

# External Funding Instructions 2013

## External Funding Instructions

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## Introduction

Under section 20 of the **Danish University Act (Consolidation Act No. 367 of 25 March 2013)** (Universitetsloven (Lovbekendtgørelse nr. 367 af 25 March 2013)), the university may receive grants and gifts from sources other than the state budget, and the university may conduct grant-financed activities – also popularly referred to at Aarhus University as external (research) funding, externally financed projects or external grants. These terms are used synonymously in these instructions.

The receipt and use of external research funding are regulated by a number of general provisions:

- The Ministry of Science, Innovation and Higher Education's [Guidelines of 21 January 2005 for university research partnerships](#) with private enterprises (Retningslinjer af 21. januar 2005 for universiteternes forskningssamarbejde med private virksomheder), which is based on "[Report No 1/00 to the Public Accounts Committee on the management of private research funding at Aarhus University and the University of Copenhagen](#)" (Beretning nr. 1/00 til statsrevisorerne om forvaltning af private forskningsmidler ved Aarhus Universitet og Københavns Universitet) and the report on "" ([Samarbejdsaftaler mellem universiteter og erhvervsvirksomheder](#)) of 24 August 2000.
- The government's general rules on budgeting, commitments, accounts and auditing in force from time to time, e.g. the Ministry of Finance's Budget Guidelines (Budgetvejledning), the Executive Order on Government Accounting (Regnskabsbekendtgørelsen), the Danish Act on the Audit of Government Accounts (Lov om revision af statens regnskaber) and the Ministry of Finance's procurement circulars.
- Applicable agreements and general staff rules.
- The Ministry of Science, Technology and Innovation's [Guidelines of 13 January 2000 on public access to information about private financing](#) of research at government research institutions.

To this can be added the general conditions that some grant givers attach to their grants, including the Danish National Research Foundation (DG), EU research programmes, the Danish National Advanced Technology Foundation, the research councils, the Danish AgriFish Agency and some of the large private foundations.

Finally, individual grants often come with specific conditions in the form of a grant letter, cooperation agreement or contract.

The purpose of these instructions is to make people aware of the rules that apply to:

- Applications for external research funding
- Conclusion of contracts and agreements on project funding
- Assignment of gifts (with no specific quid pro quo)
- Registration of external funding (grants) in the university's financial management system
- Ongoing grant administration
- Grant follow-up
- Concluding grants

The instructions relate to and should be seen in the context of the [process description \(3.1.1\) concerning external \(research\) funding](#) (being revised).

Because grant givers impose different grant conditions, the process description contains special sections on the Danish National Research Foundation, the Danish National Advanced Technology Foundation and EU research programmes for some phases of the process, but it is not possible for either the instructions or the process description to provide an exhaustive account of all the rules and processes for every type of grant; they depend on the individual grant giver and can be found in givers' application guidelines and specific grant conditions set out in grant letters, cooperation agreements and contracts or their appendices.

The instructions primarily concern external research funding, but also broadly apply to other grant-financed activities. No attempt has been made to describe special rules or processes for grants that do not relate to research (divisional financial statements 5).

The instructions and process description do not apply to commercial income-generating activities (divisional financial statements 2 and 3).

## PART ONE – DIVISION OF RESPONSIBILITY:

### 1 Division of responsibility regarding applications and the conclusion of contracts

#### The University Act

The starting point is section 14(6) of the University Act: *"The rector may direct staff members to perform specific tasks or functions. Academic staff enjoy freedom of research and, within the bounds of the university's research strategy, are free to perform independent research when not performing work assigned by management. The framework of the university's research strategy applies to the entirety of the university. Academic staff may not be directed to perform specific tasks which require the entirety of their working hours over long periods of time, which would in essence deprive them of their freedom of research."*

And section 14(11) of the University Act: *"The rector must approve all forms of external collaboration which place the university under an obligation"*.

According to Article 40(2) of the Aarhus University by-laws, the following also applies: "The head of department is responsible for the planning and distribution of the work duties and responsibilities to be carried out at the department, and may impose specific work on department employees. Academic staff enjoy freedom of research and, within the bounds of the university's research strategy, are free to perform independent research when not performing work as directed by department management. The framework of the university's research strategy applies to the entirety of the university. Academic staff may not be directed to perform specific tasks which require the entirety of their working hours over longer periods of time, which would in essence deprive them of their freedom of research."

