

Statements to be made by the Beneficiary and corresponding procedures to be carried out by the Auditor with examples of factual findings.	
<i>For a methodology to be considered compatible with the requirements of the Grant Agreement a positive answer should be provided to all of the statements below regarding the Beneficiary's methodology. Any exception should be highlighted in the main summary of the Report.</i>	
Statement to be made by Beneficiary [... indicates where institutions are to insert a phrase appropriate for their institution]	<i>Procedure carried out by the Auditor & factual findings</i>
<p>The methodology described below has been in use since <i>September 2005</i>. The next planned alteration to the methodology used by the Beneficiary will be from <i>February [2009]</i></p> <p>Beneficiary's Comments : Annual TRAC was introduced by the UK Government in 1999/2000. TRAC-fEC was introduced for UK Research Council funding originally in February 2005. Minor modifications were made for February 2008. [It was implemented for EC FP7 projects in this institution from].</p>	<p><i>Procedure: The Auditor has inspected records and documents which support the date given by the Beneficiary.</i></p> <p><i>Finding: The dates given by the Beneficiary are consistent with the management information provided by the Beneficiary.</i></p>
Personnel	
<p>1. Time recording exists, with authorisation, which enables all personnel hours to be allocated to project work, management and administrative time, holidays, etc. The time recording enables the time of employees working on multiple projects to be allocated to those projects, and includes a check to prevent double charging of time.</p> <p>'Productive hours' represent the (average) number of hours made available by the employee in a year after the deduction of holiday, sick leave and other entitlements. This calculation should be provided by the Beneficiary, based on the period(s) corresponding to the Financial Statement.</p>	<p><i>Procedure:</i> <i>For 10 employees selected at random, the Auditor checked:</i> <i>That the employee had not recorded management and administrative tasks in with project time; That an authorisation check exists which checks, inter alia, double-charging of time;</i></p> <p><i>Finding: For the items checked, the time recording system that allocates time to individual projects</i></p>

<p><i>Beneficiary's Comments :</i> The beneficiary complies with the Universities UK guidance on extending fEC to EC projects.</p> <p>This does not require full timesheets for all staff, but allows the calculation of the total indirect costs for Research at an institutional level (which leads to the calculation of the indirect cost rate) to be based on a number of cost drivers, including (for academic staff costs) different types of time summaries. The beneficiary [uses a retrospective questionnaire called the time allocation survey or TAS, which covers the full year broken into 4 sets of questionnaires. Each covers the full range of activities (teaching, research, management time etc). Every academic completes a full year questionnaire once every three years – this is updated in the intervening years if there are material changes to their workload.]</p> <p>Staff working on EC FP7 projects fill in timesheets to record the direct time on projects. This leads to the charge for personnel costs to the project, and the charge for indirect costs (applied as a £ per FTE).</p>	<p><i>includes separation of time as specified above, and an authorisation including a check for double charging of time.</i></p> <p><i>A full time recording system is used to calculate the indirect cost rates for Research which requires all academics to record their time on research projects separately from management time and that spent on all other activities.</i></p>
<p>2. Personnel costs of the employees only include standard salaries, employer's costs, etc. and no special conditions exist for employees on EC projects, unless they are explicitly foreseen in the Grant Agreement.</p> <p><i>Beneficiary's Comments :</i> Beneficiary costs EC projects on exactly the same basis and system as other research projects. No special conditions apply for employees on EC projects. See comments on next section explaining when we use actual salaries and when we use average salaries.</p>	<p><i>Procedure:</i> <i>The Auditor reconciled the personnel costs used in the average personnel cost calculation to the payroll system and accounting records.</i></p> <p><i>Finding:</i> <i>The amounts used in the costs calculation and those in the accounting records were the same. The costs consisted of standard salaries and statutory employers' costs, and did not include bonuses and confirmation was obtained from the Beneficiary that no special conditions exist for employees on EC projects.</i></p>

3. Hourly rates are correctly calculated using one of the following possibilities [choose one – note if ‘standard productive hours’ are selected these must be replaced before the end of the project by actual productive hours for the individual or for the pay group]:

- Actual personnel costs *per person* divided by actual productive hours *per person*;
- Actual personnel costs *per person* divided by *average/ standard* productive hours;
- *Average* personnel costs *per person* divided by *average/ standard* productive hours.

For the average costing approach, the Beneficiary should state:

- How employees are grouped into categories (how many categories, under what criteria);
- The pay range in each category from lowest to highest, average and median;
- The upper and lower percentage variation within each category from the average;
- The upper and lower percentage variation for productive hours from the average (if known);
- A list of average rates charged in each category for the prior years (an indication only, of the expected range of rates for the period of the agreement).

