General Terms and Conditions for Grand Solutions

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1. Introduction

1.1 Area of Applicability

The “General Terms and Conditions for Grand Solutions” comprise the rules for administration, etc. of large-scale projects and apply where this is specifically stated in the Investment Agreement.

Note that the Investment Agreement may contain exemptions from specific rules in the “General Terms and Conditions for Grand Solutions”.

1.2 Danish version

The guidelines can also be found in Danish at
http://innovationsfonden.dk/sites/default/files/generelle_vilkaar_for_store_projekter.pdf
In the event of any discrepancy between the Danish and English versions, the Danish version applies.

1.3 Amendments to the “General Terms and Conditions for Grand Solutions”

The Project Leaders and Administrators of all relevant Projects will be notified directly of any amendments to the “General Terms and Conditions for Grand Solutions” with 3 months’ notice. Project Leaders must immediately pass on the information to all Project Participants.

2. Definitions

Administrator: the legal entity appointed by the Steering Committee and approved by IFD to receive investments from IFD. The Administrator is responsible for transferring the investments to the individual Project Participants and must, in collaboration with the Project Leader, prepare the overall project accounts for IFD.

Disbursement Profile: an overview of the dates and sizes of Investment instalments disbursed by IFD. The Disbursement Profile is determined at the time of budgeting and can be found in the most recently approved budget.

FI: FI is an abbreviation for ‘Forskning og Innovation’ and is synonymous with the Agency for Science, Technology and Innovation, under the Ministry of Higher Education and Science. IFD collaborates with FI in relation to administration of investments. So in a number of cases the Project Leader and the Administrator will need to communicate directly with FI, and the IFD investment will be disbursed by FI.

Final Instalment: the amount withheld by IFD until the final scientific and financial reports have been approved.

IFD: Innovation Fund Denmark, established pursuant to Act no. 306 of 29 March 2014.

Investment: the amount contributed to the Project by IFD. The investment will be disbursed to the Administrator in instalments in accordance with the applicable Disbursement Profile.

Investment Agreement: the agreement entered into between the Project Participants and IFD relating to the implementation of a project in which IFD invests.

Investment Period: the period stated in the Investment Agreement for which IFD invests in the Project. All costs in the project accounts must be defrayed and entered in the books within this period.

Investment Rates: the maximum percentages of each Project Participant's costs or of the total project costs to be covered by IFD's Investment. The investment rates can be found in the most recently approved budget.

Overheads: an amount that may be included in the budget to cover indirect costs. This amount is calculated either as a separate percentage of the direct project-related costs or the payroll costs or may be included in fixed hourly rates. The exhibits to the Investment Agreement will indicate which budget model the individual Project Participants have applied and how overheads are calculated.

Project: the project comprised by the Investment Agreement.

Project Leader: the person appointed by the project Steering Committee and approved by IFD to manage the Project. The responsibilities and tasks of the Project Leader are described in the Investment Agreement for the Project.

Project Participant: a legal entity participating in the Project, either as a Project Partner or a Project Contributor, cf. the Investment Agreement.

Sub Accounts: accounts for an individual Project Participant.

3. Disbursements

3.1 Disbursement Profile

The Disbursement Profile shows the size of the instalments to be disbursed to the project Administrator at given dates.

The Disbursement Profile is based on the most recently approved year-by-year budget. Hence it reflects the expected spending of Investment funds by Project Participants, as well as any major sub-contracts included in the budget.

When the Disbursement Profile is prepared, the budgeted annual costs of each Project Participant are multiplied by the investment rate of that participant. The calculation may include a breakdown of the budget by different activities with different investment rates, or purchase of equipment for which another investment rate applies than for other costs.

Note that the Disbursement Profile will reflect IFD's withholding of its "Final Instalment", cf. Clause 3.2 for further details.

3.2 Disbursements to the Administrator

Disbursements to the Administrator will automatically take place to the Administrator's NemKonto account. The Administrator is not required to send an application for disbursement.

Two annual instalments will be disbursed: no later than 1 April the budgeted investment for the first six months of the year will be disbursed. No later than 1 October the budgeted investment for the last six months of the year will be disbursed. However, for Projects starting within the last three months of a half-year, disbursement will take place within one month of project start.

A "Final Instalment" of 10 % of the total project investment will be withheld. This Final Instalment will not be disbursed to the Administrator until the final annual report and the final report have been submitted to and approved by IFD.

The Final Instalment will be withheld from the last instalment(s).