#### Internal division of responsibility regarding applications and the conclusion of contracts

In November 2010 the Rector delegated the authority to approve external collaboration binding the university to the deans – with the exception of EU research contracts, the Danish National Research Foundation, the Danish National Advanced Technology Foundation and contracts that involve setting up research centres or sub-centres. See [Delegation provisions](#)

The division of responsibility is as follows:

- a) The department head** must approve staff members' agreements on the conduct of externally funded research projects, ensuring, among other things, that the activity can be accommodated within the department's research plan. At the time of the making of the grant, the approval must be documented by means of the signatures of the department head and the project manager on the contract or on a template form prepared for this purpose, see [process descriptions for project creation for divisional financial statements 4 and 5](#)
- b) The department head** must approve the application prior to the application being submitted to the grant giver, see [registration of applications for external funding](#)
- c)** Normally, the dean must approve cooperation agreements, i.e. cooperation agreements and other agreements or conditions that are legally binding on the university. The dean may choose to delegate his/her authority to a department head. If authority is delegated, the dean will still be responsible for ensuring that all rules and guidelines for the conclusion of agreements on externally funded research have been complied with. If the department head is a party to the agreement, the agreement must be approved by the dean or deputy department head.
- d)** The dean must specifically assess whether there is any question of legal incapacity ([See point 7 in the Ministry of Science, Technology and Innovation's letter of 21 January 2005](#)) when entering into research partnerships with private enterprises.
- e)** In all cases the dean must:

1. Ensure that approval is obtained from the Technology Transfer Office (TTO), Research Support Office (FSE) and the Budget Office where this is required under the rules.
2. Receive a copy of all agreements covered by the rules on the conclusion of cooperation agreements.
3. Have had submitted to him/her applications that entail use of the university's premises and other infrastructure, unless it may be regarded as completely insignificant.
4. [Assess the research interest](#) of cooperation agreements or draw up guidelines for how the assessment should be made by the department head, see [cooperation agreements between Aarhus University and external partners](#)
5. Assess whether a cooperation agreement comes under the rules for income-generating activities, see applicable rules (being revised).
6. Ensure that the rules on output VAT are complied with in the case of research partnerships with enterprises, see [VAT instructions](#) and [VAT management](#).
7. Decide on any embedding obligations.
8. Ensure that (cooperation) agreements are filed – with the exception of EU framework programme agreements, which are filed by the Research Support Office, and contracts with the Danish National Advanced Technology Foundation, which are filed by the Technology Transfer Office (TTO).

**f) The Technology Transfer Office (TTO) must approve:**

1. Cooperation agreements with other public or self-governing state institutions.
2. Any special conditions regarding the use of funding or presentation of accounts.
3. Contracts with the Danish National Research Foundation and binding cooperation agreements concerning applications to and/or contracts with the Danish National Advanced Technology Foundation.
4. Agreements containing any conditions on the assignment of rights (IP rights), including [cooperation agreements](#) and *Consortium Agreements* concerning EU framework programme contracts.

**g) The Research Support Office (FSE):**

1. FSE with drafting all forms of application for research project funding.
2. Approves applications and signs contract negotiation documents, contracts and various *forms* relating to EU framework programme contracts.

**h) The Rector signs:**

1. Contracts with the Danish National Research Foundation.
2. Contracts with the Danish National Advanced Technology Foundation.
3. Certain contracts with the EU that do not concern research but education, e.g. Erasmus Mundus.

**i) The dean/department head signs:**

1. Cooperation agreements

i) The TTO Director signs:

1. *Consortium agreements.*

## 2 Registration of applications, contracts, grants and budgets

### 2.1 Registration of applications and application budgets

Applications (including expressions of interest to large foundations and applications to the EU) for external funding must be registered in the university's financial management system, Navision Stat, case file module with status "offer". For the registration of applications, a template form has been developed, which the applicant can choose to use as approval form.

When submitting the application, a copy of the approved application, including the budget, any template form and other documents of relevance to the application, must be sent to the project finance administrator for the particular department/main academic area, who is responsible for registering the applications. The project finance administrator completes the project creation form for the project in accordance with the process descriptions and project creation quick guides.

The project finance administrator forwards the project creation form to AU Project Finance in Financial Control for central creation. Reference is made to process descriptions and quick guides divided into divisional financial statements under [project creation/changes](#).

Unless otherwise agreed, the division of responsibilities and tasks is governed by the university's general instructions for external funding, but see also the Danish University Act with associated guidelines from the Ministry of Science, Technology and Innovation.

### 2.2 Basic documentation for grants in departments or main academic areas

The dean lays down rules as to whether the basic documentation must be filed at main academic area or department level. The following basic documents must be filed for each grant in the journal system Captia or until this is fully implemented by the main academic area or department:

- Application, if the grant process started with an application.
- Project description, if there is one.
- Legally binding commitment (i.e. grant approval, contract, cooperation agreement or other written agreement – including all supporting documents in all cases).
- Total budget, i.e. including the university's co-financing.
- Project budget, if one has been drawn up in connection with the application or the conclusion of an agreement (e.g. in relation to the EU, the Danish National Research Foundation, the research councils, the Danish AgriFish Agency).
- Interpretations, e.g. correspondence on the project, to clarify the university's commitment, if any.
- Supplementary agreements regarding extension of the grant period and/or additional grants.
- Project creation file returned from AU Project Finance in Financial Control in connection with the creation of the project supplied with project number.
- Plus, in the case of a cooperation agreement: Documentation that the department head or dean has actively assessed the research interest of the project.



