive expenditure should be understood as paying significantly more for products, services or personnel than the prevailing market rates, resulting in an avoidable financial loss/charge to the Action. Reckless expenditure means failing to exercise care in the selection of products, services or personnel, resulting in an avoidable financial loss/charge to the Action.

EXCEPTION/(S)

Matters to be reported by the auditor in the Report under the heading 'Exceptions', including the following:

- Error or exception:

Any fact detected by the auditor while performing a procedure which indicates deviation from the correct application of the contractual provisions (Grant Agreement, General or Specific Conditions, Annexes).

- Scope limitation:

Any fact or event which impedes the auditor in performing any of the procedures. For instance, if the beneficiary states that there is no time recording, the related procedure (verification of the time recorded) cannot be carried out. Such scope limitation should thus be reported as an exception in the auditor's report.

EXPENDITURE INCURRED

Expenditure committed and paid by the beneficiary and co-beneficiaries in the framework of the Action.

FINAL FINANCIAL REPORT

Refers to the form (Annex to the Grant Agreement) which the beneficiary is required to use to declare costs to the Agency in accordance with the Grant Agreement. It should be noted that in the article dealing with 'Submission of reports', the Grant Agreement refers to the 'Final Financial Report' as the 'Final Financial Statement'.

GENERAL LEDGER

The general ledger corresponds to double-entry accounting in which financial movements are recorded at the level of each individual account. It presents the chart of accounts of the beneficiary and provides information on the debit and credit entries made in the individual accounts. The general ledger is the primary source from which the statutory financial statements (or equivalent) are prepared.

NORMAL ACCOUNTING POLICY

Standards and criteria used by the beneficiary to prepare its statutory financial statements (or equivalent). Generally, the accounting policy applied by the beneficiary for EU Grant Agreements/Decisions should not differ from its normal accounting policy.

However, for the purposes of the preparation of the Final Financial Report for the Agency, there may be cases where adjustments are necessary in order to comply with the eligibility criteria of the Grant Agreement/Decision; these should be duly documented and reconciled to the accounting records. The normal accounting policy may never be

adapted ad-hoc in order to charge the EU Grant more than would be the case with the normal practice of the beneficiary and co-beneficiaries.

NORMAL EMPLOYMENT COSTS

Refers to all cost components related to personnel. These include the basic salary, sickness, pension and social security contributions as well as any kind of allowances or benefits granted to the employees. The notion of 'normal' implies that those are the standards commonly applied by the beneficiary and co-beneficiaries.

STAFF WORKING TIME (WORKING DAYS)

Staff working time is the time actually spent on direct work on the Action. Staff working time has to be clearly justified and should match the underlying time records.

Staff working time:

- should exclude annual leave, public holidays, training and sick leave;
- should be calculated according to the beneficiary's and/or co-beneficiaries' normal practice and may vary depending on the personnel category, industry sector, unions, contracts and national legislation.

However, a figure of 220 working days per year may be considered to be a reasonable benchmark for a full-time member of staff in most cases.

Example:

Total days in a year	365
Weekends	-104
Annual holidays	-21
Statutory holidays	-10
Illness/Others	-10
Workable days in a year	220

WORK PROGRAMME

Activities carried-out by a beneficiary receiving an EU operating grant.

IV. ENGAGEMENT LETTER FOR THE REPORT OF FACTUAL FINDINGS ON THE FINAL FINANCIAL REPORT

The engagement letter is composed of the following documents:

Cover letter (see mandatory text below);

Annex 1 – Information about the Grant Agreement;

Annex 2 – List of specific procedures to be performed;

Annex 3 – Compulsory report format and procedures to be performed.

When drafting the engagement letter, the auditor and the beneficiary should use the text and the annexes below. The auditor and the beneficiary are free to add further arrangements under the section 'Other terms' of the mandatory format. These provisions may not in any event be contradictory to these guidance notes.

Cover letter

The following are the conditions on which ***<name of the beneficiary>*** 'the beneficiary' agrees to engage ***<name of the audit firm>*** 'the auditor' to provide an independent report of factual findings on the Final Financial Report prepared by the beneficiary in connection with a European Union financed Grant Agreement concerning *<title of the Action and number of the grant contract>* (the 'Grant Agreement'). Where in this letter the 'Agency' is mentioned this refers to the Agency in its capacity as signatory of the Grant Agreement with the beneficiary, providing the grant funding. The Agency is not a party to this agreement.

1) Responsibilities of the parties to the engagement

'**The beneficiary'** refers to the organisation that is receiving the grant funding and that has signed the Grant Agreement with the Agency.

- The beneficiary is responsible for providing the Agency with a Final Financial Report for the Action financed by the Grant Agreement which complies with the terms and conditions of the Grant Agreement and for ensuring that this Final Financial Report can be reconciled to the beneficiary's accounting and bookkeeping system and to the underlying accounts and records. The beneficiary is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Final Financial Report. Notwithstanding the procedures to be carried out, the beneficiary remains at all times responsible and liable for the accuracy of the Final Financial Report.
- The beneficiary accepts that the ability of the auditor to perform the procedures required by this engagement effectively depends upon the beneficiary, and as the case may be its partners / co-beneficiaries, providing full and free access to the beneficiary's staff and its accounting and bookkeeping system and underlying accounts and records.

'**The auditor**' refers to the auditor responsible for performing the agreed-upon procedures as specified in this letter, and for submitting an independent Report of Factual Findings – Type II to the beneficiary.

The auditor must be independent from the beneficiary. By agreeing to this engagement the auditor confirms that at least the following condition/(s) has/have been met:

- [Option 1: delete if not applicable] The auditor 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: delete if not applicable] The auditor is a Competent Public Officer for which the relevant national authorities have established the legal capacity to audit the beneficiary and is not involved in the preparation of the Final Financial Report.

The procedures to be performed are specified by the Agency and the auditor is not responsible for the suitability and appropriateness of these procedures.

2) Subject of the engagement

The subject of this engagement is the Final Financial Report in connection with the Grant Agreement <Agreement reference number> for the period covering <dd Month yyyy to dd Month yyyy> and the Action entitled <title of the Action>, the 'Action'. Annex 1 to this letter contains information about the Grant Agreement.

3) Reason for the engagement

The beneficiary is required to submit to the Agency a Report of Factual Findings on the Final Financial Report in the form of an independent certification produced by an auditor in support of the payment requested by the beneficiary in accordance with Article I.4 of the Grant Agreement. The Agency's Authorising Officer responsible requires this report as a condition for the final payment requested by the beneficiary.

4) Engagement type and objective

This constitutes an engagement to perform specific agreed-upon procedures regarding an independent certification of costs claimed under the Grant Agreement/Decision. The objective of this expenditure verification is for the auditor to carry out the specific procedures listed in Annex 2 to this letter and to submit to the beneficiary a Report of Factual Findings – Type II with regard to the specific verification procedures performed. Verification means that the auditor examines the factual information in the Final Financial Report of the beneficiary and compares it with the terms and conditions of the Grant Agreement.

As this engagement is not an assurance engagement, the auditor does not provide an audit opinion and expresses no assurance. The Agency assesses for itself the factual findings reported by the auditor and draws its own conclusions from these factual findings on the Final Financial Report and the payment request of the beneficiary relating thereto.

The auditor shall include in his/her report the amount of the fee received for providing the Report of Factual Findings – Type II and shall certify that no conflict of interest exists between him/her and the beneficiary in establishing the report.

5) Standards and ethics

The auditor shall undertake this engagement in accordance with:

– the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the IFAC;

– the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Agency requires that the auditor is independent from the beneficiary and complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

6) Procedures, evidence and documentation

The auditor plans the work so that effective expenditure verification can be performed. The auditor performs the procedures listed in Annex 2 and applies the related guidelines ('List of specific procedures to be performed'). The evidence to be used for performing the procedures in Annex 2 is all financial and non-financial information which makes it possible to examine the expenditure claimed by the beneficiary in the Final Financial Report. The auditor uses the evidence obtained from these procedures as the basis for the Report of Factual Findings – Type II. The auditor documents matters which are important in providing evidence to support the Report of Factual Findings – Type II and evidence that the work was carried out in accordance with ISRS 4400 and the specific guidance provided by the Agency.

7) Reporting

The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings in sufficient detail to enable the beneficiary and the Agency to understand the nature and extent of the procedures performed by the auditor.

The use of the reporting template attached hereto (Annex 3 - Compulsory report format and procedures to be performed) is mandatory. This report must be provided by the auditor to <name of the beneficiary> within <xx; number of working days to be indicated by the beneficiary> working days after the day of signature of this engagement.

8) Other terms

[*The beneficiary and the auditor may use this section to agree other specific terms such as auditor's fees, out of pocket expenses, liability, applicable law, etc.*]

Signature beneficiary Signature auditor

Annex 1 – Information about the Grant Agreement

[Annex to be completed by the beneficiary]

Information about the Grant Agreement	
Reference number and date of the Grant Agreement	<Agency's reference of the Grant Agreement >
Programme	
Grant Agreement subject	
Country	
Beneficiary	< full name and address of the beneficiary as indicated in the Grant Agreement >
Start date of the Action	
End date of the Action	
Total cost of the Action	<amount in Art. I.3 of the Grant Agreement>
Grant maximum amount	<amount in Art. I.3 of the Grant Agreement>
Total amount received to date by the beneficiary from Agency	< Total amount received as of dd.mm.yyyy>
Total amount of the payment request	
Auditor	< Name and address of the audit firm and names/positions of the auditors>

Annex 2 - List of specific procedures to be performed and specific guidance

1. General procedures

a) Terms and Conditions of the Grant Agreement

The auditor obtains an understanding of the terms and conditions of the Grant Agreement by reviewing:

- a signed copy of the Grant Agreement, its annexes and other relevant information. Particular attention should be paid to the Description of the Action and the Budget;
- the Final Financial Report (which includes a narrative and a financial section).

b) Beneficiary's legal and VAT status (not applicable for costs reimbursed on the basis of "unit costs")

- The auditor confirms the legal status of the beneficiary, and thus determines the treatment of VAT (deductible or not).
- Deductible VAT means that VAT is recoverable by the beneficiary under the national 'VAT system' (i.e. the system of collection and deduction under the national VAT legislation) is not an eligible cost. The final financial report should exclude deductible VAT amounts.
- Conversely, if VAT is NOT deductible, it is an eligible cost for the Final financial statement.
- In the framework of his/her work, the auditor is expected to verify the necessary supporting documents provided by the beneficiary and clearly confirm their status as regarding VAT treatment.
  Specific rules contained in Article II.19.4 of the Grant Agreement on VAT apply.

c) Final Financial Report and the Grant Agreement

- The Final Financial Report must conform to the model annexed to the Grant Agreement;
- The Final Financial Report should cover the Action as a whole, regardless of which part of it is financed by the Agency.

d) Rules for Accounting and Record Keeping

- The auditor examines whether the beneficiary has complied with the rules for accounting and record keeping in accordance with Articles II.19, II.20 and II.27.2 of the Grant Agreement;
- The accounts kept by the beneficiary for the implementation of the Action must be accurate, up-to-date and exhaustive (including all expenditure and income);
- The auditor examines whether the beneficiary has a double-entry book-keeping system;
- The income and expenditure relating to the Action must be easily identifiable and verifiable;

e) Exchange Rates (not applicable for costs reimbursed on the basis of "unit costs")

The auditor verifies that amounts of expenditure incurred in a currency other than the euro have been converted in accordance with the provisions of the Grant Agreement (Article I.4.6).

2. Verification evidence

The beneficiary will allow the auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action.

The beneficiary will allow the auditor access to all documents and databases concerning the technical and financial management of the Action (Article II.27 of the Grant Agreement). **It should also be noted that it is the beneficiary's responsibility to obtain the accounting documents necessary to enable the auditor to verify costs incurred by co-beneficiaries / project partners.**

Supporting documentation must be available in the form of original documents for the beneficiary (or certified copies of originals for the co-beneficiaries) rather than photocopies or facsimiles.

If the auditor finds that the above criteria for evidence are not sufficiently met, this should be reported as an exception.

3. Procedures to verify the conformity of expenditure with the budget and analytical review

- The auditor carries out a substantive review of the expenditure headings in the Final Financial Report;

- The auditor verifies whether there have been amendments to the budget of the Grant Agreement;
- The auditor verifies that the budget in the Final Financial Report corresponds[14] to the budget of the Grant Agreement (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Agreement;
- The auditor verifies any transfers between budget headings by comparing the initial budget with the budget in the Final Financial Report and checks that the provisions of Articles I.14 and II.13 of the Grant Agreement have been complied with.

4. Selecting expenditure for verification and Expenditure Coverage

The expenditure claimed by the beneficiary in the Final Financial Report is presented in the budget form provided in the Grant Agreement.

Expenditure headings can be broken down into expenditure subheadings. Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics.

What percentage of expenditure needs to be verified by the auditor?

The Expenditure Coverage Ratio ('ECR') represents the total amount of expenditure verified by the auditor expressed as a percentage of the total amount of expenditure reported by the beneficiary in the Final Financial Report (i.e. funded from EU funds and other sources).

The auditor ensures that the overall ECR is at least 70%. If the exception rate is less than 10% of the total amount of expenditure verified (i.e. 7% of total expenditure), the auditor finalises the verification procedures and continues with reporting.

If the exception rate is greater than 10%, the auditor is required to extend the verification procedures until the ECR is at least 85%.

