



NCP Flanders

Information session

H2020 – No Financial Errors – 2019 edition

Tuesday 2 April 2019 - 09:00 – 16:00

PROGRAMME

09.00 Registration

09.30 Welcome by NCP's and concerns of the Belgian stakeholders
(outcomes of the Belgian survey form 2018)

09.45 Most common Belgian errors

10.15 Personnel costs for non-project based remuneration beneficiaries

11.15 *Coffee break*

11.30 Other direct costs, internal invoices and subcontracting

12.15 Third parties

12.45 *Sandwich lunch*

13.45 Audit process

14.15 Lump sum grants (state of affairs in the topic)

14.45 Introduction to the personnel costs wizard

15.15 Possibility of short bilateral meetings with the European Commission
and/or the NCPs (facultative, no prior appointment possible)

Info session

“H2020-no financial errors.be”

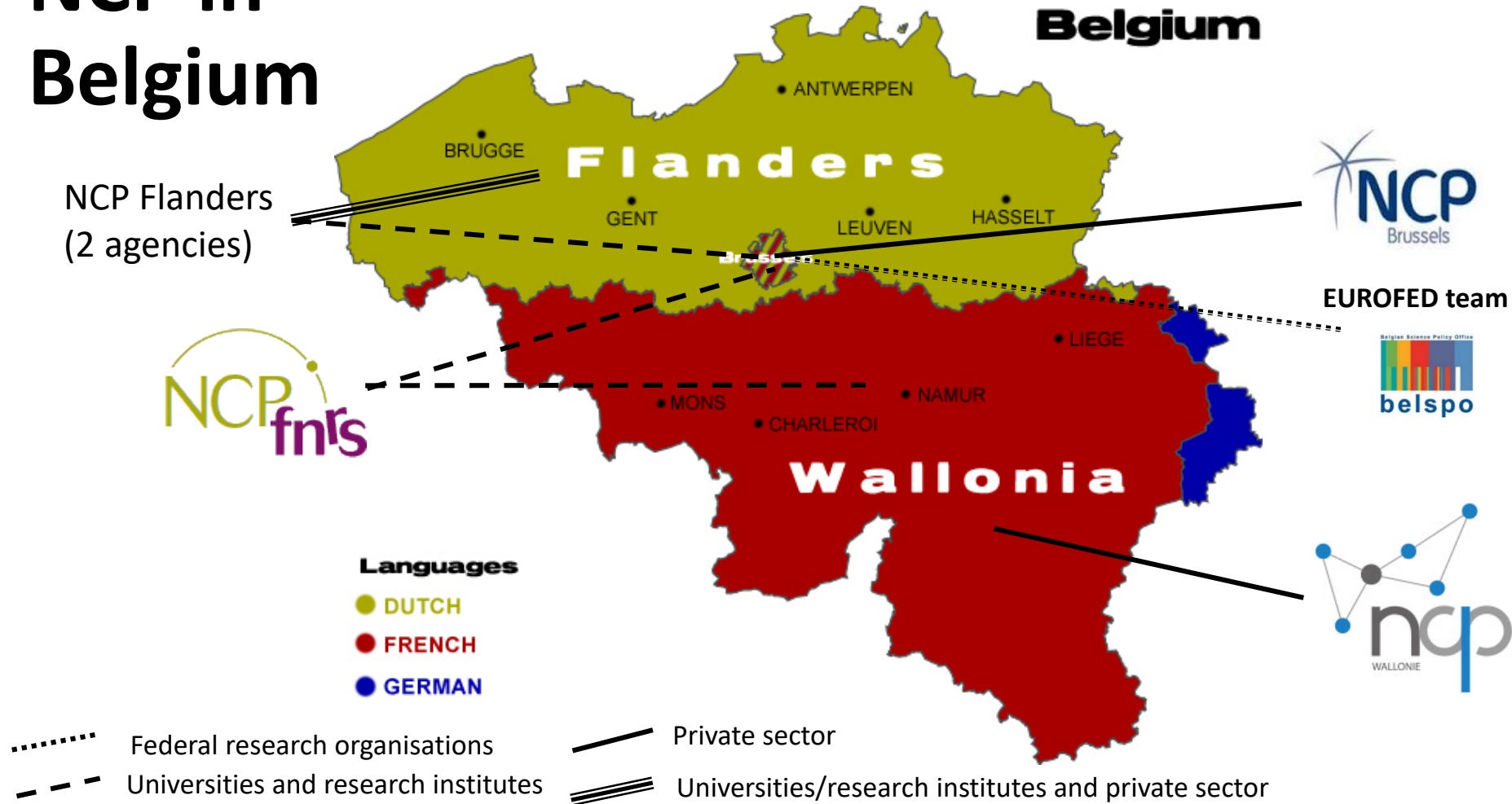
Pascale Van Dinter

National Contact Points

- This event is organised by the EC in close cooperation with the Legal and Financial NCPs. From the EC : Mr David Mejuto , RTD.J1 - Common Legal Support Service; Ms Marie-Laure Bernet, RTD.J2 - Common Audit Service and Mr Miguel San Jose, ERCEA , IT Solutions and Services.
- National Contact Points (NCPs) are nominated for Horizon 2020 and you have NCPs in all the different themes of H2020. NCPs are trained and informed on a regular basis by the European Commission and their main task is to help proposers
- Belgium NCPs: 5 organisations to advise the Belgian actors



NCP in Belgium



NCP in Belgium

	Organisations	Target stakeholders	NCP Coordinators NCP Legal&Finance
EUROFED	Belgian Science Policy Office - BELSPO	Federal research organisations	VAN DINTER Pascale pascale.vandinter@belspo.be
	Hub.Brussels	Organisations and private companies in Brussels Capital region; mostly info in EN	VAN LOON Tania tvanloon@hub.brussels KIM VANGUERS Ji-Hyeon jhkim@hub.brussels