- Specifically in the case of EU framework programme projects: Reference is made to the description of what the [audit folder](#) must contain and <http://medarbejdere.au.dk/en/administration/researchandtalent/research-support/proposal-development/eu/>

This basic documentation must be filed electronically.

Moreover, documentation material of a financial nature, including project creation form, application, grant approval, documentation for extensions, closing etc., is filed on a common P drive, which is managed by the central AU Project Finance unit in Financial Control.

In the case of EU framework programme projects, the basic documentation, with the exception of the application and budget, must be filed centrally in the Research Support Office. In the case of the Danish National Research Foundation and the Danish National Advanced Technology Foundation, the contracts are filed by the Technology Transfer Office.

### 2.3 Documentation for Financial Control

Each grant must be set up in the university's financial management system (Navision Stat) with a separate number in accordance with the applicable [process description](#). The creation of the grant in Navision Stat is carried out by the AU Project Finance unit in Financial Control based on the project templates (Excel file) submitted to the main academic areas by the project finance administrators. The files are imported into Navision. Reference is made to the following process descriptions and quick guides :

#### Quick guides:

For [divisional financial statements 4 and 5 with application](#) and [divisional financial statements 4 and 5 without application](#) including change, conclusion/closing of project, and [folders](#).

#### Process descriptions:

[Registration of applications for external funding](#), [Creation of divisional financial statements 4 and 5](#), [Conclusion of project](#), [Change of information on case file card](#), [Creating and updating combined project folders](#)

- Gifts (with no specific quid pro quo) and scholarships can be assigned to the university by means of a [written gift declaration/written scholarship declaration](#) from the researcher in question.

Pursuant to legislation, the documentation in the AU Project Finance unit in Financial Control is filed for a minimum of five years after the end of the financial year in question. However, basic documentation for external funding is normally filed for a minimum of five years after the end of the project.

The documentation is filed on the central P drive, as not all units have yet fully implemented Captia.

### 2.4 Filing

For external projects, data records are filed in accordance with the following [process description](#):

The following material is filed centrally:

- EU framework programme contracts and audit opinions are filed in Captia by the Research Support Office (FSE) (with the exception EU projects undertaken in Foulum and Roskilde, which are responsible for filing the projects locally), including the attachment of electronic documents. Other material (application, GPF etc.) is physically stored on the case by FSE and handed over to the Records Office when the grant has been closed.

- *Consortium Agreements* for EU contracts are filed and scanned by the AU Technology Transfer Office (AU TTO) in Captia under a separate reference number.
- Contracts with the Danish National Research Foundation are filed under a separate reference number and scanned in Captia by AU TTO.
- Contracts with the Danish National Advanced Technology Foundation are filed under a separate reference number and scanned in Captia by AU TTO.
- A copy of cooperation agreements with and without IP rights must be sent to AU TTO, where they are registered in an electronic database and stored physically. However, the deans must ensure that the original agreements and any interpretations relating to the commitments entered into are filed locally.

The following material is filed locally:

- Basic documentation in the form of applications to the grant giver, project description, legally binding commitment, project budget, any status reports, other academic reports and other relevant material

Material is filed in Captia and supplied electronically to the Provincial Archives (Landsarkivet) by the Records Office in accordance with the provisions of the Danish Archives Act (Arkivloven).

### 2.5 Entry of grant budget in financial management system

According to the university's budgeting principles, most recently the [Financial Guidelines of February 2009, point B.2.1.3](#), budgets for external funding must be included in budget planning and ongoing budget follow-up. The department's or main academic area's project finance administrator must enter the budget and expected instalments of payments for each project in the financial management system, Navision Stat, case file module. Budget planning starts once the project creation acknowledgement file has been received from the AU Project Finance unit in Financial Control, stating the project number in the financial management system. Where the project is created via application, the AU Project Finance unit enters the budget at an aggregated level in the case file module based on the budget figures from the project creation template. Once the project is approved and the project changes status to "Order" in Navision, the project finance administrators from the main academic area adjusts the budget in accordance with the final grant approval/contract.