In addition to reaching the minimum coverage of total expenditure stated in the previous two paragraphs, the auditor must ensure that the ECR for each expenditure heading in the Final Financial Report is at least 10%.

On what basis should expenditure items be selected for verification?

In order to both meet the minimum ECR above and ensure that the expenditure verification is systematic and representative:

[14] Some degrees of flexibility in the implementation of the budget are allowed. The rule proposed in the grant agreement is that changes of up to 10% of each item/heading (+ or -) are allowed without amendment, and will remain eligible. Please verify the rule in the grant agreement (some grant agreements have 15% or 20% flexibility). Any changes within the limit specified in the grant agreement didn't require the beneficiary's request for amending the grant agreement.

Changes above the limit did require an amendment of the budget annexed to the grant agreement. If such request was not approved by the Agency, the costs exceeding the limit should be considered ineligible.

- value should be the principal factor used by the auditor, i.e. an appropriate number of high value expenditure items should be selected; and
- otherwise, the population selected for testing should be selected on a random basis in order to produce a representative sample.

5. Procedures to verify selected expenditure

The Report of Factual Findings on the Final Financial Report - Type II is intended to verify the costs incurred by the beneficiary within the framework of the Grant Agreement for an Action reimbursed through a mixed financing system: (1) reimbursement based on eligible costs (or "actual costs") and (2) unit costs.

The following substantive procedures are required to be performed by the auditor in order to verify expenditure for items financed through actual costs and outputs produced for items financed through unit costs. These procedures are different depending on the category of costs:

1) costs financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs;

2) costs financed through a reimbursement on the basis of "unit costs": Staff costs, Travel costs and Costs of stay.

1) Eligibility of costs for "Actual costs"

For the purpose of these guidance notes, this heading refers to the following categories of costs, financed through eligible costs actually incurred, or "actual costs": Equipment, Subcontracting and Exceptional costs.

All costs must be justified by the relevant supporting documents.

The auditor verifies, for each expenditure item selected, that the eligibility criteria set out below have been met.

– Costs actually incurred [15]

The auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the beneficiary. For this purpose the auditor examines supporting documentation (e.g. invoices, contracts) and proof of payment. The auditor also examines proof of work done, goods received or services rendered and verifies the existence of assets if applicable.

The auditor verifies that the monetary value of a selected expenditure item is in line with underlying documents (e.g. invoices, payroll documents) and that correct exchange rates are used where applicable.

– Cut-off - Implementation period:

The auditor verifies that the expenditure for a selected item was incurred during the period of implementation or eligibility in

[15] Article II.19 of the Grant Agreement.

accordance with Article I.2 of the Grant Agreement. Invoices received during the eligibility period but not yet paid, as well as costs relating to the Final Financial Report, should be reported by the auditor under the 'exceptions'. The costs relating to the Final Financial Report should be reasonable and in line with the provisions of Article II.19 of the Grant Agreement.

– Classification:

  The auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub) heading of the Final Financial Report.

– Necessary / connected [16]

  The auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure together with supporting documents.

– Sound financial management / economy[17]

  For each selected item, the auditor verifies that the price paid for the goods/services does not represent expenditure that has been incurred excessively or recklessly[18].

– Compliance with sub-contracting rules:

  Where applicable, the auditor checks that the sub-contracted tasks or activities have been provided for in the initial budget or have been approved by the Agency.

– Compliance with procurement rules:

  Where applicable, the auditor examines which procurement rules (as provided for by the Grant Agreement) apply for any given expenditure (sub)heading, class of expenditure items or expenditure item. The auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process, e.g. tenders/quotes. Where the auditor finds instances of non-compliance with procurement rules, the nature thereof as well as their financial impact in terms of ineligible expenditure should be reported as an exception.

– Compliance with eligibility of costs:

  The auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in Article I.9 and II.19.4 of the Grant Agreement.

[16] Article II.19 of the Grant Agreement.

[17] Article II.19 of the Grant Agreement.

[18] See 'Glossary' for a definition of ‘excessive or reckless expenditure’.

Which documents should the beneficiary prepare for the auditor?

For most transactions in these cost categories, the original third-party invoices, original procurement contracts (or certified copies for co-beneficiaries), proofs of payment and documents on tendering procedures (when applicable) should be sufficient as proofs of expenditure.

What are the most common errors made by beneficiaries for Equipment and Subcontracting?

- General: invoices are not detailed enough to establish a clear connection to project activities.
- Deductible VAT is included in the invoice and charged as project expenditure;
- Tendering procedure is not applied for the purchase of goods or services exceeding 25.000 EUR, or applicable national legislation is not applied where the estimate value of a contract to be awarded exceeds EUR 134.000;
- Purchase of equipment is split into smaller contracts with individual amounts lower than the 25.000 EUR threshold;
- Proof of expenditure is a pro-forma invoice, an offer or a quotation instead of an invoice.

The guidance provided above is of a generic nature meant to draw attention to these matters. However, it is recommended that the beneficiary and auditor refer to relevant chapters of the Programme Guide for detailed guidance on both cost eligibility and documentary requirements for Equipment and Subcontracting.

2) Eligibility of costs for "Unit costs"

For the purpose of these guidance notes, this heading refers to the following categories of budget items, financed through a reimbursement on the basis of "unit costs": Staff costs, Travel costs and Costs of stay.

Financial reporting for this type of costs will be based on the principle of the "triggering event". Beneficiaries will have to prove that the activities have been actually and properly implemented and the output produced. As a consequence, beneficiaries will have flexibility in the way they manage the funds awarded to cover the corresponding expenses.

Beneficiaries do not need to justify the level of spending. The supporting documents will have to demonstrate that the volume and/or the nature of the activities actually implemented, justify the number of unit costs charged to the grant.

a) Staff costs

The auditor verifies that Staff costs are reported according to the rules set out in the supporting documents specified in section II.

For this purpose, considering that the calculation of the grant is based exclusively on the application of the unit costs and is independent from the actual remuneration of the staff involved, the auditor verifies that:

- unit costs were applied according to the correct staff category and applicable country category;
- the number of unit costs declared by the beneficiary corresponds to the total number of days worked for the implementation of the project by the staff member concerned.

For the verification of the relation between the workload declared and the results/outputs of the project, the auditor verifies that there is a reasonable assurance that the volume of working days reported (in accordance with the national legislation and/or internal practices for what concerns the minimum requirements in terms of time worked per day) is justified by the volume of results achieved and/or of tangible outputs produced

As a general rule, declared working days per individual may not exceed 20 days per month or 240 days per year.

In addition, the auditor verifies the employment status and conditions of employment of the personnel.

For the employees selected, the auditor checks that they:

- were hired[19] by the beneficiary[20] in accordance with its national legislation;
- were:
  - employed by the Institution and they were part of its payroll system, or;
  - were natural persons* assigned to the project on the basis of a contract against payment;
- were performing tasks directly necessary to the achievement of the objectives of the project;

** A natural person (individual) can be assigned to the action also on the basis of e.g a civil contract, a free-lance contract, an expert contract, a service contract with self-employed person ("in house consultant) or a secondment to the Institution against payment. The costs of such natural persons working under the action may be assimilated to the costs of personnel, if:*

(i) the person works under conditions similar to those of an employee (in particular regarding the

[19] See 'Glossary' for a definition of 'directly hired'.

[20] Reminder of footnote n° 2: for the purpose of these guidance notes, the term 'beneficiary' refers both to the beneficiary (coordinator) and co-beneficiaries (partners). For further details please refer to the 'Glossary' (page 18).

way the work is organised, the tasks that are performed and the premises where they are performed);

(ii) the result of the work belongs to the Institution (unless exceptionally agreed otherwise); and

(iii) the costs are not significantly different from the costs of staff performing similar tasks under an employment contract within the institution

Any employment condition that does not meet these criteria must be reported by the auditor under the category 'exception'.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

What is the objective of this procedure?

The Agency seeks to ensure that reported staff costs relate to employees of the beneficiary carrying out the Action, and have not been 'outsourced' to a different entity, unless priory authorised by the Agency. The Agency also seeks to ensure that no special employment conditions are applied which do not form part of the normal practice of the beneficiary.

Which documents should the beneficiary prepare for the auditor?

- Employment contracts for the staff in question, as well as standard employment contracts in use for personnel who perform a variety of work for the beneficiary (i.e. are not exclusively devoted to an EU-funded project or Work Programme).

- A duly filled-in Joint Declaration (Template provided by the Agency and available in its website) for each person for whom staff costs have been charged to the project. The declaration must be signed by the person concerned, then signed and stamped by the person responsible in the Institution where this person worked for the project. The Institution must be a member of the partnership.

- If the staff member performs tasks corresponding to different categories of staff, a separate Joint Declaration must be signed for each category.

- Time-sheets . They must be signed by the person concerned and countersigned by the person responsible in the employing institution. They must indicate the following:

- the project reference
- the name of the person performing the tasks, his/her position and the staff category
- the institution and the country where the person is employed

- the number of days worked for the corresponding month and year
- the description of the tasks performed, the outputs produced and the related work package.

- Any material evidence allowing to verify that the declared workload corresponds to actual activities/outputs (e.g. attendance lists for lectures given, tangible outputs / products, salary slips, etc.).

- The auditor should verify if any prior authorisation from the Agency was granted for Staff costs.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

What kind of information would give rise to exceptions?

Any deviation from the above principles should be highlighted by the auditor as an exception. Some examples have been provided below (list not exhaustive).

Exceptions should be highlighted if no reasonable activity or output could be verified for the working days declared.

Exceptions should be highlighted if there is no reasonable assurance that the number of unit costs declared corresponds to the number of working days dedicated to the project in terms of workload and tangible outputs.

Exceptions should be highlighted if there are indications in the employment contract that the employee has been hired by a different legal entity.

Exceptions should be highlighted if the employment relation between the staff member and the employing organisation is questioned.

b) Travel costs and costs of stay

The auditor verifies that *Travel costs and costs of stay* costs are reported according to the rules set out in the supporting documents specified in section II.

Considering that the calculation of the grant is based exclusively on the application of the unit costs and is independent from the level of spending for the staff and students involved, the auditor verifies that the volume and/or the nature of the activities actually implemented justify the number of unit costs charged to the grant.

In particular the auditor verifies that the journeys actually took place and they are connected to specific and clearly identifiable project-related activities.

In addition, the auditor verifies that:

- for Travel costs, the distance travel bands have been applied correctly;
- for Costs of Stay, the number of unit costs declared corresponds to the actual number of days of the activities (including the travel). Unit costs can be declared for each day spent on the activity (including the travel period), independently from the time of departure or arrival.

Beneficiaries do not need to justify the level of spending

Any condition that does not meet these criteria must be reported by the auditor under the category 'exception'.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

Which documents should the beneficiary prepare for the auditor?

- Any proof that the journeys actually took place and are connected to specific and clearly identifiable project-related activities.
- A duly filled-in Individual Travel Report. Supporting documentation will have to be attached to each travel report in order to demonstrate the fact that the travel and the activity actually took place (e.g. travel tickets, boarding passes with points of departure and destination, dates and name of the person travelling, invoices, receipts, proof of attendance in meetings and/or events, agendas, tangible outputs/products, minutes of meetings).
- The auditor should verify if any prior authorisation from the Agency was granted for Travel and/or costs of stay.

Reminder: as far as the co-beneficiaries' staff supporting documents are concerned, the auditor should accept certified copies.

What kind of information would give rise to exceptions?

Any deviation from the above principles should be highlighted by the auditor as an exception.

What Travel costs and costs of stay costs are not considered eligible or should be regarded as exceptions?

Exceptions should be reported for:

- Travel costs and costs of stay which do not correspond to concrete outputs in terms of activities linked to the projects, or which cannot be justified by supporting documents demonstrating that the travel took place for the duration of the journey;
- Travels of students or staff not enrolled in or employed by a beneficiary organisation;
- Travels outside the partnership countries;
- Travels shorter than the minimal or exceeding the maximum duration.

6. Quantification of exceptions

Wherever possible, the auditor quantifies the full amount of the verification exceptions found. For example, if the auditor finds an exception of EUR 1 000 with regard to procurement rules for a Grant Agreement where the EU finances 60 % of the expenditure, the auditor reports an exception of EUR 1 000 and a financial impact of EUR 600 (EUR 1 000 x 60%).

Furthermore, the description of the exception should be sufficiently detailed to enable the Agency to determine which expense item in the Final Financial Report the exception relates to. The wording in the 'factual findings' paragraph of the report format (see Annex 3 to this engagement letter) allows details of all exceptions to be provided in the form of an Annex. The auditor's attention is drawn to the fact that favourable exceptions, i.e. exceptions increasing eligible expenditure, are not permitted.

7. Procedures to verify revenues

The auditor examines whether revenues which should be attributed to the Action (including *inter alia* grants and funding received from other donors, revenue generated by the Action, contributions in kind, have been allocated to the Action and disclosed in the Final Financial Report. For this purpose the auditor should consult the beneficiary and examine documentation obtained from the beneficiary, e.g. income accounts in the General Ledger[21].

[21] See 'Glossary' for definition of 'General Ledger'.