3.3 The Administrator's transfer of investments to the Project Participants
Within one month after having received an investment instalment from IFD, the Administrator must transfer the funds to the individual Project Participants in accordance with the valid budget. However, see the special provisions on transfers to foreign Project Participants, major sub-contracts and undistributed pools in Clauses 3.4 - 3.6 below.

Under the provisions of the Investment Agreement, the Administrator may not disburse any funds to a Project Participant who – cf. the rules in the Investment Agreement – has submitted information about financial restructuring or insolvency proceedings etc without the prior written approval of IFD.

The Administrator may not transfer funds to a Project Participant, who has not provided accounting data or other required information, which should have been submitted at the time of transfer.

Furthermore, the Administrator may reduce disbursements to a Project Participant in the following cases:

- If the Project Participant in question has not spent all the investment funds received. In that case, funds not spent may be offset against the amount to be disbursed to the Project Participant under the budget.
- If a Project Participant requests a reduction or cancellation of the disbursement.
- If the Steering Committee decides that a Project Participant should receive less than budgeted for until certain conditions have been met. This provision may be applied e.g. in connection with the termination of a Project Participant's participation in the Project. In that case, the last funds cannot be disbursed until final accounts or other required information has been provided.

Conversely, the Administrator may increase disbursements to an individual Project Participant if the Steering Committee has decided that the relevant Project Participant, on account of increased costs and good progress, is entitled to more funds than budgeted for (see also Clause 4.6 below). However, the funds transferred may never be large enough to exceed the approved investment rate. Nor may the disbursements exceed the maximum investment for the entire Investment Period for the participant in question. Note that investment rates and maximum investments for the remaining investment period may be adjusted in connection with budget amendments, but such amendments will never have any impact on completed financial years.

The Steering Committee can never order the Administrator to transfer larger amounts than those received by the Administrator from IFD.

3.4 Disbursements to foreign Project Participants
Unless otherwise agreed with IFD, the Administrator's disbursements to foreign Project Participants must be made on the basis of invoices received for costs already incurred. The invoices must include specifications of the costs incurred, so that they can be approved by the Project Leader. Furthermore, they must be specified to ensure that accounts for the activities of the Project Participants can be prepared in accordance with the requirements of IFD. At the same time, the Administrator or another party handling contacts with the relevant participant by agreement must undertake to prepare the required accounts for the foreign Project Participant.

3.5 Major sub-contracts

The budget may include major sub-contracts (but not for equipment) not included in the budgets of the individual Project Participants. In that case, the Steering Committee must decide which Project Participant(s) will be legally responsible for the tendering process and conclusion of agreements with sub-contractors, etc. The collaboration agreement, or any subsequent agreements, must state that all Project Participants own and have control of the services purchased without further remuneration. At the same time, it must be agreed whether the individual Project Participant or the Administrator pays for the services. Irrespective of this, the invoice must be endorsed by the Project Leader before payment is made. On the basis of the invoice(s), the Administrator will incorporate the sub-contract into the annual accounts as a separate item (in the same way as the item was included in the budget). Audit is not required, but the invoice and documentation of disbursement must be submitted to IFD with the annual accounts.

3.6 Undistributed funds

The project budget may include a pool of undistributed funds. These cannot be disbursed and used until the Steering Committee and IFD have approved a revised budget under which the funds are distributed amongst the Project Participants. Note that the rules on maximum investment rates, as set out in the guidelines for the preparation of applications, must also be met in the revised budget.

3.7 Funds held by the Administrator and the Administrator's reporting to IFD

The funds received by a legal entity in its capacity as Administrator must be administered in such a way that they are separated in the accounts from investments received by that entity in its capacity as a Project Participant. It must at all times be possible to generate a statement of the balances of investments received and disbursed by the Administrator, and IFD may at any time request such a statement.

Within 6 weeks after each disbursement from IFD, the Administrator must inform IFD of the transfer of the funds to the Project Participants (i.e. provide an overview of recipients, amounts and time of transfer). Furthermore, the annual accounts must show the total funds received by the Administrator during the year and the funds transferred to Project Participants (cf. Clauses 3.3. and 3.4) or to any sub-contractors, cf. Clause 3.5.

Normally a separate audit of the Administrator accounts is not required as all funds received and disbursed will be included in the accounts approved by the Steering Committee and the documentation received by IFD concerning payments to sub-contractors (cf. Clause 3.5 above). However, IFD shall be entitled to require a separate audit of the Administrator accounts.