## 3 Ongoing grant administration and grant follow-up

### Project owner

The project owner is responsible for the ongoing use of the grant, which entails the following:

- Reviewing all his/her projects at appropriate intervals and at least once a quarter. Filing printouts of reports bearing the signature or initials of the person who carried out the review (being revised).
- Taking the initiative in getting grants paid directly to the university's deposit account as soon as possible after the grant has been awarded, including taking the initiative with regard to any staged payments. For further information, see the ["Procedure for issuing payment requests for external funding"](#). There is no need to take action regarding the payment of grants from AUFF; this is arranged centrally between the AU Project Finance unit in Financial Control and the administration of the Aarhus University Research Foundation ([AUFF](#)).
- Making sure that a project does not go overdrawn and seeing to it that any overdraft is settled immediately either by means of a payment or by moving a cost away from the project, unless it

is an EU or national grant that requires AU to make advance payments. Web AURAP financial reports can be used for this purpose.

- Authorising invoices, ensuring that costs incurred for the project relate to the project in question and comply with any special grant conditions. Web AURAP financial reports can be used to obtain an overview.
- Providing the project finance administrators and the head of finance for the main academic area with information on the project budget and any changes to this so that account can be taken of the budget in the financial management system and thus in the university's overall budget planning.
- Providing the project finance administrators and the head of finance for the main academic area with information on any planned acquisitions in excess of DKK 100,000 for the project with a view to their inclusion in the university's investment budget.
- Informing the project finance administrators and the head of finance for the main academic area about purchased equipment with a view to fixed asset registration and capitalisation in Navision's fixed assets module. See link to [fixed assets process description](#).
- Ensuring documentation of time consumption for project staff, if this is required under the terms of the grant. Inspiration can be found in the rules concerning [EU framework programme projects](#). Where electronic time records are kept, these lists must be submitted as documentation.
- Ensuring that employees are given applicable notice to leave if there are insufficient funds to cover pay costs for the project.
- Letting Payroll know immediately if a project employee is given notice to leave before the date specified in the letter of appointment.
- Seeing to it that employees' holiday is registered continuously in the university's absence system AUHRA, while they are employed on the project.
- Making sure that academic and financial reports, including any revised budgets, are sent to the grant giver to ensure compliance with the terms of the grant. Financial reports for EU framework programme projects must be signed by the Research Support Office (FSE); excepted are projects from Foulum and Roskilde.
- Reporting the project's publishing results via PURE.
- Complying with the university's general rules of disposal and staff rules as set out in the [Staff ABC](#) when using the grant.

## Financial Control

Financial Control carries out the following project follow-up, which does not, however, release the project owner, department head or dean from primary responsibility:

- Monitoring whether projects are overdrawn on an ongoing basis – and at least four times a year – and contacting the main academic area's financial centre with a view to having any overdraft settled. Navision and AURAP are used for follow-up on project overdrafts. Extracts are stored on a shared drive (being revised).
- Carrying out overall reconciliation for all external projects to the case file module on a quarterly basis. Extracts are stored on a shared drive (being revised).

- Establishing at least once a year whether there has been accounting activity for a project in the past year to establish whether the project should be closed (being revised).
- Reviewing periodically – and at least twice a year – extracts of projects where the end date has been exceeded and contacting the project finance administrator and finance managers for the main academic areas to establish whether the project should be closed or a changed end date should be registered.
- Assessing provisions in collaboration with the contacting the Debtor unit – contacting project finance administrators and finance managers for the main academic areas to establish whether there are projects where provisions should be made for losses, and assessing material forwarded in this respect.

**Finance managers, business controllers and project finance administrators working for the main academic areas (AU Finance's local employees in the main academic areas)**

- In connection with budget planning and the quarterly follow-up, it must be assessed whether the sum of the entered budgets for external funds in Navision provides a probable picture of the accrual and development in the main academic area's external funding.
- In connection with budget planning, the main academic area's sum of inpayments, revenues and costs associated with external funding must be accrued by quarter based on the accruals for previous years, possibly in combination with knowledge about specific deviations from the accruals seen in previous years.
- Must assess on an ongoing basis whether there are any projects where provisions should be made for losses. A request for provisions to be made for losses should be sent to Financial Control.

**Research Support Office**

The Research Support Office has the following role in connection with EU framework programme projects:

- Approving and signing contract negotiation documents
- Approving and signing financial reporting (Form C Financial Statement and various other forms) (excepted are Foulum and Roskilde).
- Receiving and checking EU audit folders from the project finance administrators for the main academic areas and responsible for contact with institutional auditor (excepted are Foulum and Roskilde).

**Department/institute**

As far as the department head is concerned, attention should be drawn to the following responsibilities in particular:

- Responsibility for ensuring on an ongoing basis that external funding for grant recipients who have left or are on leave is handled and closed in accordance with the university's rules, see section 6.3.
- Responsibility for reviewing the department's external projects at least once a year with a view to ensuring that projects are reconciled and closed, and that grants are used within the period that it is reasonable for a grant giver to expect and in accordance with the grant approvals. Web financial reports (AURAP) can be used for this purpose.