Annex 3 - Compulsory report format and procedures to be performed

To be printed on letterhead paper of the auditor

Independent Report of Factual Findings – Type II on costs claimed under a Grant Agreement/Decision financed under the <insert name> Programme

<Name of contact person(s)>, < Position>
< Beneficiary's name>
<Address>
<dd Month yyyy>

In accordance with the terms of our engagement letter dated <dd Month yyyy> with <name of the beneficiary>, hereinafter referred to as 'the beneficiary', we hereby provide our Independent Report of Factual Findings – Type II ('the Report'), as specified below.

Objective

We *[legal name of the audit firm]*, established in *[full address/city/province/country],* represented for signature of this Report by [*[name and function of an authorised representative],* have performed agreed-upon procedures regarding the costs declared in the Final Financial Report of [*name of beneficiary*], the beneficiary, to which this Report is attached, and which is to be presented to the Education, Audiovisual and Culture Executive Agency, hereinafter referred to as 'the Agency', under Grant Agreement *[Grant Agreement reference number]* for the following period *[insert period covered by the Final Financial Report].* This engagement involved performing the procedures listed in Annex 2 of the engagement letter, the results of which the Agency uses to draw conclusions as to the eligibility of the costs claimed.

Standards and ethics

Our engagement was undertaken in accordance with:

- the specific guidance provided by Agency;

- International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the International Federation of Accountants ('IFAC');

- the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Agency requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants.*

Procedures performed

As requested, we have only performed the procedures listed in Annex 2 to the engagement letter.

These procedures have been determined solely by the Agency and were performed solely to assist the Agency in evaluating whether the expenditure claimed by the beneficiary in the accompanying Final Financial Report has been claimed in accordance with the Grant Agreement. The auditor is not responsible for the suitability and appropriateness of these procedures.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Final Financial Report. Had we performed additional procedures or had we performed an audit or review of the Final Financial Report of the beneficiary in accordance with International Standards on

Auditing, other matters might have come to our attention that would have been reported to you.

Sources of information

The Report sets out information provided to us by the management of the beneficiary in response to specific questions or as obtained and extracted from the beneficiary's information and accounting systems.

Factual findings

The above-mentioned Final Financial Report was examined and all procedures specified in Annex 2 to our engagement letter were carried out.

The total expenditure which is the subject of this expenditure verification amounts to EUR <xxxxxx>. The Expenditure Coverage Ratio verified by us amounts to <xx %>.

On the basis of the results of these procedures, we found:

<select the relevant statement>

<All documentation and accounting information to enable us to carry out these procedures has been provided to us by the beneficiary. >

<We report the details of the exceptions which result from the procedures that we performed in Annex of this Report.>

Exceptions [delete if not applicable, i.e. no exceptions have been identified]

In some cases, the auditor was not able successfully to complete the procedures specified.

These exceptions are as follows**:**

Exceptions such as inability to reconcile key information, unavailability of data which prevented the auditor from carrying out the procedures, etc. should be listed in the Annex to this compulsory report format. The Agency will use this information to decide the amounts which will be reimbursed.

Use of this report

This Report is intended solely for the purpose set forth in the above objective.

This Report is prepared solely for the confidential use of the beneficiary and the Agency and solely for the purpose of submission to the Agency in connection with the requirements as set out in Article I.4 of the Grant Agreement. This Report may not be relied upon by the beneficiary or by the Agency for any other purpose, nor may it be distributed to any other parties. The Agency may only disclose this Report to others who have regulatory rights of access to it, in particular the European Commission, the European Anti-Fraud Office and the European Court of Auditors.

This Report relates only to the Final Financial Report specified above and does not extend to any other financial statements of the beneficiary.

No conflict of interest exists between the auditor and the beneficiary in establishing this Report. The fee paid to the auditor for providing the Report was EUR _____ while a total of EUR _____ has been reimbursed to the auditor for the related travel & subsistence.

We look forward to discussing our report with you and would be pleased to provide any further information or assistance which may be required.

[legal name of the audit firm]
[name and function of an authorised representative]
<dd Month yyyy>, <Signature of the auditor>

Annexes to the compulsory report format

I. List of exceptions identified by the auditor

Reminder: exceptions refer to inability to reconcile key information, unavailability of data which prevented the auditor from carrying out the procedures, etc. The Agency will use this information to decide the amounts which will be reimbursed. For further guidance, please refer to section II.3.6. 'Quantification of exceptions' and to the 'Glossary'.

Budget heading	Budget item under exception	Reference	Reason for the exception	Amount
e.g. Equipment	Laptop	No XX/12	No invoice provided	EUR 200
e.g. Staff costs	Mr XX	No XY/14	No formal employment relation between employee and employer	EUR 950
e.g. Travel costs	Mr XY	No. YY/14	No evidence provided	EUR 320

II. Final Financial Report

NB: please attach the following document

The cost breakdown relating to the Action (as per the model annexed to the Grant Agreement, i.e. the Excel Final Financial Statement), compiled, dated and signed the beneficiary and countersigned by the auditor (or competent public officer).

ANNEX I

DESCRIPTION OF THE ACTION

The grant awarded aims at implementing the Action as submitted by the Coordinator and registered under the reference number:

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PART A — LEGAL AND ADMINISTRATIVE PROVISIONS

ARTICLE II.1 — DEFINITIONS

The following definitions apply for the purpose of the Agreement:

'Action': the set of activities or the project for which the grant is awarded, to be implemented by the beneficiaries as described in Annex I.

'Breach of obligations': failure by a beneficiary to fulfil one or more of its contractual obligations.

'Confidential information or document': any information or document (in any format) received by either party from the other or accessed by either party in the context of the implementation of the Agreement that any of the parties has identified in writing as confidential. It does not include information that is publicly available.

'Conflict of interests': a situation where the impartial and objective implementation of the Agreement by a beneficiary is compromised for reasons involving family, emotional life, political or national affinity, economic interest, any other direct or indirect personal interest or any other shared interest with the Agency or any third party related to the subject matter of the Agreement.

'Direct costs': those specific costs which are directly linked to the implementation of the action and can therefore be attributed directly to it. They may not include any indirect costs;

'*Force majeure*': any unforeseeable, exceptional situation or event beyond the control of the parties that prevents either of them from fulfilling any of their obligations under the Agreement, which is not attributable to error or negligence on their part or on the part of the subcontractors affiliated entities or third parties in receipt of financial support and which proves to be inevitable despite their exercising due diligence. The following cannot be invoked as *force majeure*: labour disputes, strikes, financial difficulties or any default of a service, defect in equipment or materials or delays in making them available, unless they stem directly from a relevant case of *force majeure*;

'Formal notification': form of communication between the parties made in writing by mail or electronic mail which provides the sender with compelling evidence that the message was delivered to the specified recipient;

'Fraud': any act or omission relating to the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds or assets from the Union budget, the non-disclosure of information in violation of a specific obligation, with the same effect or the misapplication of such funds or assets for purposes other than those for which they were originally granted.

'Grave professional misconduct': a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.

'Implementation period': the period of implementation of the activities forming part of the action, as specified in Article I.2.2;

'Indirect costs': those costs which are not specific costs directly linked to the implementation of the action and which therefore cannot be attributed directly to it. They may not include any costs identifiable or declared as eligible direct costs;

'Irregularity': any infringement of a provision of Union law resulting from an act or omission by a beneficiary, which has or would have the effect of prejudicing the Union's budget;

'Maximum amount of the grant': the maximum EU contribution to the action, as defined in Article I.3.1;

'Pre-existing material': any materials, document, technology or know-how which exists prior to the beneficiary using it for the production of a result in the implementation of the action;

'Pre-existing right': any industrial and intellectual property right on pre-existing material; it may consist in a right of ownership, a licence right and/or a right of use belonging to the beneficiary or any other third parties;

'Related person': any natural or legal person who is a member of the administrative management or supervisory body of the beneficiary or who has powers of representation, decision or control with regard to the beneficiary;

'Starting date': the date on which the implementation of the action starts as provided for in Article I.2.2;

'Subcontract': a procurement contract within the meaning of Article II.10, which covers the implementation by a third party of tasks forming part of the action as described in Annex I.

ARTICLE II.2 — GENERAL OBLIGATIONS AND ROLES OF THE BENEFICIARIES

II.2.1 General obligations and role of the beneficiaries

The beneficiaries:

(a) are jointly and severally liable for carrying out the *action* in accordance with the Agreement. If a beneficiary fails to implement its part of the *action*, the other beneficiaries become responsible for implementing this part (but without increasing the *maximum amount of the grant*);

(b) must comply jointly or individually with any legal obligations they are bound by under applicable EU, international and national law;

(c) must make appropriate internal arrangements to implement the *action* properly. The arrangements must be consistent with the terms of the Agreement. If provided for in the Special Conditions, those arrangements must take the form of an internal cooperation agreement between the beneficiaries.

II.2.2 General obligations and role of each beneficiary

Each beneficiary must:

(a) inform the coordinator immediately of any events or circumstances of which the beneficiary is aware, that are likely to affect or delay the implementation of the *action*;

(b) inform the coordinator immediately:

(i) of any change in its legal, financial, technical, organisational or ownership situation and of any change in its name, address or legal representative;

(ii) of any change in the legal, financial, technical, organisational or ownership situation of its affiliated entities and of any change in their name, address or legal representative;

(iii) of any change regarding the exclusion situations listed in Article 136 of Regulation (EU) 2018/1046, including for its affiliated entities;

(c) submit in due time to the coordinator:

(i) the data needed to draw up the reports, financial statements and other documents provided for in the Agreement;

(ii) all the necessary documents required for audits, checks or evaluations as provided for in Article II.27.

(iii) any other information to be provided to the Agency under the Agreement, except if the Agreement requires such information to be submitted directly by the beneficiary.

II.2.3 General obligations and role of the coordinator

The coordinator:

(a) must monitor the implementation of the *action* in order to make sure that the *action* is implemented in accordance with the terms of the Agreement;

(b) is the intermediary for all communications between the beneficiaries and the Agency, except if provided otherwise in the Agreement. In particular, the coordinator:

(i) must immediately inform the Agency:

- of any change in the name, address, legal representative of any of the beneficiaries or of their affiliated entities;

- of any change in the legal, financial, technical, organisational or ownership situation of any of the beneficiaries or of their affiliated entities;

- of any events or circumstances of which the coordinator is aware, that are likely to affect or delay the implementation of the *action*;

- of any change regarding the exclusion situations listed in Article 136 of Regulation (EU) 2018/1046, for any of the beneficiaries or their affiliated entities.

(ii) is responsible for supplying the Agency with all documents and information required under the Agreement, except if provided otherwise in the Agreement itself. If information is required from the other beneficiaries, the coordinator is responsible for obtaining and verifying this information before passing it on to the Agency;

(c) must make the appropriate arrangements for providing any financial guarantees required under the Agreement;

(d) must draw up the requests for payment in accordance with the Agreement;

(e) if it is designated as the sole recipient of payments on behalf of all of the beneficiaries, it must ensure that all the appropriate payments are made to the other beneficiaries without unjustified delay;

(f) is responsible for providing all the necessary documents required for checks and audits initiated before the payment of the balance or documents required for evaluation as provided for in Article II.27.

The coordinator may not subcontract any part of its tasks to the other beneficiaries or to any other party.

ARTICLE II.3 — COMMUNICATION BETWEEN THE PARTIES

II.3.1 Form and means of communication

Any communication relating to the Agreement or to its implementation, including the notification of decisions, letters, documents or information related to administrative procedures, must:

(a) be made in writing (in paper or electronic form) in the language of the Agreement;

(b) bear the number of the Agreement; and

(c) be made using the communication details identified in Article I.7.

In particular, the parties agree that any *formal notification* made by mail or email has full legal effect and is admissible as evidence in administrative or judicial proceedings.

If a party requests written confirmation of an electronic communication within a reasonable time, the sender must provide the signed hard copy of the document sent electronically as soon as possible.

II.3.2 Date of communications

Any communication is considered to have been effected when the receiving party receives it, unless the Agreement states that communication is considered to have been effected on the date when it was sent.

An email is considered to have been received by the receiving party on the date of dispatch, provided that it is sent to the email address indicated in Article I.7. The sender must be able to prove the date of dispatch, for instance by an automatically generated read report. If the sender receives a non-delivery report, it must make every effort to ensure that the other party actually receives the communication by email or mail. In such a case, the sender is not held in breach of its obligation to send the communication within a specified time limit.

Mail sent to the Agency using the postal or courier services is considered to have been received by the Agency on the date on which it is registered by the department identified in Article I.7.2.

Formal notifications are to be considered as having been received on the date of receipt indicated in the proof received by the sender that the message was delivered to the addressee.

The Agency may consider any undisclosed change of postal or electronic address by the other party to this Agreement as grave professional misconduct, which is one of the situations of exclusion referred to in Article 136(1)(c) of Regulation (EU, Euratom) 2018/1046.

ARTICLE II.4 — LIABILITY FOR DAMAGES

II.4.1 The Agency may not be held liable for any damage caused or sustained by any of the beneficiaries, including any damage caused to third parties as a consequence of or during the implementation of the *action*.

II.4.2 Except in cases of *force majeure*, the beneficiaries must compensate the Agency for any damage it sustains as a result of the implementation of the *action* or because the *action* was not implemented in full compliance with the Agreement.

ARTICLE II.5 — CONFLICT OF INTERESTS

II.5.1 The beneficiaries must take all necessary measures to prevent any situation of *conflict of interests.*

II.5.2 The beneficiaries must inform the Agency without delay of any situation constituting or likely to lead to a *conflict of interests*. They must take immediately all the necessary steps to rectify this situation.