Beneficiary’s Comments :

There are 4 categories of salary banding that the institution uses:

1. Actual Salaries are used for Non Professorial Staff
2. Non Clinical Professorial Salaries are split into
 - a. Lower band
 - b. Upper Band
3. Clinical Professors are separated into a single separate band

Pay range data is as follows:

Non Clinical Professors Upper Band	Current Year	Prior Year
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Procedure: The Auditor reviewed the calculation and confirmed that hourly rates recalculated as specified by the Beneficiary. Where average costs are charged, the Auditor compared the following information with the accounting system of the Beneficiary:

- *The number of categories;*
- *The pay range, median and average of each category;*
- *The upper and lower percentage variation from the average (denominator is the average);*
- *The upper and lower percentage variation for productive hours from the average (if known);*
- *A list of average rates charged in each category for the prior years (an indication only, of the expected range of rates for the period of the agreement).*

The Auditor multiplied the average rate for each category by the total productive hours for each category for the period of the Financial Statement(s) and reconciled the result to the accounting records ('chargeable' personnel costs).

Finding: No differences arose from the comparisons listed above. The result of the above recomputation ('chargeable' personnel costs) in all cases did not exceed the actual costs as recorded in the accounting records.

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Lowest pay	£17,460	£17,520	
Highest Pay	£55,890	£54,330	
Median	£20,530	£20,905	
Average annual basic	£22,625.00	£21,936	
Lower variation from average	23%	20%	
Upper variation from average	147%	148%	
Non Clinical Professors Lower Band	Current Year	Prior Year	
Lowest pay	£12,755	£ 9,571	
Highest Pay	£17,459	£17,437	
Median	£13,888	£13,476	
Average annual basic	£14,225	£13,798	
Lower variation from average	10%	31%	
Upper variation from average	23%	26%	
Clinical Professors	Current Year	Prior Year	
Lowest pay	£17,470	£16,129	
Highest Pay	£148,670	£148,670	
Median	£22,590	£22,471	
Average annual basic	£26,019	£25,957	
Lower variation from average	33%	38%	
Upper variation from average	471%	473%	
 [Institution to replace above with their own description]			

Overheads/ Indirect costs	
<p>4. The Beneficiary confirms the following: Indirect costs only include those costs which cannot be allocated to specific projects and support the functioning of the organisation as a whole. The indirect costs do not include costs which relate exclusively to non-research parts of the organisation.</p> <p>If the organisation carries out activities other than research (e.g., manufacturing, education etc), these indirect costs are transparently separated via cost accounting and do not form part of the claim.</p> <p>Beneficiary's Comments : These are the fundamental concepts behind TRAC FEC and are covered by the quality assurance and validation processes integral within TRAC, including that applied by the Research Councils (QAV).</p>	<p>Procedure: <i>The Auditor obtained the calculation of overhead rates (indirect costs), including a detailed breakdown of the indirect costs to be allocated to research activity;</i></p> <p>Finding: <i>This breakdown did not contain costs relating to direct project activity, such as the cost of research personnel, project consumables and expenses;</i> <i>This breakdown does not contain costs relating to education or manufacturing, or other non-research activities of the Beneficiary;</i> <i>The breakdown of indirect costs used to calculate overhead rates was reconciled to the accounts.</i></p>
<p>5. The accounting system provides for fully traceable elimination of:</p> <ol style="list-style-type: none"> identifiable indirect taxes including value added tax, duties, interest owed, provisions for possible future losses or charges, exchange losses, cost related to return on capital, costs declared or incurred, or reimbursed in respect of another Community project, debt and debt service charges, excessive or reckless expenditure. <p>With regard to excessive or reckless expenditure, the Beneficiary confirms that purchases are made according to the principles of best value for money (best price-quality ratio), transparency and equal treatment between Community funded grant agreement and any other agreement or convention that the Beneficiary may have. Where the Beneficiary is allocating shared costs, they should provide a list of allocation</p>	<p>Procedure: <i>The Auditor inspected the accounting records and chart of accounts.</i> <i>The Auditor found that the breakdown provided by the Beneficiary did not explicitly relate to any of the items specified;</i> <i>The Auditor also confirmed (if necessary also via a written declaration/ representation of the Beneficiary) that no implicit interest was included, e.g., by finance leasing or other credit arrangements.</i></p> <p>Finding: <i>The Auditor was able to obtain confirmation that no implicit interest was included, and did not find costs which explicitly relate to any of the items</i></p>

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methods used (usage records, floor space, activity-based-costing, headcount, etc.)

Beneficiary's Comments :

For Excessive Expenditure refer to Beneficiary's Financial Regulations

For irrecoverable VAT, see separate calculation.