- Responsibility for a procedure being drawn up for staff absence registration in the department so that up-to-date holiday records are available for the financial reporting in respect of grants or closing them.
- Responsibility for the department's financial and HR management being organised in such a way that it can handle the department's external funding in compliance with the special requirements set by grant givers (e.g. the EU, the Danish National Research Foundation, NIH).
- Responsibility for the department's procedures for registering and retiring fixed assets being organised in such a way that equipment acquired for external funding is recorded correctly and in accordance with the grant approval.
- Responsibility for external funding being included in the department's budget and budget follow-up procedures.

(The dean may decide to delegate some of the above departmental responsibilities to the finance manager working for the main academic area in question).

#### 4 End of grants/closure of project

**The project owner must see to the following:**

- Notifying the project finance administrator for the project in question that the project has been completed, so that the project finance administrator can do what is necessary according to the checklist for the closing of projects and submit the completed menu item in the project creation template to the AU Project Finance unit in Financial Control, so that the project can be closed. This also applies to fixed-term projects.

**The department head is responsible for:**

- Seeing to it that the department's external grants are reviewed at least once a year with a view to ensuring that grants for completed projects are reconciled and closed, and that agreements are made with grant recipients to close projects that should be closed under the terms of the grant. Web financial reports (AURAP) can be used for this purpose.
- Assessing whether the grant giver should be informed of grants that are not proceeding according to plan, or of grants in respect of which no appreciable accounting activity has been seen in the past three years.
- Assessing whether any outstanding balances on the grant should be returned to the grant giver.

## PART TWO - RULES:

### 5 What external funding must be managed by Aarhus University?

#### 5.1 Employees at Aarhus University, apart from the clinical sector

All grants for employees at Aarhus University from public-sector grant givers and the EU must be administered through the university's accounts, unless the grant giver requires direct payment between the grant giver and grant recipient (e.g. certain travel grants from the research councils).

Grants from private grant givers must be administered through the university's accounts and in accordance with the university's rules in the following cases:

- If the grant approval, cooperation agreement, application conditions etc. specify that the grant is given to a researcher/research group in their capacity of employee(s) at Aarhus University, i.e. if Aarhus University or one of its main academic areas, departments, centres, sections or units is named, or
- If implementation of the project is dependent on direct or indirect co-financing from the university's ordinary funds, i.e. in the form of the researcher spending some of his/her working hours on the project, or the university's premises, equipment and infrastructure being used, or
- If implementation of the project is dependent on co-financing or joint financing with other external funds that are administered through the university's accounts.
- Gifts (with no specific quid pro quo) and scholarships for researchers employed by Aarhus University can be managed by Aarhus University on special conditions, see [section 15](#). Gifts to Aarhus University, a main academic area, department or centre must be administered by AU and are recognised as income on payment, see section 15. ([process description](#) and [form](#))

#### 5.2 Employees in the clinical sector

Section 5.1 above applies to all research projects where Aarhus University is the grant recipient's primary place of employment. Therefore, for some employees in the clinical sector, grants may instead be administered through the hospital or in some other way, where permitted under the hospital's rules. If an employee in the clinical sector chooses to have an external research project administered through Aarhus University, all the university's rules and procedures for such projects apply unconditionally.

#### 5.3 Staff on leave or staff who have left

Aarhus University does not administer grants for persons who are not employed at Aarhus University, and such persons cannot be project owners or responsible for the use of grants in connection with projects in the university's accounting system.

If a project owner *permanently leaves his/her job* at Aarhus University, the department head is responsible for notifying the financial manager for the main academic area in question and taking steps to have the person's projects in the university's accounting system closed as quickly as possible, or arranging transfer to another project owner.

If an employee is on *unpaid leave of absence* from his/her job at the university, his/her external projects can still be administered in the university's accounting system for up to two years provided that the department head or a university employee appointed by him/her takes over responsibility and authorising power for the grant – where appropriate subject to the consent or notification of the grant giver. After leave of absence in excess of two years, the project account must be closed in the university's accounting system, and any outstanding amounts must be returned to the grant giver or transferred to the institution/enterprise where the grant recipient in question is now employed. The department head is responsible for taking steps to arrange this.

## 6 Disqualification

According to the [Ministry of Science, Technology and Innovation's letter of 21 January 2005](#), point 7, the university must, when entering into research partnerships with private enterprises, assess ".... *whether the partnership raises the question of disqualification in relation to employees at the university..... In each individual case, a concrete assessment must be made by the university as to whether there is any question of disqualification.*" The Ministry refers to the general rules of public administration law on disqualification namely sections 3-6 of the [Danish Public Administration Act](#) (Forvaltningsloven). The dean is responsible for this assessment.