The Agency may verify that the measures taken are appropriate and may require additional measures to be taken by a specified deadline.

ARTICLE II.6 — CONFIDENTIALITY

II.6.1 During implementation of the *action* and for five years after the payment of the balance, the parties must treat with confidentiality any *confidential information and documents.*

II.6.2 The parties may only use *confidential information and documents* for a reason other than to fulfil their obligations under the Agreement if they have first obtained the prior written agreement of the other party.

II.6.3 The confidentiality obligations do not apply if:

(a) the disclosing party agrees to release the other party from those obligations;

(b) the *confidential information or documents* become public through other means than a breach of the confidentiality obligations;

(c) the disclosure of the *confidential information or documents* is required by law.

ARTICLE II.7 — PROCESSING OF PERSONAL DATA

II.7.1 Processing of personal data by the Agency

Any personal data included in the Agreement must be processed by the Agency in accordance with Regulation (EU) No 2018/1725.[1]

Such data must be processed by the data controller identified in Article I.7.1 solely for implementing, managing and monitoring the Agreement or to protect the financial interests of the EU, including checks, audits and investigations in accordance with Article II.27.

The beneficiaries have the right to access, rectify or erase their own personal data and the right to restrict or, where applicable, the right to data portability or the right to object to data processing in accordance with Regulation (EU) No 2018/1725. For this purpose, they must send any queries about the processing of their personal data to the data controller identified in Article I.7.1.

The beneficiaries may have recourse at any time to the European Data Protection Supervisor.

[1] Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC.

II.7.2 Processing of personal data by the beneficiaries

The beneficiaries must process personal data under the Agreement in compliance with applicable EU and national law on data protection (including authorisations or notification requirements).

The beneficiaries may grant their personnel access only to data that is strictly necessary for implementing, managing and monitoring the Agreement. The beneficiary must ensure that the personnel authorised to process personal data has committed itself to confidentiality or is under appropriate statutory obligation of confidentiality.

The beneficiaries must inform the personnel whose personal data are collected and processed by the Agency. For this purpose, they must provide them with the privacy statement which is published in the website of the Agency, before transmitting their data to the Agency.

The beneficiaries must adopt appropriate technical and organisational security measures having regard to the risks inherent in the processing and to the nature, scope, context and purposes of processing of the personal data concerned. This is in order to ensure, as appropriate:

(a) the pseudonymisation and encryption of personal data;

(b) the ability to ensure the ongoing confidentiality, integrity, availability and resilience of processing systems and services;

(c) the ability to restore the availability and access to personal data in a timely manner in the event of a physical or technical incident;

(d) a process for regularly testing, assessing and evaluating the effectiveness of technical and organisational measures for ensuring the security of the processing;

(e) measures to protect personal data from accidental or unlawful destruction, loss, alteration, unauthorised disclosure of or access to personal data transmitted, stored or otherwise processed.

ARTICLE II.8 — VISIBILITY OF UNION FUNDING

II.8.1 Information on Union funding and use of the European Union emblem

Unless the Agency requests or agrees otherwise, any communication or publication made by the beneficiaries jointly or individually that relates to the *action*, including at conferences, seminars or in any information or promotional materials (such as brochures, leaflets, posters, presentations, in electronic form, etc.), must:

(a) indicate that the *action* has received funding from the Union; and

(b) display the European Union emblem.

When displayed in association with another logo, the European Union emblem must have appropriate prominence.

The obligation to display the European Union emblem does not confer on the beneficiaries a right of exclusive use. The beneficiaries may not appropriate the European Union emblem or any similar trademark or logo, either by registration or by any other means.

For the purposes of the first, second and third subparagraphs and under the conditions specified therein, the beneficiaries may use the European Union emblem without first obtaining permission from the Agency.

II.8.2 Disclaimers excluding Agency and Commission responsibility

Any communication or publication that relates to the *action*, made by the beneficiaries jointly or individually in any form and using any means, must indicate:

(a) that it reflects only the author's view; and

(b) that the Agency and the Commission are not responsible for any use that may be made of the information it contains.

ARTICLE II.9 — PRE-EXISTING RIGHTS AND OWNERSHIP AND USE OF THE RESULTS (INCLUDING INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS)

II.9.1 Ownership of the results by the beneficiaries

The beneficiaries retain ownership of the results of the *action*, including industrial and intellectual property rights, and of the reports and other documents relating to it, unless stipulated otherwise in the Agreement.

II.9.2 Pre-existing rights

If the Agency and/or the Commission sends the beneficiaries a written request specifying which of the results it intends to use, the beneficiaries must:

(a) establish a list specifying all *pre-existing rights* included in those results; and

(b) provide this list to the Agency at the latest with the request for payment of the balance.

The beneficiaries must ensure that they or their affiliated entities have all the rights to use any *pre-existing rights* during the implementation of the Agreement.

II.9.3 Rights of use of the results and of pre-existing rights by the Agency and/or the Union

The beneficiaries grant the Union the following rights to use the results of the *action*:

(a) for its own purposes and in particular to make available to persons working for the Agency, the Commission, other Union institutions, agencies and bodies and to Member States' institutions, as well as to copy and reproduce in whole or in part and in an unlimited number of copies;

(b) reproduction: the right to authorise direct or indirect, temporary or permanent reproduction of the results by any means (mechanical, digital or other) and in any form, in whole or in part;

(c) communication to the public: the right to authorise any display performance or communication to the public, by wire or wireless means, including making the results available to the public in such a way that members of the public may access them from a place and at a time individually chosen by them; this right also includes communication and broadcasting by cable or by satellite;

(d) distribution: the right to authorise any form of distribution of results or copies of the results to the public;

(e) adaptation: the right to modify the results;

(f) translation;

(g) the right to store and archive the results in line with the document management rules applicable to the Agency and/or the Commission , including digitisation or converting the format for preservation or new use purposes;

(h) where the results are documents, the right to authorise the reuse of the documents in conformity with Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents if that Decision is applicable and if the documents fall within its scope and are not excluded by any of its provisions. For the sake of this provision, the terms 'reuse' and 'document' have the meanings given to them by Decision 2011/833/EU.

The above rights of use may be further specified in the Special Conditions.

Additional rights of use for the Agency and/or the Union may be provided for in the Special Conditions.

The beneficiaries must ensure that the Agency and/or the Union have the right to use any *pre-existing rights* included in the results of the *action*. The *pre-existing rights* must be used for the same purposes and under the same conditions as applicable to the rights of use of the results of the *action,* unless specified otherwise in the Special Conditions.

Information about the copyright owner must be inserted in cases where the result is divulged by the Union. The copyright information must read: '© — year — name of the copyright owner. All rights reserved. Licenced to the European Union under conditions'.

If the beneficiaries grant rights of use to the Agency and/or the Commission, this does not affect its confidentiality obligations under Article II.6 or the beneficiaries' obligations under Article II.2.1.

ARTICLE II.10 — AWARD OF CONTRACTS NECESSARY FOR THE IMPLEMENTATION OF THE ACTION

II.10.1 If the implementation of the *action* requires the beneficiaries to procure goods, works or services, they may award the contract in accordance with their usual purchasing practices provided that the contracts is awarded to the tender offering best value for money or, as appropriate, to the tender offering the lowest price. In doing so, they must avoid any *conflict of interests*.

The beneficiaries must ensure that the Agency, the Commission, the European Court of Auditors and the European Anti-Fraud Office (OLAF) can exercise their rights under Article II.27 also towards the beneficiaries' contractors.

II.10.2 Beneficiaries that are 'contracting authorities' within the meaning of Directive 2014/24/EU[2] or 'contracting entities' within the meaning of Directive 2014/25/EU[3] must comply with the applicable national public procurement rules.

[2] Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC

[3] Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC

The beneficiaries must ensure that the conditions applicable to them under Articles II.4, II.5, II.6 and II.9 are also applicable to the contractors.

II.10.3 The beneficiaries remain solely responsible for carrying out the *action* and for compliance with the Agreement.

II.10.4 If the beneficiaries breach their obligations under Article II.10.1 the costs related to the contract concerned are considered ineligible in accordance with Article II.19.2 (c), (d) and (e).

If the beneficiaries breach their obligations under Article II.10.2 the grant may be reduced in accordance with Article II.25.4.

ARTICLE II.11 — SUBCONTRACTING OF TASKS FORMING PART OF THE ACTION

II.11.1 Beneficiaries may subcontract tasks forming part of the *action*. If they do so, they must ensure that, in addition to the conditions specified in Article II.10, the following conditions are also complied with:

(a) subcontracting does not cover core tasks of the *action*;

(b) recourse to subcontracting is justified because of the nature of the *action* and what is necessary for its implementation;

(c) the estimated costs of the subcontracting are clearly identifiable in the estimated budget set out in Annex III;

(d) any recourse to subcontracting, if not provided for in Annex I, is communicated by the coordinator and approved by the Agency. The Agency may grant approval:

(i) before any recourse to subcontracting, if the beneficiaries request an amendment as provided for in Article II.13; or

(ii) after recourse to subcontracting if the subcontracting:
- is specifically justified in the interim or final technical report referred to in Articles I.4.3 and I.4.4; and
- does not entail changes to the Agreement which would call into question the decision awarding the grant or be contrary to the equal treatment of applicants;

(e) the beneficiaries ensure that the conditions applicable to them under Article II.8 are also applicable to the subcontractors.

II.11.2 If the beneficiaries breach their obligations under Article II.11.1 (a), (b), (c) or (d), the costs related to the contract concerned are considered ineligible in accordance with Article II.19.2 (f).

If the beneficiaries breach their obligation under Article II.11.1 (e) the grant may be reduced in accordance with Article II.25.4.

ARTICLE II.12 — FINANCIAL SUPPORT TO THIRD PARTIES

II.12.1 If, while implementing the *action*, the beneficiaries have to give financial support to third parties, the beneficiaries must give such financial support in accordance with the conditions specified in Annex I. Under those conditions, the following information must be stated at least:

(a) the maximum amount of financial support. This amount may not exceed EUR 60 000 for each third party except if achieving the objective of the *action* as specified in Annex I would otherwise be impossible or overly difficult;

(b) the criteria for determining the exact amount of the financial support;

(c) the different types of activity that may receive financial support, on the basis of a fixed list;

(d) the persons or categories of persons which may receive financial support;

(e) the criteria for giving the financial support.

II.12.2 As an exception to Article II.12.1, if the financial support takes the form of a prize, the beneficiaries must give such financial support in accordance with the conditions specified in Annex I. Under those conditions, the following information must at least be stated:

(a) the eligibility and award criteria;

(b) the amount of the prize;

(c) the payment arrangements.

II.12.3 The beneficiaries must ensure that the conditions applicable to them under Articles II.4, II.5, II.6, II.8, II.9 and II.27 are also applicable to the third parties receiving financial support.

ARTICLE II.13 — AMENDMENTS TO THE AGREEMENT

II.13.1 Any amendment to the Agreement must be made in writing.

II.13.2 An amendment may not have the purpose or the effect of making changes to the Agreement which would call into question the decision awarding the grant or be contrary to the equal treatment of applicants.

II.13.3 Any request for amendment must:

(a) be duly justified;

(b) be accompanied by appropriate supporting documents; and

(c) be sent to the other party in due time before it is due to take effect, and in any case one month before the end of the *implementation period*.

Point (c) does not apply in cases duly substantiated by the party requesting the amendment if the other party agrees.

II.13.4 A request for amendment on behalf of the beneficiaries must be submitted by the coordinator. If a change of coordinator is requested without its agreement, the request must be submitted by all other beneficiaries and must be accompanied by the opinion of the coordinator or proof that this opinion has been requested in writing.

II.13.5 Amendments enter into force on the date on which the last party signs or on the date of approval of the request for amendment.

Amendments take effect on a date agreed by the parties or, in the absence of such an agreed date, on the date on which the amendment enters into force.

ARTICLE II.14 — ASSIGNMENT OF CLAIMS FOR PAYMENTS TO THIRD PARTIES

II.14.1 The beneficiaries may not assign any of their claims for payment against the Agency to any third party, except if approved by the Agency on the basis of a reasoned, written request by the coordinator made on behalf of the beneficiaries.

If the Agency does not accept the assignment or the terms of it are not complied with, the assignment has no effect on it.

II.14.2 In no circumstances may an assignment release the beneficiaries from their obligations towards the Agency.

ARTICLE II.15 — FORCE MAJEURE

II.15.1 A party faced with *force majeure* must send a *formal notification* to the other party without delay, stating the nature of the situation or of the event, its likely duration and foreseeable effects.

II.15.2 The parties must take the necessary measures to limit any damage due to *force majeure*. They must do their best to resume the implementation of the *action* as soon as possible.

II.15.3 The party faced with *force majeure* may not be considered in breach of its obligations under the Agreement if it has been prevented from fulfilling them by *force majeure*.

ARTICLE II.16 — SUSPENSION OF THE IMPLEMENTATION OF THE ACTION

II.16.1 Suspension of implementation by the beneficiaries

The coordinator, on behalf of the beneficiaries, may suspend the implementation of the *action* or any part of it, if exceptional circumstances make such implementation impossible or excessively difficult, in particular in the event of *force majeure*.

The coordinator must immediately inform the Agency, stating:

(a) the reasons for suspension, including details about the date or period when the exceptional circumstances occurred; and

(b) the expected date of resumption.