4. Reporting to IFD

Every year, an ***Annual Report*** must be prepared for IFD, cf. the Investment Agreement. This report must include:

- financial reporting in the form of annual accounts for the Project,
- scientific reporting.

In addition, a ***Final Report*** must be prepared in connection with the completion of the Project.

4.1 Reporting and accounting period for the annual report

The reporting period is the calendar year, but with the exception that separate reporting is not required for periods of up to 3 months. This means that:

- If the Investment Period starts on 1 October or later in year 1, the first annual report will comprise both year 1 and year 2.
- If the Investment Period ends on 31 March or earlier of year x, the last annual report will comprise both year x-1 and year x.

4.2 Time of submission and format
The annual report must be submitted within 3 months of the end of the reporting/accounting period, i.e. on 31 March at the latest. However, the final report must be submitted within 3 months of the expiry of the Investment Period.

If the annual report has not been received on time, IFD must – until the report is received – assume that spending in the period covered by the annual report in question was zero. In that case, the remaining part of the investment will be withheld and a demand may be made for repayment of funds already disbursed, for which no accounts have been provided.

Annual reports must be submitted via the "e-grant" portal. The Project Leader and the Administrator will receive further instructions on the use of this portal from IFD.

4.3 Requirements for the scientific section of the annual report and for the final report
The Project Leader and the Administrator will be informed of the exact requirements for the content and format of the scientific annual report and the final report in good time before the submission deadline. IFD reserves the right to require that the reports be prepared using special report templates.

4.4 Format and content of the annual accounts
The annual accounts must be prepared in an accounting template provided to the Project Leader and the Administrator in good time before the submission deadline.

The annual accounts comprise sub-accounts for the individual Project Participants and any sub-contracts stated in the budget (see Clause 3.3), as well as the overall project accounts. Sub-accounts must be prepared for all Project Participants, irrespective of whether they will be receiving funds from IFD.

Sub-accounts must include all direct project-related costs entered in the books in the accounting period, irrespective of the source of funding, and must be audited and provided with auditor's reports as specified in Clause 6.

Costs must be broken down by the same budget items as the most recently approved budget. If, say, the budget is broken down by both cost types, such as payroll and equipment, and activities, such as work packages, the accounts must also be broken down by both cost types and activities.

Each Project Participant must submit its sub-accounts to the Project Leader and the Administrator along with a copy of the signed auditor's report and any other required information, after which the Administrator will compile the accounts in IFD's accounting template. When the accounts have been signed by the Administrator and approved by the Steering Committee, they are submitted to IFD.

The Project Leader must review the auditor's reports on the sub-accounts of each Project Participant and inform IFD if the audit report contains critical or supplementary remarks or qualifications.

IFD reserves the right to request handover of sub-accounts and audit reports submitted by each of the Project Participants.

4.5 Statement of costs in sub-accounts

In the sub-accounts of the individual Project Participant, costs must be stated according to the same principles as in the approved budget for that participant, cf. the Investment Agreement and its exhibits.

4.5.1 Costs related to time consumed (time registration)

Costs related to time consumed must be calculated on the basis of time registration. For Projects where the budget was broken down by different activities (typically work packages), separate time registration must be kept for each of these activities. In connection with accounting and audit, monthly statements of time consumption must be provided for each employee/participant (shorter periods may be applied as required). The statement must have been approved by the employee/participant in question and his/her line manager. Top managers need only approve the timesheets themselves, however.

For employees working full-time on the Project (typically PhD and postdoc scholarships), accounting may be performed on the basis of monthly payslips, but without including pay during periods of leave (including sick leave and maternity/paternity leave).

4.6 Calculation of IFD's investment

When the individual Project Participant has calculated its total project costs in the annual accounts, the investment for the year (i.e. the part of the total costs to be covered by IFD) must be stated. As a main rule, the investment for the year may not exceed the investment allocated to the participant in the budget for that year, and it may never exceed the approved investment rate.

If a Project Participant has incurred higher costs than budgeted for in a specific year, and the approved investment rate therefore might entitle that participant to a higher investment than budgeted for, the Steering Committee may, in exceptional cases – following a specific assessment of progress in relation to that Project Participant's activities – decide to enter a larger investment than budgeted for in the books. However, the total investment received by that participant over the entire project period may never exceed the total budgeted investment allocated to that participant.
So if the annual investment for a specific year is increased in accordance with this provision, re-budgeting will always be required.

Note that the EU rules on state aid impose a ceiling on the share of the costs of private-sector enterprises that can be covered by public-sector subsidies, and that these maximum limits differ for industrial research and experimental development, respectively. It is the responsibility of each Project Participant to ensure that these limits are not exceeded.