## 7 Assessment of research interest when deciding whether collaboration projects are income-generating activities and the division of IP rights in this context

[The Ministry of Science, Technology and Innovation's letter of 21 January 2005](#), point 3, contains a detailed definition of different types of research project based on research interest and the rules laid down for access to co-financing (see points 3 b and 3 c in the Ministry's letter of 21 January 2005). "*For the university to be able to use funds granted for ordinary activities in connection with a research project, the university must ... have a research interest in taking part in the research project. The project must therefore fall within the university's research objective as defined in section 2 of the [Danish University Act](#).*"

In particular, the Ministry draws attention to the fact that, when it comes to cooperation agreements, it must be clear from the university's procedures "*how it is ensured that the Rector or person to whom the responsibility has been delegated actively decides whether a project is of research interest, and what the guidelines are for making this assessment.....*" (Ministry of Science Technology and Innovation, 21 January 2005, point 8).

Aarhus University's guidelines are that the decision as to whether the university has a research interest in a project is made by the dean or department head based on an assessment made in connection with the organisation of the collaboration/drafting of the cooperation agreement and at the latest in connection with the project's cooperation agreement being forwarded to Aarhus University's Technology Transfer Office. The dean or department head may – if he/she considers it necessary or beneficial – consult with other parties before making the decision.

The assessment by the dean or department head can, for example, include considerations as to whether:

- the collaboration project may be regarded as constituting research at all;
- the subject etc. of the project falls within the department's or university's research areas in their current, planned or desirable scope;
- the collaboration project is expected to generate knowledge that could form the basis for future research and so contribute to opening up new and profitable fields of research.

In the same letter, [the Ministry of Science, Technology and Innovation stresses](#), in point 6, that the university should pay attention to the fact that the question of illegal state aid may be raised if a research project co-financed by the university gives rise to knowledge that only benefits the enterprise with which the university is cooperating. This should be considered as part of the dean's assessment of whether a project should instead be handled in accordance with the rules for commercial income-generating activities.



## 8 Total budget, overhead rules, interest income, contributions to joint expenses

### 8.1 Total budget and project budget

According to the Ministry of Finance's Budget Guidelines 2011, section 2.6.10.3, a project budget must be drawn up for research activities financed by government foundation and programme funding etc. as the basis for the application in accordance with the following guidelines:

*"Direct costs are divided into direct payroll expenses and other direct expenses, including equipment and other acquisitions as part of the project. A contribution to joint expenses of 44% of direct costs is added to this. The contribution rates may vary.*

In other words, a **total budget must be enclosed with applications** for government foundation and programme funding.

In the case of all other types of external funding, a **total budget must be prepared before conclusion of the agreement**; according to [Ministry of Science, Technology and Innovation 21.1.2005](#), point 9, bullet 2, the project documents must account for "... the costs, including payroll costs, to be met by the university in connection with the project".

In addition, a total budget must also include costs for premises and other infrastructure that normally form part of the university's co-financing.

If an application entails the need for investment in premises or other infrastructure or a more than trifling drain on the university's existing premises and infrastructure normally paid for by the shared services, the application budget should contain items for the full or partial coverage of such costs, and such applications must be approved by the dean and the university's Facilities Management Department.

### 8.2 Overheads and contributions to joint expenses

In connection with all applications for external funding, the grant giver should be asked to cover the indirect costs of administration, building operation (rent, electricity, water, heating, waste disposal etc.) and infrastructure (telephones, IT cabling etc.). For government research funding, the overhead rate is currently 44% of direct expenses, see Ministry of Finance's Budget Guidelines. The EU's 7th Framework Programme stipulates fixed maximum rates for overheads, which must be applied for in full (60%, 20%, 10%, or 7% depending on project type). In the case of external funding from other grant givers, a minimum of 20% or the maximum possible overheads for the grant giver in question must be applied for.

If an application to a government grant giver or the EU cannot be accommodated in full, the direct project funding and overheads are reduced on a pro rata basis, and the project's scope and work programme must be adapted to the new financial framework.

Universities Denmark's agreement of 24 September 1991 as amended by the agreement of 23 November 1993 regarding the **division of overheads between institutions under Universities Denmark** in connection with centres and 'subcentres' means that overheads follow direct expenses in full. A share of overheads from government research funding (including the Danish National Research Foundation and the Danish National Advanced Technology Foundation) is passed on to other universities if part of the grant is passed on. All questions regarding overhead distribution to/from government institutions that are not members of Universities Denmark must be submitted to Financial Control if they do not follow the rules agreed by Universities Denmark.

Similarly, a share of overheads from the EU is passed on to the other partners in the event of part of the grant being passed on.

In the same way, the university must receive overheads in accordance with the original terms of the grant if grants are received through other grant recipients.