All ineligible items are excluded from the indirect costs and estates costs charged to research projects. See separate reconciliation [to be drawn up by the institution]

[Institution to replace below with their own description]

Detailed below are the Shared Costs refer Cost drivers List

Area	Cost Pool	Cost Type	Dept Driver	Activity Driver T/R/O/S
Academic department				
	Academic Salaries	All	Data Input	AcadTAS
	Research Staff Salaries	Research	Data Input	100 % R
	Technical Staff Salaries	Support T	Data Input	Student fte by type
		Support R	Data Input	Staff fte by type
		Support O	Data Input	Input
		Support Gen	Data Input	Weighted Staff/Student fte by type
	Other Staff Salaries	Support T	Data Input	Student fte by type
		Support R	Data Input	Staff fte by type
		Support O	Data Input	Input
		Support Gen	Data Input	Weighted Staff/Student fte by type
	Non Staff costs	All	Data Input	Combined TAS
	Contract costs	Research	Data Input	100 % R

specified.

The method used to calculate irrecoverable VAT used the TRAC EC-FP7 recommendation of a partial exemption methodology and the indirect exclusion method used is based on a fair and auditable method .

For each allocation method used by the Beneficiary, the Auditor reconciled the amount to be allocated to the accounts, and reconciled the allocation basis to the relevant management accounting information (usage records, floor space, activity-based-costing, headcount, etc.)

Only the types of excessive and reckless expenditure listed in the Commission's guidance were considered, the Auditor did not exercise professional judgement or provide assurance in this matter.

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RFI adjustment		Total Spend	Combined TAS
Central Services			
Media Resources Total	College Coll, media	Staff FTE	staff fte by type/TAS
Information Systems Total	IS networks	People No	Staff/Student fte by type/TAS
Language Centre Total	self funding	Student Load	student load by type
UCL Business Total	central costs	Staff FTE	staff fte by type/TAS
Library Services Total	central costs	People No	Staff/Student fte by type/TAS
Safety Services Total	central costs	People No	Staff/Student fte by type/TAS
Student Facilities Total	Student related	Student Load	student load by type
Staff Facilities Total	Staff related	Staff FTE	staff fte by type/TAS
Premises Costs Total	Premises	Wgtd Space	Wgtd Space 100% T/R/O
Residences Total	Other	NA	NA
Bloomsbury Theatre Total	Other	NA	NA
Provost Office Total	central costs	Staff FTE	staff fte by type/TAS
Finance Division Total	central costs	DirDeptNonPaySpend	Combined TAS
Registry Total	central costs	Student Load	student load by type
Graduate School Total	central costs	Student Load	graduate student load by type
Management Systems Total	central costs	(Graduate only)	
Human Resources Division Total	central costs	Staff FTE	staff fte by type/TAS
Development & Corporate Comm Total	central costs	Staff FTE	staff fte by type/TAS
Medical School Administration Total	Central costs	People No	Staff/Student fte by type/TAS
Central Administration and Services Total	Faculty Offices	DDNPS (Faculty Only)	Combined TAS
General Educational Expenditure Total	Faculty Offices	DDNPS (Faculty Only)	Combined TAS
Misc & Gen. Expend. Total	WP, Exams, etc	Student Load	student load by type
	Other	NA	NA

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<p>Balance Sheet Total Other NA NA Special Facilities Total Self funding various NA</p>	
<p>6. If the organisation is using a simplified indirect cost calculation (either due to the lack of analytical accounting or use of a form of cash-based accounting) all estimates are clearly described and are based on factual criteria which can be objectively confirmed. The Beneficiary must provide a list of cost allocations which are not based on underlying management information. In general costs which cannot be identified and allocated using a traceable source of information should not be included in the indirect cost calculation.</p> <p>Beneficiary's Comments :</p> <p>Not Applicable – cost allocation based on TRAC fEC</p>	<p><i>Procedure: The Auditor was able to trace all cost allocation to underlying management information.</i></p>
<p>7. Allocation of indirect costs to the project is via personnel hours, either as [choose one] – A percentage of personnel costs; – A fixed rate per FTE.</p> <p>Beneficiary's Comments :</p> <p>A percentage of personnel costs</p>	<p><i>Procedure: The Auditor checked that the allocation of indirect costs to the project corresponds with the methodology specified by the Beneficiary;</i> <i>Finding: The allocation of indirect costs to the project corresponds with the methodology specified by the Beneficiary; Where percentages are used the Auditor found that, the 'chargeable' personnel costs (defined above) multiplied by the overhead percentage does not exceed the total indirect costs to be allocated defined above; Where a fixed rate per FTE is used, the productive hours figures used to distribute indirect costs and personnel costs were found to be the same.</i></p>