Once the circumstances allow the beneficiaries to resume implementing the *action*, the coordinator must inform the Agency immediately and present a request for amendment of the Agreement as provided for in Article II.16.3. This obligation does not apply if the Agreement or the participation of a beneficiary is terminated in accordance with Articles II.17.1, II.17.2 or points (c) or (d) of Article II.17.3.1.

II.16.2 Suspension of implementation by the Agency

II.16.2.1 Grounds for suspension

The Agency may suspend the implementation of the *action* or any part thereof:

(a) if the Agency has evidence that a beneficiary has committed *irregularities*, *fraud* or *breach of obligations* in the award procedure or while implementing the Agreement;

(b) if the Agency has evidence that a beneficiary has committed systemic or recurrent *irregularities, fraud* or serious *breach of obligations* in other grants funded by the Union or the European Atomic Energy Community ('Euratom') awarded to the beneficiary under similar conditions and the *irregularities, fraud* or *breach of obligations* have a material impact on this grant; or

(c) if the Agency suspects *irregularities, fraud* or *breach of obligations* committed by a beneficiary in the award procedure or while implementing the Agreement and needs to verify whether they have actually occurred.

II.16.2.2 Procedure for suspension

Step 1 — Before suspending implementation of the *action*, the Agency must send a *formal notification* to the coordinator:

(a) informing it of:

(i) its intention to suspend the implementation;

(ii) the reasons for suspension;

(iii) the necessary conditions for resuming the implementation in the cases referred to in points (a) and (b) of Article II.16.2.1; and

(b) inviting it to submit observations within 30 calendar days of receiving the formal notification.

Step 2 — If the Agency does not receive observations or decides to pursue the procedure despite the observations it has received, it must send a *formal notification* to the coordinator informing it of:

(a) the suspension of the implementation;

(b) the reasons for suspension; and

(c) the final conditions for resuming the implementation in the cases referred to in points (a) and (b) of Article II.16.2.1,; or

(d) the indicative date of completion of the necessary verification in the case referred to in point (c) of Article II.16.2.1,.

The coordinator must immediately inform the other beneficiaries of the suspension. The suspension takes effect five calendar days after the *formal notification* is received by the coordinator or on a later date specified in the *formal notification*.

Otherwise, the Agency must send a *formal notification* to the coordinator informing it that it is not continuing the suspension procedure.

II.16.2.3 Resuming implementation

In order to resume the implementation, the beneficiaries must meet the notified conditions as soon as possible and must inform the Agency of any progress made.

If the conditions for resuming the implementation are met or the necessary verifications are carried out, the Agency must send a *formal notification* to the coordinator:

(a) informing it that the conditions for lifting the suspension are met; and

(b) requiring it to present a request for amendment of the Agreement as provided for in Article II.16.3. This obligation does not apply if the Agreement or the participation of a beneficiary is terminated in accordance with Articles II.17.1, II.17.2 or points (c), (g) or (h) of Article II.17.3.1.

II.16.3 Effects of the suspension

If the implementation of the *action* can be resumed and the Agreement has not been terminated, an amendment to the Agreement must be made in accordance with Article II.13 in order to:

(a) set the date on which the *action* is to be resumed;

(b) extend the duration of the *action*; and

(c) make other changes necessary to adapt the *action* to the new situation.

The suspension is lifted with effect from the resumption date set out in the amendment. This date may be before the date on which the amendment enters into force.

Costs incurred during the period of suspension that relate to the implementation of the suspended *action* or the suspended part of it may not be reimbursed or covered by the grant.

Suspending implementation of the *action* does not affect the Agency's right to terminate the Agreement or to terminate the participation of a beneficiary in accordance with Article II.17.3, reduce the grant or recover amounts unduly paid in accordance with Articles II.25.4 and II.26.

Neither party may claim damages due to suspension by the other party.

ARTICLE II.17 — TERMINATION OF THE AGREEMENT

II.17.1 Termination of the Agreement by the coordinator

The beneficiaries may terminate the Agreement.

The coordinator must send a *formal notification* of termination to the Agency, stating:

(a) the reasons for termination; and

(b) the date on which the termination takes effect. This date must be set after the *formal notification.*

If the coordinator does not state the reasons for the termination or if the Agency considers that the reasons do not justify termination, the Agreement is considered to have been terminated improperly.

The termination takes effect on the day specified in the *formal notification*.

II.17.2 Termination of the participation of one or more beneficiaries by the coordinator

The participation of one or more beneficiaries may be terminated by the coordinator at the request of the beneficiary concerned or on behalf of the other beneficiaries.

The coordinator must send a *formal notification* of termination to the Agency and inform the beneficiary concerned by termination.

If the coordinator's participation is terminated without its agreement, the *formal notification* must be submitted by another beneficiary (acting on behalf of the other beneficiaries).

The *formal notification* must include:

(a) the reasons for termination;

(b) the opinion of the beneficiary concerned by termination (or proof that this opinion has been requested in writing);

(c) the date on which the termination takes effect. This date must be set after the *formal notification*; and

(d) a request for amendment as provided for in Article II.17.4.2(a).

If the coordinator or beneficiary does not state the reasons for the termination or if the Agency considers that the reasons do not justify termination, the participation will be considered to have been terminated improperly.

The termination takes effect on the day specified in the *formal notification.*

II.17.3 Termination of the Agreement or the participation of one or more beneficiaries by the Agency

II.17.3.1 Grounds for termination

The Agency may terminate the Agreement or the participation of any one or several beneficiaries, if:

(a) a change to the beneficiary's legal, financial, technical, organisational or ownership situation is likely to affect the implementation of the Agreement substantially or calls into question the decision to award the grant, or a change regarding the exclusion situations listed in Article 136 of Regulation (EU) 2018/1046, that calls into question the decision to award the grant;

(b) following the termination of the participation of any one or several beneficiaries, the necessary modifications to the Agreement would call into question the decision awarding the grant or would result in unequal treatment of applicants;

(c) the beneficiaries, any *related person* or any natural person who is essential for the award or for the implementation of the Agreement have committed serious *breach of obligations*, including improper implementation of the *action* as described in Annex I;

(d) the implementation of the *action* is prevented or suspended due to *force majeure* or exceptional circumstances and either:

  (i) resumption is impossible; or

  (ii) the necessary changes to the Agreement would call into question the decision awarding the grant or be contrary to the equal treatment of applicants;

(e) a beneficiary or a natural or legal person that assumes unlimited liability for the debts of that beneficiary:

  (i) is declared bankrupt, is subject to insolvency or winding up procedures, its assets are being administered by a liquidator or by a Court, has entered into an agreement with creditors, has suspended business activities or is in any analogous situation arising from a similar procedure provided for under the Union or national law;

(ii) is in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the applicable law;

(f) a beneficiary or any *related person* or any natural person who is essential for the award or for the implementation of the Agreement has committed:

(i) *grave professional misconduct* proven by any means;

(ii) fraud;

(iii) corruption;

(iv) conduct related to criminal organisations;

(v) money laundering;

(vi) terrorism-related crimes (including terrorism financing);

(vii) child labour or other offences concerning trafficking of human beings;

(g) the Agency has evidence that a beneficiary or any *related person* or any natural person who is essential for the award or for the implementation of the Agreement has committed *irregularities, fraud* or *breach of obligations* in the award procedure or while implementing the Agreement, including if that beneficiary, *related person* or natural person has submitted false information or failed to provide required information;

(h) the Agency has evidence that a beneficiary has committed systemic or recurrent *irregularities*, *fraud* or serious *breach of obligations* in other Union or Euratom grants awarded to it under similar conditions and such *irregularities, fraud* or *breach of obligations* have a material impact on this grant;

(i) a beneficiary or any *related person* or any natural person who is essential for the award or for the implementation of the Agreement has created an entity under a different jurisdiction with the intend to circumvent fiscal, social or any other legal obligations in the jurisdiction of its registered office, central administration or principal place of business;

(j) a beneficiary or any *related person* or any natural person who is essential for the award or for the implementation of the Agreement has been created with the intend referred to in point (i) or

(k) the Agency has sent a beneficiary, through the coordinator, a *formal notification* asking it to end the participation of its affiliated entity because that entity is in a situation provided for in points (e) to (j) and that beneficiary has failed to request an amendment ending the participation of the entity and reallocating its tasks.

II.17.3.2 Procedure for termination

Step 1- Before terminating the Agreement or participation of one or more beneficiaries, the Agency must send a *formal notification* to the coordinator:

(a) informing it of:

(i) its intention to terminate;

(ii) the reasons for termination; and

(b) requiring it, within 45 calendar days of receiving the formal notification,:

(i) to submit observations on behalf of all beneficiaries; and

(ii) in the case of point (c) of Article II.17.3.1, to inform the Agency of the measures to ensure compliance with the obligations under the Agreement.

Step 2 — If the Agency does not receive observations or decides to pursue the procedure despite the observations it has received, it will send a *formal notification* to the coordinator informing it of the termination and the date on which it takes effect. The coordinator must immediately inform the other beneficiaries of the termination.

Otherwise, the Agency must send a *formal notification* to the coordinator informing it that the termination procedure is not continued.

The termination takes effect:

(a) for terminations under points (a), (b), (c) and (e) of Article II.17.3.1: on the day specified in the *formal notification* of termination referred to in the second subparagraph (i.e. in Step 2 above);

(b) for terminations under points (d), (f) and points (g) to (j) of Article II.17.3.1: on the day after the coordinator receives the *formal notification* of termination referred to in the second subparagraph (i.e. in Step 2 above).

II.17.4 Effects of termination

II.17.4.1 Effects of terminating the Agreement:

Within 60 calendar days from the day on which the termination takes effect, the coordinator must submit a request for payment of the balance as provided for in Article I.4.4.

If the Agency does not receive the request for payment of the balance by the above deadline, only costs or contributions which are included in an approved technical report and, where relevant, in an approved financial statement, are reimbursed or covered by the grant.

If the Agreement is terminated by the Agency because the coordinator has breached its obligation to submit the request for payment, the coordinator may not submit any request for payment after termination. In that case the second subparagraph applies.

The Agency calculates the final grant amount as referred to in Article II.25 and the balance as referred to in Article I.5.4 on the basis of the reports submitted. Only activities undertaken before the date when the termination takes effect or the end date of the *implementation period* as specified in Article I.2.2, whichever is the earliest, must be taken into account. Where the grant takes the form of reimbursement of costs actually incurred as provided for in Article I.3.2(a)(i), only costs incurred before termination takes effect are reimbursed or covered by the grant. Costs relating to contracts due for execution only after termination are not taken into account and are not reimbursed or covered by the grant.

The Agency may reduce the grant in accordance with Article II.25.4 in case of:

(a) improper termination of the Agreement by the coordinator within the meaning of Article II.17.1; or

(b) termination of the Agreement by the Agency on any of the grounds set out in points (c), (f) and points (g) to (j) of Article II.17.3.1.

Neither party may claim damages on the grounds that the other party terminated the Agreement.

After termination, the beneficiaries' obligations continue to apply, in particular those under Articles I.4, II.6, II.8, II.9, II.14, II.27 and any additional provisions on the use of the results, as set out in the Special Conditions.

II.17.4.2 Effects of terminating the participation of one or more beneficiaries:

(a) The coordinator must submit a request for amendment including:

(i) a proposal to reallocate the tasks of the beneficiary or beneficiaries concerned by the termination; and

(ii) if necessary, the addition of one or more new beneficiaries to succeed the beneficiary or beneficiaries concerned in all their rights and obligations under the Agreement.

If the Agency terminates the participation of a beneficiary, the coordinator must submit the request for amendment within 60 calendar days from the day on which the termination takes effect.

If the coordinator terminates the participation of a beneficiary, the request for amendment must be included in the *formal notification* of termination referred to in Article II.17.2.

If termination takes effect after the end of the *implementation period*, no request for amendment must be provided unless the beneficiary concerned is the coordinator. In this case, the request for amendment must propose a new coordinator.

If the request for amendment is rejected by the Agency, the Agreement may be terminated in accordance with Article II.17.3.1 (b). The request for amendment may be rejected if it calls into question the decision awarding the grant or is contrary to the equal treatment of applicants.

(b) The beneficiary concerned by termination must submit to the coordinator:

(i) a technical report; and

(ii) where applicable, a financial statement covering the period from the end of the last reporting period to the date when termination takes effect.

The coordinator must include this information in the payment request for the next reporting period.

Only activities undertaken before the date when the termination takes effect must be taken into account. Where the grant takes the form of reimbursement of costs actually incurred as provided for in Article I.3.2(a)(i), only costs incurred by the beneficiary concerned before termination takes effect are reimbursed or covered by the grant. Costs relating to contracts due for execution only after termination are not reimbursed or covered by the grant.

The Agency may reduce the grant in accordance with Article II.25.4. in case of:

(a) improper termination of the participation of a beneficiary by the coordinator within the meaning of Article II.17.2 or

(b) termination of the participation of a beneficiary by the Agency on any of the grounds set out in points (c), (f), (g), (h) or (i) of Article II.17.3.1.

Neither party may claim damages on the grounds that the other party terminated the participation of a beneficiary.

After termination, the concerned beneficiary's obligations continue to apply, in particular those under Articles I.4, II.6, II.8, II.9, II.14, II.27 and any additional provisions on the use of the results, as set out in the Special Conditions.

ARTICLE II.18 — APPLICABLE LAW, SETTLEMENT OF DISPUTES AND ENFORCEABLE DECISIONS

II.18.1 The Agreement is governed by the applicable Union law, complemented, where necessary, by the law of Belgium.