5. Re-budgeting

At the project start, a budget will have been prepared that breaks down the total project budget by Project Participants, sources of funding (including investments from IFD) and years, and possibly also by various cost types and activities (e.g. different work packages).

During the Project (the Investment Period) it may in certain cases be necessary to adjust the budget (to "re-budget"). This may e.g. be due to amendments to the project plan, including changes in the group of participants, changes in the distribution of tasks on the individual participants or changes to the time plan.

Re-budgeting may also be necessary if the budget includes funds not allocated to individual Project Participants (see also Clause 3.6 relating to undistributed funds).

Finally, it may be necessary to re-budget if the Project, for individual participants or in general, moves ahead faster than planned or if delays mean that spending has been considerably lower than the funds disbursed by IFD.

Any re-budgeting usually takes place in connection with the submission of the annual accounts. On the basis of the accounts and previous Investments, costs and investments for the remaining project years are redistributed, applying the various parameters included in the budget. As a result of re-budgeting, the investment rate for the coming years may be adjusted. However, changes in Investment Rates can never have retroactive effect on completed financial years. Nor will it be possible to increase the total IFD investment in the Project unless an additional grant has been made and the Investment Agreement has been amended to reflect this.

The proposed revised budget for the remaining project period must be approved by IFD and will not be valid until such approval has been obtained.

6. Audit rules

The sub-accounts of each Project Participant must be audited separately.

The requirements for audit of Project Participants vary, depending on whether the Project Participant receives investments from IFD and the size of any such investments, as well as the organisation of the Project Participant. The rules are described below.

6.1 Project Participants not receiving investments from IFD
The accounts of Project Participants not receiving investments from IFD need not be audited, but merely approved by a duly authorised employee of that Project Participant.

6.2 Project Participants which are Danish government institutions and Danish state financed, independent institutions
For Project Participants which are Danish government institutions and Danish state financed independent institutions, where the responsibility for the audit rests with the Office of the Auditor General of Denmark (Rigsrevisionen) pursuant to the Act on Auditing of State Accounts, audit must be performed by the institution's financial controller and endorsed by a duly authorised employee.
This also applies in instances where the audit pursuant to a section 9 agreement (cf. the Act on Auditing of State Accounts) on internal auditing is performed by an approved accountant.

IFD reserves the right to require that a special statement be prepared or an audit check list be completed in connection with the audit.

6.3 All other Project Participants
i.e. local and regional government and private-sector institutions and enterprises, as well as all foreign entities

- Accounts for periods in which the total disbursements from IFD amount to DKK 500,000 or less need not be audited.
  Irrespective of this provision, IFD reserves the right to require that the accounts for a given period be subject to audit.
- Accounts for periods in which the total disbursements from IFD amount to more than DKK 500,000 must be audited by an approved accountant. The audit must be performed in accordance with

international audit standards and other requirements under Danish audit legislation and generally accepted auditing standards.

IFD reserves the right to require that a special statement be prepared or an audit check list be completed in connection with the audit.

6.4 Performance of audits

Auditing of individual sub-accounts must be performed in accordance with generally accepted auditing standards, as defined in section 3 of the Act on Auditing of State Accounts etc. (Consolidated Act No. 101 of 19 January 2012) and more specifically subsection (2) and sections 3-7, as well as Rigsrevisionen's "God offentlig revisionsskik – normen for offentlig revision" (in Danish only) from January 2013.

The purpose of the audit is to ascertain that the project accounts are true and fair and that the allocations and decisions comprised by the financial reporting are consistent with grants awarded, statutes and other regulations and with agreements made and customary practice. Furthermore, assessment must be made of whether due financial consideration has been given to administration of the funds comprised by the accounts.

It is not a requirement that efficiency and productivity be reviewed, as this is done by IFD in connection with its review of the annual reporting.

The auditor must plan the audit on the basis of an assessment of materiality and risk. The scope of the audit depends on the organisation's administrative structure and procedures, including internal control and other conditions of significance vis-à-vis the financial reporting.

In connection with the audit, the auditor/the institution's financial controller must pay particular attention to ascertaining:

- that the accounts for the overall project costs are true and fair, i.e. without significant errors or omissions.
- that the calculations of IFD's investments are correct, including whether the maximum investment rate requirements have been observed.
- that the terms and conditions for the subsidy have been met, including the terms set out in the Investment Agreement.
- that the investment has been used for its intended purpose.
- that costs related to time consumed have been calculated on the basis of timesheets.
- that the accounts relate to the correct period, and that no project costs have been defrayed before the start of the Investment Period or after its expiry.
  Particular attention should be paid to the project accounting period for newly established projects, where, in most cases, the start date is not 1 January, and final accounts, where, in most cases, the closing date is not 31 December.