Overheads are not passed on from the government to non-government institutions and enterprises. The government's overhead rules relate exclusively to how government authorities and programmes contribute to government funding to cover the joint expenses of the government's own institutions. Institutions under regions or municipalities are therefore not covered by the government's overhead rules.

In the university's financial management system, overheads are automatically debited from the grant in step with costs being met under the grant; overheads relating to expenses or equipment that is capitalised are debited on the acquisition date, however.

### 8.3 Interest income in respect of grants from private grant givers

Prepaid grants from private grant givers are put out at interest. With effect from 2011, the interest income accrues to the Rector's Office's management pool. Special rules apply to certain Marie Curie and ERC projects under the EU's 7th Framework Programme.

## 9 Grant payments and coverage of deficits in respect of grants

Grants and gifts from private grant givers and external funding under cooperation agreements with private partners must be paid in advance, or possibly on an ongoing basis in step with expenses being incurred, by the grant giver directly to the university.

Payment of confirmed funding from the Danish Agency for Science, Technology and Innovation and other grant givers is requested by sending an invoice for the amount via [Navision Stat's debtor system](#). For some external funding from companies VAT must be added to the amount, see section 13 (see [VAT Instructions](#), section "5.1 Research/cooperation agreements").

Projects financed by funding from private grant givers cannot be initiated until a binding grant approval or cooperation agreement has been received and the amount - or part of it - has been paid to the university's debtor system.

If a project ends with an accounting deficit - whatever the reason - the main academic area, department or project owner will be liable to cover any loss via other grants in accordance with detailed rules laid down by the dean.

## 10 Staff rules

### 10.1 Terms of employment

Staff employed for external funding must follow the general pay and remuneration rules for government staff. There is no right to use any collective agreements or forms of employment other than those permitted for ordinary funding or under the Job Structure for Academic Staff at Universities rules. This applies to both Danish and foreign nationals, and irrespective of what the grant giver may wish, require, assume or accept. If there is any uncertainty as to the pay and employment rules, including pensions, holiday pay etc., AU HR or Payroll or Payroll staff working at the main academic areas should be contacted in advance.

The Danish Fixed-Term Employment Act (Lov om tidsbegrænset ansættelse) regulates both situations in which a member of staff can be employed on a fixed-term contract and situations in which fixed-term employment may become permanent employment.

With regard to the employment of [foreign nationals](#), see the guidelines of 3 June 2013 issued by AU HR (formerly the Personnel Office).

### 10.2 Holiday pay and taking holidays

In the application phase, it is important to ensure that the budget covers holiday pay commitments and special holiday (feriefridage) entitlements if staff costs are being budgeted for. The projects are burdened with the cost prices of the staff members dedicated to the project (applicable for permanent employees)

multiplied by the allocated number of hours. The cost price is converted into a converted cost price comprising, among other things, holiday pay for projects with another working hour norm than 1,924 and depending on the working hour norm. Where the project has a working hour norm of 1,924, holiday must be allocated and holiday taken must be entered so that the project bears a proportionate share of the value of the holiday taken. Reference is made to the [resource allocation guidelines](#) (being revised)

### 11 General rules of disposal

The management and commitment of external funding must comply with the usual internal and external rules for grant use, e.g. entertainment expenses, mileage allowance, hourly/daily subsistence allowance, prepayment of allowances, registration and depreciation of fixed assets, VAT, use of bonus points and discounts, procurement policy, procurement rules and tender provisions, and the university's procedures regarding, for example, electronic invoicing, absence registration, budgeting and budget follow-up, use of charts of accounts, auditing, use of the financial management, staff and payroll systems, travel expenses system, credit cards and the invoice handling system IndFak etc.

In addition to this, the grant giver may impose special grant conditions in writing.

Apparatus, tools and equipment acquired for external grants belong to the university. Cars, telephones, subscriptions, hire/lease agreements and other acquisitions that may result in ongoing costs for the university that cannot always be expected to be incurred within the project period must be acquired by the department on the responsibility of the department head, irrespective of whether the cost will ultimately relate to and be born by an external grant.

### 12 Public access to information about private financing of research

Under section 7 of the [Guidelines of 13 January 2000 for public access to information about private financing](#) of research at government research institutions, researchers at government research institutions must provide information on any private sources of funding when publishing research results as part of their job.

Section 3 of the same [rules](#) states that government research institutions must prepare an annual summary of private funding for public research carried out at the institution. AU Communication is responsible for this.

### 13 VAT on cooperation agreements etc.

In 2002, the European Court of Justice ruled that paid-for research partnerships between universities and external parties are subject to VAT under the EU's 6th VAT Directive if they involve a quid pro quo on the part of the university. For the detailed rules regarding when to add VAT to invoices for enterprises, see the [VAT Instructions](#) and [VAT Management](#) for Aarhus University.