II.18.2 In accordance with Article 272 TFEU, the General Court or, on appeal, the Court of Justice of the European Union, has sole jurisdiction to hear any dispute between the Union and any beneficiary concerning the interpretation, application or validity of the Agreement, if such dispute cannot be settled amicably.

II.18.3 In accordance with Article 299 TFEU, for the purposes of recovery within the meaning of Article II.26, the Agency or the Commission may adopt an enforceable decision to impose pecuniary obligations on persons other than States.

An *action* may be brought against such decision before the General Court of the European Union in accordance with Article 263 TFEU.

PART B — FINANCIAL PROVISIONS

ARTICLE II.19 — ELIGIBLE COSTS

II.19.1 Conditions for the eligibility of costs

Eligible costs of the *action* are costs actually incurred by the beneficiary and which meet the following criteria:

(a) they are incurred within the *implementation period*, with the exception of costs relating to the request for payment of the balance and the corresponding supporting documents referred to in Article I.4.4;

(b) they are indicated in the estimated budget of the *action*. The estimated budget is set out in Annex III;

(c) they are incurred in connection with the *action* as described in Annex I and are necessary for its implementation;

(d) they are identifiable and verifiable, in particular they are recorded in the beneficiary's accounting records and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the beneficiary's usual cost accounting practices;

(e) they comply with the requirements of applicable tax and social legislation; and

(f) they are reasonable, justified and comply with the principle of sound financial management, in particular regarding economy and efficiency.

II.19.2 Eligible direct costs

To be eligible, the *direct costs* of the *action* must comply with the eligibility conditions set out in Article II.19.1.

In particular, the following categories of costs are eligible *direct costs*, provided that they satisfy the eligibility conditions set out in Article II.19.1 as well as the following conditions:

(a) the costs of personnel working under an employment contract with the beneficiary or an equivalent appointing act and assigned to the *action*, provided that these costs are in line with the beneficiary's usual policy on remuneration.

Those costs include actual salaries plus social security contributions and other statutory costs included in the remuneration. They may also comprise additional remunerations, including payments on the basis of supplementary contracts regardless of the nature of those contracts, provided that they are paid in a consistent manner whenever the same kind of work or expertise is required, independently from the source of funding used;

The costs of natural persons working under a contract with the beneficiary other than an employment contract or who are seconded to the beneficiary by a third party against payment may also be included under such personnel costs, provided that the following conditions are fulfilled:

(i) the person works under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed);
(ii) the result of the work belongs to the beneficiary (unless exceptionally agreed otherwise); and
(iii) the costs are not significantly different from the costs of staff performing similar tasks under an employment contract with the beneficiary;

(b) costs of travel and related subsistence allowances, provided that these costs are in line with the beneficiary's usual practices on travel;

(c) the depreciation costs of equipment or other assets (new or second-hand) as recorded in the beneficiary's accounting statements, provided that the asset:

(i) is written off in accordance with the international accounting standards and the beneficiary's usual accounting practices; and

(ii) has been purchased in accordance with Article II.10.1 if the purchase occurred within the *implementation period*;

The costs of renting or leasing equipment or other assets are also eligible, provided that these costs do not exceed the depreciation costs of similar equipment or assets and are exclusive of any finance fee;

Only the portion of the equipment's depreciation, rental or lease costs corresponding to the *implementation period* and the rate of actual use for the purposes of the *action* may be taken into account when determining the eligible costs. By way of exception, the full cost of purchase of equipment may be eligible under the Special Conditions, if this is justified by the nature of the *action* and the context of the use of the equipment or assets;

(d) costs of consumables and supplies, provided that they:

(i) are purchased in accordance with Article II.10.1; and

(ii) are directly assigned to the *action*;

(e) costs arising directly from requirements imposed by the Agreement (dissemination of information, specific evaluation of the *action*, audits, translations, reproduction), including the costs of requested financial guarantees, provided that the corresponding services are purchased in accordance with Article II.10.1;

(f) costs entailed by *subcontracts* within the meaning of Article II.11, provided that the conditions laid down in Article II.11.1 (a), (b), (c) and (d) are met;

(g) costs of financial support to third parties within the meaning of Article II.12, provided that the conditions laid down in that Article are met;

(h) duties, taxes and charges paid by the beneficiary, notably value added tax (VAT), provided that they are included in eligible *direct costs*, and unless specified otherwise in the Agreement.

II.19.3 Eligible indirect costs

To be eligible, *indirect costs* of the *action* must represent a fair apportionment of the overall overheads of the beneficiary and must comply with the conditions of eligibility set out in Article II.19.1.

Eligible *indirect costs* must be declared on the basis of a flat rate of 7 % of the total eligible *direct costs* unless otherwise specified in Article I.3.2.

II.19.4 Ineligible costs

In addition to any other costs which do not fulfil the conditions set out in Article II.19.1, the following costs may not be considered eligible:

(a) return on capital and dividends paid by a beneficiary;

(b) debt and debt service charges;

(c) provisions for losses or debts;

(d) interest owed;

(e) doubtful debts;

(f) exchange losses;

(g) costs of transfers from the Agency charged by the bank of a beneficiary;

(h) costs declared by the beneficiary under another action receiving a grant financed from the Union budget. Such grants include grants awarded by a Member State and financed from the Union budget and grants awarded by bodies other than the Agency for the purpose of implementing the Union budget. In particular, beneficiaries receiving an operating grant financed by the EU or Euratom budget cannot declare indirect costs for the period(s) covered by the operating grant, unless they can demonstrate that the operating grant does not cover any costs of the action.

(i) contributions in kind from third parties;

(j) excessive or reckless expenditure;

(k) deductible VAT.

ARTICLE II.20 — IDENTIFIABILITY AND VERIFIABILITY OF THE AMOUNTS DECLARED

II.20.1 Declaring costs and contributions

Each beneficiary must declare as eligible costs or as a requested contribution:

(a) for actual costs**:** the costs it actually incurred for the *action*;

(b) for unit costs or unit contributions**:** the amount obtained by multiplying the amount per unit specified in Article I.3.2(a)(ii) or (b) by the actual number of units used or produced;

(c) for lump sum costs or lump sum contributions: the global amount specified in Article I.3.2(a)(iii) or (c), if the corresponding tasks or part of the *action* as described in Annex I have been implemented properly;

(d) for flat-rate costs or flat-rate contributions: the amount obtained by applying the flat rate specified in Article I.3.2(a)(iv) or (d);

(e) for financing not linked to costs: the global amount specified in Article I.3.2(e), if the corresponding results or conditions as described in Annex I have been properly achieved or fulfilled;

(f) for unit costs declared on the basis of the beneficiary's usual cost accounting practices: the amount obtained by multiplying the amount per unit calculated in accordance with the beneficiary's usual cost accounting practices by the actual number of units used or produced;

(g) for lump sum costs declared on the basis of the beneficiary's usual cost accounting practices: the global amount calculated in accordance with its usual cost accounting practices, if the corresponding tasks or part of the *action* have been implemented properly;

(h) for flat-rate costs declared on the basis of the beneficiary's usual cost accounting practices: the amount obtained by applying the flat rate calculated in accordance with the beneficiary's usual cost accounting practices.

For the forms of grant referred to in points (b), (c), (d), (f), (g) and (h), the amounts declared must comply with the conditions specified in points (a) and (b) of Article II.19.1.

II.20.2 Records and other documentation to support the costs and contributions declared

Each beneficiary must provide the following if requested to do so in the context of the checks or audits described in Article II.27:

(a) for actual costs: adequate supporting documents to prove the costs declared, such as contracts, invoices and accounting records.

In addition, the beneficiary's usual accounting and internal control procedures must permit direct reconciliation of the amounts declared with the amounts recorded in its accounting statements and with the amounts indicated in the supporting documents;

(b) for unit costs or unit contributions: adequate supporting documents to prove the number of units declared.

The beneficiary does not need to identify the actual eligible costs covered or to provide supporting documents, such as accounting statements, to prove the amount declared per unit;

(c) for lump sum costs or lump sum contributions: adequate supporting documents to prove that the *action* has been properly implemented.

The beneficiary does not need to identify the actual eligible costs covered or to provide supporting documents, such as accounting statements, to prove the amount declared as a lump sum;

(d) for flat-rate costs or flat-rate contributions: adequate supporting documents to prove the eligible costs or requested contribution to which the flat rate applies.

The beneficiary does not need to identify the actual eligible costs covered or to provide supporting documents, such as accounting statements, for the flat rate applied;

(e) for financing not linked to costs: adequate supporting documents to prove that the *action* has been properly implemented;

The beneficiary does not need to identify the actual eligible costs covered or to provide supporting documents, such as accounting statements, to prove the amount declared as a financing not linked to costs;

(f) for unit costs declared on the basis of the beneficiary's usual cost accounting practices: adequate supporting documents to prove the number of units declared;

(g) for lump sum costs declared on the basis of the beneficiary's usual cost accounting practices: adequate supporting documents to prove that the *action* has been properly implemented;

(h) for flat-rate costs declared on the basis of the beneficiary's usual cost accounting practices: adequate supporting documents to prove the eligible costs to which the flat rate applies.

II.20.3 Conditions to determine the compliance of cost accounting practices

II.20.3.1 In the case of points (f),(g) and (h) of Article II.20.2, the beneficiary does not need to identify the actual eligible costs covered, but it must ensure that the cost accounting practices used for the purpose of declaring eligible costs are in compliance with the following conditions:

(a) the cost accounting practices used constitute its usual cost accounting practices and are applied in a consistent manner, based on objective criteria independent from the source of funding;

(b) the costs declared can be directly reconciled with the amounts recorded in its general accounts; and

(c) the categories of costs used for the purpose of determining the costs declared are exclusive of any ineligible cost or costs covered by other forms of grant as provided for in Article I.3.2.

II.20.3.2 If the Special Conditions so provide, the beneficiary may submit to the Agency a request asking it to assess the compliance of its usual cost accounting practices. If required by the Special Conditions, the request must be accompanied by a certificate on the compliance of the cost accounting practices ('certificate on the compliance of the cost accounting practices').

The certificate on the compliance of the cost accounting practices must be:

(a) produced by an approved auditor or, if the beneficiary is a public body, by a competent and independent public officer; and

(b) drawn up in accordance with Annex VIII.

The certificate must certify that the beneficiary's cost accounting practices used for the purpose of declaring eligible costs comply with the conditions laid down in Article II.20.3.1 and with the additional conditions that may be laid down in the Special Conditions.

II.20.3.3 If the Agency has confirmed that the beneficiary's usual cost accounting practices are in compliance, costs declared in application of these practices may not be challenged *ex post*, if:

(a) the practices actually used comply with those approved by the Agency; and

(b) the beneficiary did not conceal any information for the purpose of the approval of its cost accounting practices.

ARTICLE II.21 — ELIGIBILITY OF COSTS OF ENTITIES AFFILIATED TO THE BENEFICIARIES

If the Special Conditions contain a provision on entities affiliated to the beneficiaries, costs incurred by such an entity are eligible, if:

(a) they satisfy the same conditions under Articles II.19 and II.20 as apply to the beneficiary; and

(b) the beneficiary to which the entity is affiliated ensures that the conditions applicable to the beneficiary under Articles II.4, II.5, II.6, II.8, II.10, II.11 and II.27 are also applicable to the entity.

ARTICLE II.22 — BUDGET TRANSFERS

Beneficiaries are allowed to adjust the estimated budget set out in Annex III by transfers between themselves and between the different budget categories, if the *action* is implemented as described in Annex I. This adjustment does not require an amendment of the Agreement as provided for in Article II.13.

However, the beneficiaries may not add costs relating to *subcontracts* not provided for in Annex 1, unless such additional *subcontracts* are approved by the Agency in accordance with Article II.11.1(d).

As an exception to the first subparagraph, if beneficiaries want to change the value of the contribution to which each of them is entitled, as referred to in point (c) of the third subparagraph of II.26.3, the coordinator must request an amendment as provided for in Article II.13.

The first three subparagraphs do not apply to amounts which, as provided for in Article I.3.2(a)(iii) or (c), take the form of lump sums or which, as provided for in Article I.3.2(e), take the form of financing not linked to cost.

ARTICLE II.23 — NON-COMPLIANCE WITH REPORTING OBLIGATIONS

The Agency may terminate the Agreement as provided for in Article II.17.3.1(c) and may reduce the grant as provided for in Article II.25.4 if the coordinator:

(a) did not submit a request for interim payment or payment of the balance accompanied by the documents referred to in Articles I.4.3 or I.4.4 within 60 calendar days following the end of the corresponding reporting period; and

(b) still fails to submit such a request within further 60 calendar days following a written reminder sent by the Agency.

ARTICLE II.24 — SUSPENSION OF PAYMENTS AND TIME LIMIT FOR PAYMENT

II.24.1 Suspension of payments

II.24.1.1 Grounds for suspension

The Agency may at any moment suspend, in whole or in part, the pre-financing payments and interim payments for one or more beneficiaries or the payment of the balance for all beneficiaries:

(a) if the Agency has evidence that a beneficiary has committed *irregularities*, *fraud* or *breach of obligations* in the award procedure or while implementing the Agreement;

(b) if the Agency has evidence that a beneficiary has committed systemic or recurrent *irregularities, fraud* or serious *breach of obligations* in other grants funded by the Union or the European Atomic Energy Community ('Euratom') awarded to the beneficiary under similar conditions and such *irregularities, fraud* or *breach of obligations* have a material impact on this grant; or

(c) if the Agency suspects *irregularities, fraud* or *breach of obligations* committed by a beneficiary in the award procedure or while implementing the Agreement and needs to verify whether they have actually occurred.