The audit shall be performed by spot-checks.

The Project Participant must provide the auditor with such information as is deemed significant to the audit of the project accounts and to the auditor's opinion of the administration of the funds, including goals and results achieved. The Project Participant must give the auditor access to perform such inquiries as the auditor deems necessary and must ensure that the auditor is provided with the information and assistance which the auditor deems necessary for performance of his/her professional duty.

If the auditor becomes aware of any punishable offences or non-observance of regulations of significance in connection with the management of the funds, the auditor must immediately inform the Project Leader and the Administrator and ensure that IFD is informed within three weeks. If this is not done, it is the auditor's duty to inform IFD directly.

The same applies if the auditor becomes aware, during the audit or in some other way that the Project's completion is uncertain on financial or other reasons.

The audited sub-accounts must have an auditor's report attached in accordance with ISA statements for special-purpose audit tasks.

Duplicates of the signed auditor's report must be sent by the Project Participant to the Project Leader and the Administrator together with the audited sub-accounts.

7. Termination of the Investment Agreement before the Project has been completed

If the Investment Agreement is terminated before the Project has been completed, cf. the provisions of the Investment Agreement, IFD will, as a main rule, cover costs within the period of notice only.

However, IFD will have the option to cover payroll costs in connection with the completion of any commenced PhD scholarships funded by IFD. This requires that a plan for the completion of the PhD scholarship is presented before the expiry of the period of notice and that this plan can be approved by IFD. The plan must cover both scientific and financial aspects (including funding of additional costs beyond payroll costs).

8. Other provisions

8.1 Purchases of equipment etc.
All purchases relating to the investment must be made pursuant to procurement rules applying to the institution/enterprise making the purchase.

Unless otherwise stated in the Investment Agreement or its exhibits, including the Collaboration Agreement, equipment etc. purchased will be the property of the Project Participant making the purchase.

8.2 Other income and other funding

- *Funding from other sources*: the Project Participants must notify IFD without undue delay if funding for the costs to be met by IFD according to the budget is received from other sources. In that case, IFD reserves the right to deduct from the investment to the Project Participant in question.
- *Interest*: interest accrued on the IFD investment must be stated in the accounts. The interest must be spent in accordance with the purpose of the Project; set-off will not be performed against the total investment.

- *Other project-related income*: in the event that exercise of patent rights, sale of know-how or own production resulting from the investment generates income, IFD will make no claim for repayment of the investment in full or in part.

8.3 Unused funds

If annual accounts show that large funds already disbursed by IFD have not been spent by the Administrator or the individual Project Participants, IFD may require that re-budgeting be performed (see Clause 5) and may also require that the unused funds be repaid in full or in part.

8.4 Reporting to SKAT

IFD has a duty regularly to report direct disbursements to non-public Danish entities to SKAT. However, IFD will not report funds transferred between the Project Participants and the Administrator.

8.5 VAT and taxation

The funds granted do not cover VAT or other turnover tax unless this has been specifically agreed in connection with the conclusion of the Investment Agreement.
In those instances where the grant is taxable, the grant does not cover such taxation.
All issues regarding taxation are referred to SKAT.

8.6 Replacement of the Administrator

If IFD demands that the Administrator be replaced, or if the Steering Committee, with the approval of IFD, decides to replace the Administrator, the Administrator being replaced must ensure that the new Administrator receives all relevant information and material and that any funding from IFD held by the Administrator is transferred to the new Administrator.

8.7 Closing of the investment

The expiry date of the Investment Period is stated in the Investment Agreement and its exhibits. Costs related to the investment project cannot be defrayed after this date.

When IFD has approved the final annual report and the final report, and any other documentation requested has been received, the funds withheld may be disbursed (see “Final Instalment” in Clause 3.2 for further details). If the accounts show that spending of Investment funds has been lower than budgeted for, the final instalment will, however, be reduced accordingly.

If the accounts show that funds already disbursed have not been spent by the Administrator or the individual Project Participants, such funds, including any interest accrued but not spent, must be repaid to IFD. The funds must not be repaid until the final annual report and the final report have been approved and the Administrator has received notification of repayment from IFD or from FI.