### 14 Cooperation agreements and other agreements ceding IP rights; patents; Consortium Agreements

There are special rules regarding cooperation agreements, *Consortium Agreements* (EU) and other agreements ceding IP (*Intellectual Property*) rights. See checklist and guidelines for cooperation agreements.

There are also special rules regarding non-disclosure agreements, the reporting of inventions and patent applications at Aarhus University, and calculating compensation for inventions.

### 15 Receipt of gifts (with no specific quid pro quo)

In a small number of cases, Aarhus University (AU, main academic area, department or centre) receives grants and gifts for which the giver does not require a specific quid pro quo and where the grant/gift is not intended to cover a specific project or subject for a given period.

In some cases researchers at Aarhus University also receive personal grants, gifts, prizes and scholarships that they wish to assign to the university.

The university's guidelines for the receipt and accrual of such grants, gifts, prizes and scholarships are set out below. The guidelines should be seen in the light of comments by the university auditor and Act No. 546 of 26 May 2010 to amend the Danish Tax Assessment Act (Ligningsloven) (deductions for private donations for research etc.).

#### 15.1. If Aarhus University receives grants and gifts (with no specific quid pro quo):

Grants and gifts (with no specific quid pro quo) given to Aarhus University – whether to AU as such or to a main academic area, department or centre – must, according to the government's accounting rules, be recognised as income on receipt (unless they are used to set up foundations and scholarships under section 20(2) of the Danish University Act). This means that the university cannot recognise them as income in step with spending, but that such gifts/grants must be recognised as income at once and will affect the university's financial results and equity unless the amount is used in full in the year in which it is paid. The amount is therefore treated on a par with ordinary funding in divisional financial statements 1.

#### If a researcher receives grants, gifts or scholarships, the possibilities are as follows:

1. The researcher receives a **scholarship** to cover the costs of academic work. Scholarships awarded for this purpose are tax-free for the individual researcher under section 7 K(4) of the Danish Tax Assessment Act. If the researcher wishes to assign the scholarship received to the university, this must be done by means of a written letter of assignment stating the specific (research) purposes for which the scholarship is to be used and setting a time limit for its use in order to ensure follow-up, review and clear-up.

In this case, the researcher will be able to assign the scholarship to the university without incurring any tax liability.

The [document of assignment](#) must be signed by the researcher and department head or dean and enclosed when the project is created in the financial management system.

The funds will then be accrued as an external grant.

Once this has happened, the funds will have been finally assigned to the university and are covered by the university's rules and guidelines.

2. The researcher receives a **gift/prize** for which the giver does **not** require a quid pro quo and where the grant/gift is not intended to cover a specific project for a given period. Grants, prizes and gifts given to a researcher on these terms entail tax liability for the individual researcher for the full amount.

If the researcher wishes to pass the gift, prize or grant on to the university for research and stipulates the specific research purpose for which the gift or grant is to be used (i.e. requires a quid pro quo), this must be done by means of a special declaration, which must be signed by the researcher and the department head or dean and enclosed when the project is created in the financial management system. The [declaration](#) must specify a time limit for use to ensure follow-up, review and clear-up.

In this way, the researcher can obtain a tax deduction for the gift under section 8 H(1) of the Danish Tax Assessment Act (as amended by Act No. 546 of 26 May 2010). The university (the AU Project Finance unit, Financial Control through Payroll) reports to the Danish tax authorities SKAT that the gift has been received from the researcher.

The funds are then accrued as external grants for research.

Once this has happened, the funds will have been finally assigned to the university and are covered by the university's rules and guidelines.

3. The final possibility is that the researcher receives a grant or gift/prize for which the giver does not require a specific quid pro quo and where the grant/gift is not intended to cover a specific project for a given period. Grants and gifts given to a researcher on these terms entail tax liability for the individual researcher for the full amount of the gift.

If the researcher renounces such a grant or gift/prize in favour of the university in advance or on receipt without stipulating requirements, the researcher will not be taxed on it. The university must handle such gifts (with no specific quid pro quo) in accordance with the rules in section 15.1, including recognition as income.

The funds will then have been finally assigned to the university to be used freely by the university's management within the university's purpose.

In addition to being for a more specific purpose, scholarships (15.2.1) and gifts (15.2.2) assigned to the university for accrual as external grants must have a time limit on their use to ensure follow-up, review and clear-up.

## **16 EU framework programmes**

All the relevant parts of the above apply to EU framework programmes, but there is a guide to special procedures and standard information in connection with application, contract preparation, contract signing, presentation of accounts and auditing with regard to [EU framework programmes](#).

***Financial Control, September 2013***

***File No. AU-2002-160-002***