II.24.1.2 Procedure for suspension

Step 1 — Before suspending payments, the Agency must send a *formal notification* to the coordinator:

(a) informing it of:

(i) its intention to suspend payments;

(ii) the reasons for suspension;

(iii) in the cases referred to in points (a) and (b) of Article II.24.1.1, the conditions that need to be met for payments to resume; and

(b) inviting it to submit observations within 30 calendar days of receiving the *formal notification*.

Step 2 — If the Agency does not receive observations or decides to pursue the procedure despite the observations it has received, it must send a *formal notification* to the coordinator informing it of:

(a) the suspension of payments;

(b) the reasons for suspension;

(c) the final conditions under which payments may resume in the cases referred to in points (a) and (b) of Article II.24.1.1;

(d) the indicative date of completion of the necessary verification in the case referred to in point (c) of Article II.24.1.1.

The coordinator must immediately inform the other beneficiaries of the suspension. The suspension takes effect on the day the Agency sends *formal notification* of suspension (Step 2).

Otherwise, the Agency must send a *formal notification* to the coordinator informing it that it is not continuing with the suspension procedure.

II.24.1.3 Effects of suspension

During the period of suspension of payments the coordinator is not entitled to submit:

(a) any requests for payments and supporting documents referred to in Articles I.4.2, I.4.3 and I.4.4; or

(b) where the suspension concerns the pre-financing payments or interim payments for one or several beneficiaries only, any requests for payments and supporting documents relating to the participation of the concerned beneficiary or beneficiaries in the *action*.

The corresponding requests for payments and supporting documents may be submitted as soon as possible after resumption of payments or may be included in the first request for payment due following resumption of payments in accordance with the schedule laid down in Article I.4.1.

The suspension of payments does not affect the right of the coordinator to suspend the implementation of the *action* as provided for in Article II.16.1 or to terminate the Agreement or the participation of a beneficiary as provided for in Articles II.17.1 and II.17.2.

II.24.1.4 Resuming payments

In order for the Agency to resume payments, the beneficiaries must meet the notified conditions as soon as possible and must inform the Agency of any progress made.

If the conditions for resuming payments are met, the suspension will be lifted. The Agency will send a *formal notification* to the coordinator informing it of this.

II.24.2 Suspension of the time limit for payments

II.24.2.1 The Agency may at any moment suspend the time limit for payment specified in Articles I.5.2, I.5.3 and I.5.4 if a request for payment cannot be approved because:

(a) it does not comply with the Agreement;

(b) the appropriate supporting documents have not been produced; or

(c) there is a doubt about the eligibility of the costs declared in the financial statements and additional checks, reviews, audits or investigations are necessary.

II.24.2.2 The Agency must send a *formal notification* to the coordinator informing it of:

(a) the suspension; and

(b) the reasons for the suspension.

The suspension takes effect on the day the Agency sends the *formal notification*.

II.24.2.3 If the conditions for suspending the payment deadline are no longer met, the suspension will be lifted and the remaining period will resume.

If the suspension exceeds two months, the coordinator may request the Agency if the suspension will continue.

If the payment deadline has been suspended because the technical reports or financial statements do not comply with the Agreement and the revised report or statement is not submitted or was submitted but is also rejected, the Agency may terminate the Agreement or the participation of the beneficiary as provided for in Article II.17.3.1(c) and reduce the grant as provided for in Article II.25.4.

ARTICLE II.25 — CALCULATION OF THE FINAL AMOUNT OF THE GRANT

The final amount of the grant depends on the extent to which the *action* has been implemented in accordance with the terms of the Agreement.

The final amount of the grant is calculated by the Agency at the time of the payment of the balance. The calculation involves the following steps:

Step 1 — Application of the reimbursement rate to the eligible costs and addition of the financing not linked to costs, unit, flat-rate and lump sum contributions

Step 2 — Limit to the *maximum amount of the grant*

Step 3 — Reduction due to the no-profit rule

Step 4 — Reduction due to improper implementation or breach of other obligations.

II.25.1 Step 1 — Application of the reimbursement rate to the eligible costs and addition of the financing not linked to costs, unit, flat-rate and lump sum contributions

This step is applied as follows:

(a) If, as provided for in Article I.3.2(a)(i), the grant takes the form of the reimbursement of eligible costs actually incurred, the reimbursement rate specified in that Article is applied to those eligible costs as approved by the Agency for the corresponding categories of costs, beneficiaries and affiliated entities

(b) If, as provided for in Article I.3.2(a) (ii) to (v), the grant takes the form of the reimbursement of eligible unit costs, lump sum costs or flat rate costs , the reimbursement rate specified in that Article is applied to the those eligible costs as approved by the Agency for the corresponding categories of costs, beneficiaries and affiliated entities;

The amount of volunteers' work declared as direct eligible costs for the beneficiaries and affiliated entities must be limited to the following amount, whichever is the lowest:

(i) the total sources of financing as indicated in the final financial statement and as accepted by the Agency multiplied by fifty per cent; or

(ii) the amount of volunteers' work indicated in the estimated budget set out in Annex III.

(c) If, as provided for in Article I.3.2(b), the grant takes the form of a unit contribution, the unit contribution specified in that Article is multiplied by the actual number of units approved by the Agency for the corresponding beneficiaries and affiliated entities;

(d) If, as provided for in Article I.3.2(c), the grant takes the form of a lump sum contribution, the Agency applies the lump sum specified in that Article for the corresponding beneficiaries and affiliated entities if it finds that the corresponding tasks or part of the *action* were implemented properly in accordance with Annex I;

(e) If, as provided for in Article I.3.2(d), the grant takes the form of a flat-rate contribution, the flat rate referred to in that Article is applied to the eligible costs or to the contribution approved by the Agency for the corresponding beneficiaries and affiliated entities;

(f) If, as provided for in Article I.3.2(e), the grant takes the form of financing not linked to costs, the Agency applies the amount specified in that Article for the corresponding beneficiaries and affiliated entities if it finds that [the conditions specified in Annex I were fulfilled][and][the results specified in Annex I were achieved].

If Article I.3.2 provides for a combination of different forms of grant, the amounts obtained must be added together.

II.25.2 Step 2 — Limit to maximum amount of the grant

The total amount paid to the beneficiaries by the Agency may in no circumstances exceed the *maximum amount of the grant*.

If the amount obtained following Step 1 is higher than this maximum amount, the final amount of the grant is limited to the latter.

If volunteers' work is declared as part of direct eligible costs, the final amount of the grant is limited to the amount of total eligible costs and contributions approved by the Agency minus the amount of volunteers' work approved by the Agency.

II.25.3 Step 3 — Reduction due to the no-profit rule

The grant may not produce a profit for the beneficiaries, unless specified otherwise in the Special Conditions.

The profit must be calculated as follows:

(a) calculate the surplus of the total receipts of the action, over the total eligible costs of the action, as follows:

{ receipts of the action

minus

consolidated total eligible costs and contributions approved by the Agency corresponding to the amounts determined in accordance with Article II.25.1 }

The receipts of the action are calculated as follows:

{ the revenue generated by the *action* for beneficiaries and affiliated entities, other than non-profit organisations

plus

the amount obtained following Steps 1 and 2 }

where the revenue generated by the *action* is the consolidated revenue established, generated or confirmed for beneficiaries and affiliated entities, other than non-profit organisations on the date on which the request for payment of the balance is drawn up by the coordinator.

In-kind and financial contributions by third parties are not considered receipts.

(b) If the amount calculated under point (a) is positive, this amount will be deducted from the amount calculated following Steps 1 and 2, in proportion to the final rate of reimbursement of the actual eligible costs of the *action* approved by the Agency for the categories of costs referred to in Article I.3.2(a)(i).

II.25.4 Step 4 — Reduction due to improper implementation or breach of other obligations

The Agency may reduce the *maximum amount of the grant* if the *action* has not been implemented properly as described in Annex I (i.e. if it has not been implemented or has been implemented poorly, partially or late), or if another obligation under the Agreement has been breached.

The amount of the reduction will be proportionate to the degree to which the *action* has been implemented improperly or to the seriousness of the breach.

Before the Agency reduces the grant, it must send a *formal notification* to the coordinator:

(a) informing it of:

(i) its intention to reduce the *maximum amount of the grant*;

(ii) the amount by which it intends to reduce the grant;

(iii) the reasons for reduction;

(b) inviting it to submit observations within 30 calendar days of receiving the formal notification.

If the Agency does not receive any observations or decides to pursue reduction despite the observations it has received, it will send a *formal notification* informing the coordinator of its decision.

If the grant is reduced, the Agency must calculate the reduced grant amount by deducting the amount of the reduction (calculated in proportion to the improper implementation of the *action* or to the seriousness of the *breach of obligations*) from the *maximum amount of the grant*.

The final amount of the grant will be the lower of the following two:

(a) the amount obtained following Steps 1 to 3; or

(b) the reduced grant amount following Step 4.

ARTICLE II.26 — RECOVERY

II.26.1 Recovery at the time of payment of the balance

Where the payment of the balance takes the form of a recovery, the coordinator must repay the Agency the amount in question, even if it was not the final recipient of the amount due.

II.26.2 Recovery after payment of the balance

Where an amount is to be recovered as provided for in Articles II.27.6, II.27.7 and II.27.8, the beneficiary concerned by the audit or OLAF findings must repay the Agency the amount in question. Where the audit findings do not concern a specific beneficiary (or its affiliated entities), the coordinator must repay the Agency the amount in question, even if it was not the final recipient of the amount due.

Each beneficiary is responsible for the repayment of any amount unduly paid by the Agency as a contribution towards the costs incurred by its affiliated entities.

II.26.3 Recovery procedure

Before recovery, the Agency must send a *formal notification* to the beneficiary concerned:

(a) informing it of its intention to recover the amount unduly paid;

(b) specifying the amount due and the reasons for recovery; and

(c) inviting the beneficiary to make any observations within a specified period.

If no observations have been submitted or if, despite the observations submitted by the beneficiary, the Agency decides to pursue the recovery procedure, the Agency may confirm recovery by sending a *formal notification* to the beneficiary consisting of a debit note, specifying the terms and the date for payment.

If payment has not been made by the date specified in the debit note, the Agency will recover the amount due:

(a) by offsetting it, without the beneficiary's prior consent, against any amounts owed to the beneficiary by the Agency and/or the Commission or an executive agency (from the Union or the European Atomic Energy Community (Euratom) budget) ('offsetting');

In exceptional circumstances, to safeguard the financial interests of the Union, the Agency may offset before the due date.

An action may be brought against such offsetting before the General Court of the European Union in accordance with Article 263 TFEU;

(b) by drawing on the financial guarantee where provided for in accordance with Article I.5.2 ('drawing on the financial guarantee');

(c) by holding the beneficiaries jointly and severally liable up to the maximum EU contribution indicated, for each beneficiary, in the estimated budget (Annex III as last amended);

(d) by taking legal action as provided for in Article II.18.2 or in the Special Conditions or by adopting an enforceable decision as provided for in Article II.18.3.

II.26.4 Interest on late payment

If payment is not made by the date in the debit note, the amount to be recovered will be increased by late-payment interest at the rate set out in Article I.5.6 from the day following the date for payment in the debit note up to and including the date the Agency and/or the Commission receives full payment of the amount.

Partial payments must first be credited against charges and late-payment interest and then against the principal.

II.26.5 Bank charges

Bank charges incurred in the recovery process must be borne by the beneficiary concerned, unless Directive 2007/64/EC[4] applies.

ARTICLE II.27 — CHECKS, AUDITS AND EVALUATIONS

II.27.1 Technical and financial checks, audits, interim and final evaluations

The Agency and/or the Commission may, during the implementation of the *action* or afterwards, carry out technical and financial checks and audits to determine that the beneficiaries are implementing the *action* properly and are complying with the obligations under the Agreement. It may also check the beneficiaries' statutory records for the purpose of periodic assessments of lump sum, unit cost or flat-rate amounts.

Information and documents provided as part of checks or audits must be treated on a confidential basis.

In addition, the Agency and/or the Commission may carry out an interim or final evaluation of the impact of the *action*, measured against the objective of the Union programme concerned.

The Agency and/or the Commission checks, audits or evaluations may be carried out either directly by the Agency and/or the Commission's own staff or by any other outside body authorised to do so on its behalf.

[4] Directive 2007/64/EC[4] of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market amending Directives 97/7/EC, 2002/65/EC, 2005/60/EC and 2006/48/EC and repealing Directive 97/5/EC.

The Agency and/or the Commission may initiate such checks, audits or evaluations during the implementation of the Agreement and during a period of five years starting from the date of payment of the balance. This period is limited to three years if the *maximum amount of the grant* is not more than EUR 60 000.

The check, audit or evaluation procedures are considered to be initiated on the date of receipt of the letter of the Agency or the Commission announcing it.

If the audit is carried out on an affiliated entity, the beneficiary concerned must inform that affiliated entity.

II.27.2 Duty to keep documents

The beneficiaries must keep all original documents, especially accounting and tax records, stored on any appropriate medium, including digitalised originals when they are authorised by their respective national law and under the conditions laid down therein, during a period of five years starting from the date of payment of the balance.

The period during which documents must be kept is limited to three years if the *maximum amount of the grant* is not more than EUR 60 000.

The periods set out in the first and second subparagraphs are longer if there are ongoing audits, appeals, litigation or pursuit of claims concerning the grant, including in the cases referred to in Article II.27.7. In such cases, the beneficiaries must keep the documents until such audits, appeals, litigation or pursuit of claims have been closed.

II.27.3 Obligation to provide information

Where a check, audit or evaluation is initiated before the payment of the balance, the coordinator must provide any information, including information in electronic format, requested by the Agency and/or the Commission or by any other outside body authorised by the Agency and/or the Commission. Where appropriate, the Agency and/or the Commission may request that a beneficiary provides such information directly.

Where a check or audit is initiated after payment of the balance, the information referred to in the previous subparagraph must be provided by the beneficiary concerned.

If the beneficiary concerned does not comply with the obligations set out in the first and second subparagraphs, the Agency and/or the Commission may consider:

(a) any cost insufficiently substantiated by information provided by the beneficiary as ineligible;

(b) any financing not linked to costs, unit, lump sum or flat-rate contribution insufficiently substantiated by information provided by the beneficiary as undue.

II.27.4 On-the-spot visits

During an on-the-spot visit, the beneficiaries must allow Agency and/or the Commission staff and outside personnel authorised by the Agency to have access to the sites and premises where the *action* is or was carried out, and to all the necessary information, including information in electronic format.

They must ensure that the information is readily available at the moment of the on-the-spot visit and that information requested is handed over in an appropriate form.

If the beneficiary concerned refuses to provide access to the sites, premises and information as required in the first and second subparagraphs, the Agency and/or the Commission may consider:

(a) any cost insufficiently substantiated by information provided by the beneficiary as ineligible;

(b) any financing not linked to costs, unit, lump sum or flat-rate contribution insufficiently substantiated by information provided by the beneficiary as undue.

II.27.5 Contradictory audit procedure

On the basis of the findings made during the audit, a provisional report ('draft audit report') must be drawn up. It must be sent by the Agency and/or the Commission or its authorised representative to the beneficiary concerned, which must have 30 calendar days from the date of receipt to submit observations. The final report ('final audit report') must be sent to the beneficiary concerned within 60 calendar days of expiry of the time limit for submission of observations.

II.27.6 Effects of audit findings

On the basis of the final audit findings, the Agency and/or the Commission may take the measures it considers necessary, including recovery at the time of payment of the balance or after payment of the balance of all or part of the payments made by it, as provided for in Article II.26.

In the case of final audit findings after the payment of the balance, the amount to be recovered corresponds to the difference between the revised final amount of the grant, determined in accordance with Article II.25, and the total amount paid to the beneficiaries under the Agreement for the implementation of the *action*.

II.27.7 Correction of systemic or recurrent irregularities, fraud or breach of obligations

II.27.7.1 The Agency and/or the Commission may extend audit findings from other grants to this grant if:

(a) the beneficiary concerned is found to have committed systemic or recurrent *irregularities, fraud* or *breach of obligations* in other EU or Euratom grants awarded under similar conditions and such *irregularities, fraud* or *breach of obligations* have a material impact on this grant; and

(b) the final audit findings are sent to the beneficiary concerned through a *formal notification*, together with the list of grants affected by the findings within the period referred to in Article II.27.1.

The extension of findings may lead to:

(a) the rejection of costs as ineligible;

(b) reduction of the grant as provided for in Article II.25.4;

(c) recovery of undue amounts as provided for in Article II.26;

(d) suspension of payments as provided for in Article II.24.1;

(e) suspension of the *action* implementation as provided for in Article II.16.2;

(f) termination as provided for in Article II.17.3.

II.27.7.2 The Agency and/or the Commission must send a *formal notification* to the beneficiary concerned informing it of the systemic or recurrent *irregularities, fraud* or *breach of obligations* and of its intention to extend the audit findings, together with the list of grants affected.

(a) If the findings concern eligibility of costs the procedure is as follows:

Step 1 — The *formal notification* must include:

(i) an invitation to submit observations on the list of grants affected by the findings;

(ii) a request to submit revised financial statements for all grants affected;

(iii) where possible, the correction rate for extrapolation established by the Agency and/or the Commission to calculate the amounts to be rejected on the basis of the systemic or recurrent *irregularities, fraud* or *breach of obligations*, if the beneficiary concerned:

- considers that the submission of revised financial statements is not possible or practicable; or

- will not submit revised financial statements.

Step 2 — The beneficiary concerned has 60 calendar days from when it receives the *formal notification* to submit observations and revised financial statements or to propose a duly substantiated alternative correction method. This period may be extended by the Agency and/or the Commission in justified cases.

Step 3 — If the beneficiary concerned submits revised financial statements that take account of the findings the Agency and/or the Commission will determine the amount to be corrected on the basis of those revised statements.

If the beneficiary proposes an alternative correction method and the Agency and/or the Commission accepts it, the Agency and/or the Commission must send a *formal notification* to the beneficiary concerned informing it:

(i) that it accepts the alternative method;

(ii) of the revised eligible costs determined by applying this method.

Otherwise the Agency and/or the Commission must send a *formal notification* to the beneficiary concerned informing it:

(i) that it does not accept the observations or the alternative method proposed;

(ii) of the revised eligible costs determined by applying the extrapolation method initially notified to the beneficiary.

If the systemic or recurrent *irregularities, fraud* or *breach of obligations* are found after the payment of the balance, the amount to be recovered corresponds to the difference between:

(i) the revised final amount of the grant, determined in accordance with Article II.25 on the basis of the revised eligible costs declared by the beneficiary and approved by the Agency and/or the Commission or on the basis of the revised eligible costs after extrapolation; and

(ii) the total amount paid to the beneficiaries under the Agreement for the implementation of the *action*;

(b) If the findings concern improper implementation or a breach of another obligation the procedure is as follows:

Step 1 — The *formal notification* must include:

(i) an invitation to the beneficiary to submit observations on the list of grants affected by the findings and

(ii) the correction flat rate the Agency and/or the Commission intends to apply to the *maximum amount of the grant* or to part of it, according to the principle of proportionality.

Step 2 — The beneficiary concerned has 60 calendar days from receiving the *formal notification* to submit observations or to propose a duly substantiated alternative flat-rate.

Step 3 — If the Agency and/or the Commission accepts the alternative flat rate proposed by the beneficiary, it must send a *formal notification* to the beneficiary concerned informing it:

(i) that it accepts the alternative flat-rate;

(ii) of the corrected grant amount by applying this flat rate.

Otherwise the Agency and/or the Commission must send a *formal notification* to the beneficiary concerned informing it:

(i) that it does not accept the observations or the alternative flat rate proposed;

(ii) of the corrected grant amount by applying the flat rate initially notified to the beneficiary.

If the systemic or recurrent *irregularities*, *fraud* or *breach of obligations* are found after the payment of the balance, the amount to be recovered corresponds to the difference between:

(i) the revised final amount of the grant after flat-rate correction; and

(ii) the total amount paid to the beneficiaries under the Agreement for the implementation of the *action*.

II.27.8 Rights of OLAF

The European Anti-Fraud Office (OLAF) has the same rights as the Agency and the Commission, particularly the right of access, for the purpose of checks and investigations.

Under Council Regulation (Euratom, EC) No 2185/96[5] and Regulation (EU, Euratom) No 883/2013[6] OLAF may also carry out on-the-spot checks and inspections in accordance with the procedures laid down by Union law for the protection of the financial interests of the Union against *fraud* and other *irregularities*.

Where appropriate, OLAF findings may lead to the Agency and/or the Commission recovering amounts from beneficiaries.

Moreover, findings arising from an OLAF investigation may lead to criminal prosecutions under national law.

[5] Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities.

[6] Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF).

II.27.9 Rights of the European Court of Auditors and EPPO

The European Court of Auditors and the European Public Prosecutor's Office established by Council Regulation (EU) 2017/1939[7] ('the EPPO') have the same rights as the Agency and the Commission, particularly the right of access, for the purpose of checks,audits and investigations.

[7] Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office

ANNEX III

Estimated budget of the action

Maximum Grant contribution to the project costs

		EUR
I	**STAFF COSTS**	**«M_1MNTE»**
II	**TRAVEL COSTS**	**«M_2MNTE»**
III	**COSTS OF STAY**	**«M_3MNTE»**
IV	**EQUIPMENT**	**«M_4MNTE»**
V	**SUBCONTRACTING**	**«M_5MNTE»**
VI	**EXCEPTIONAL COSTS**	**«M_6MNTE»**
	TOTAL GRANT CONTRIBUTION (total I – VI)	**«MNTE»**

ANNEX IV

LIST OF BENEFICIARIES (AND AFFILIATED ENTITIES WHEN APPLICABLE)

AND

MANDATES PROVIDED TO THE COORDINATOR BY THE OTHER BENEFICIARIES

MANDATE[8]

I, the undersigned,

[forename and surname of the legal representative of the future beneficiary signing this mandate],

representing,

[full official name of the future beneficiary] *[ACRONYM]*
[*official legal status or form*][9]
[*official registration No*][10]
[full official address]
[*VAT number*],

('the beneficiary'),

for the purposes of signing and implementing the grant agreement [Title & No] (hereinafter referred to as "the grant agreement") with the Education, Audiovisual and Culture Executive Agency (hereinafter referred to as "the Agency") for the action entitled [insert title of the action] ('the *action*')

hereby:

1. Mandate

[full official name of the coordinator] *[ACRONYM]*

[*official legal status or form*]

[*official registration No*][11]

[full official address]

[*VAT number*],

represented by [forename, surname and function of the legal representative of the coordinator] ('the coordinator')

to sign in my name and on my behalf the grant agreement and its possible subsequent amendments with the Agency.

2. Mandate the coordinator to act on behalf of the beneficiary in compliance with the grant agreement.

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[8] One original version of this Annex to be included for each beneficiary except for the coordinator.

[9] To be deleted or filled out in accordance with the 'Legal Entity' form.

[10] To be deleted or filled out in accordance with the 'Legal Entity' form.

[11] To be deleted or filled out in accordance with the 'Legal Entity' form.

I hereby confirm that the beneficiary accepts all terms and conditions of the grant agreement and, in particular, all provisions affecting the coordinator and the other beneficiaries. In particular, I acknowledge that, by virtue of this mandate, the coordinator alone is entitled to receive funds from the Agency and distribute the amounts corresponding to the beneficiary's participation in the action.

I hereby accept that the beneficiary will do everything in its power to help the coordinator fulfil its obligations under the grant agreement, and in particular, to provide to the coordinator, on its request, whatever documents or information may be required.

I hereby declare that the beneficiary agrees that the provisions of the grant agreement, including this mandate, take precedence over any other agreement between the beneficiary and the coordinator which may have an effect on the implementation of the grant agreement.

This mandate is annexed to the grant agreement and forms an integral part of it.

SIGNATURE

[forename, surname, function of the legal representative of the mandating beneficiary]

[signature]

Done at [place], [date]

In duplicate in English]

ANNEXES V and VI

MODEL TECHNICAL IMPLEMENTATION REPORT(S) AND MODEL FINANCIAL STATEMENT(S)

The technical reports, summary reports for publication, financial statements and other documents must be submitted by the beneficiary in accordance with the templates and the instructions provided on the website of the Executive Agency: http://eacea.ec.europa.eu/erasmus-plus/beneficiaries-space_en

Reports and Pre-financing	Deadlines
• Progress report on the implementation of the action ('Technical report on progress') and Summary report for publication (Annex V)	**Within 60 calendar days following the end of the first reporting period**
• Request for payment and Statement on the use of the previous pre-financing instalment (Annex VI), on the condition that the Progress report on the implementation of the action ('Technical report on progress') has been submitted	**Within 6 month following the end of the first reporting period**

Final Report:	• Final report on implementation of the action • Summary report for publication • Final financial statement and request for payment, including the financial tables for each budget heading • Model terms of reference for the certificate on the financial statements (Report of Factual Findings on the Final Financial Report – Type II)	**Two months after the end of the eligibility period**

Supporting documents (copies, not originals) to be submitted with the Final Report include:

- Invoices related to purchase of equipment where the cost exceeds EUR 25.000
- Invoices and contracts related to subcontractors whether academic or administrative (individuals, companies) if the cost exceeds EUR 25.000
- Any prior authorisation from the Agency

ANNEX VII

MODEL TERMS OF REFERENCE FOR THE CERTIFICATE ON THE FINANCIAL STATEMENTS

(REPORT OF FACTUAL FINDINGS ON THE FINAL FINANCIAL REPORT – TYPE II)

As stated in Article I.4.4 of the Grant Agreement, a "Certificate on the financial statements and underlying accounts" (Report of Factual Findings on the Final Financial Report – Type II) must be sent with the Final Report.

You will find the template on the website of the Executive Agency:

http://eacea.ec.europa.eu/erasmus-plus/beneficiaries-space_en

ANNEX VIII

MODEL TERMS OF REFERENCE FOR THE CERTIFICATE ON THE COMPLIANCE OF THE COST ACCOUNTING PRACTICES: NOT APPLICABLE

ANNEX IX

MODEL TERMS OF REFERENCE FOR THE OPERATIONAL VERIFICATION REPORT: NOT APPLICABLE