	Union Wallonne des entreprises - UWE	All stakeholders based in Walloon Region – specific focus on companies	FIASSE Pierre pierre.fiasse@ncpwallonie.be
	Fund for Scientific Research - FNRS	Universities, university hospitals and Hautes Écoles in Fédération Wallonie-Bruxelles	WITORSKI Natacha natacha.wittorski@frs-fnrs.be
NCP Flanders	Research Foundation Flanders (FWO) + Flanders Innovation and Entrepreneurship	All stakeholders based in Flanders	VAN HAUWAERT Ann ann.vanhauwaert@fwo.be

Agenda

- 9.30: Welcome by NCP's and concerns of the Belgian stakeholders (outcomes Belgian survey from May 2018)
- 9.45: Most common Belgian errors
- 10.15: Personnel costs for non-project based remuneration beneficiaries
- *11.15: Coffee break*
- 11.30: Other direct costs, internal invoices and subcontracting
- 12.15: Third parties
- *+/- 12.45: Sandwich lunch*
- 13.45: Audit process
- 14.15: Lumps sum grants (state of affairs in this topic)
- 14.45: Introduction to the personnel costs wizard
- 15.15: Possibility of short bilateral meetings with the European Commission and/or the NCPs (facultative, no prior appointment possible)

Practical info

- Wifi code in the room
- Lunch break around 12.45
- Presentations will be made available at event website
- Short bilateral meetings with the European Commission and/or the NCPs: facultative, no prior appointment possible
- 2 surveys to fill in: the EC post event survey via <http://ec.europa.eu/eusurvey/runner/H2020CommunicationCampaign> AND the NCP evaluation form received at the registration

NCP events in Belgium

	Organisations	Website	
EUROFED	BELSPO	EUROFED	News
	Hub.Brussels	NCP Brussels	Events
	Union Wallonne des entreprises - UWE	NCP Wallonie	Agenda
	Fund for Scientific Research - FNRS	NCP FNRS	Events
NCP Flanders	Research Foundation Flanders (FWO) and Flanders Innovation and Entrepreneurship	NCP Flanders	Events

Inquiry conducted by the Belgian L&F NCPs on 'implementation aspects of Horizon 2020'



NCP Flanders



Why this survey?



And yet...



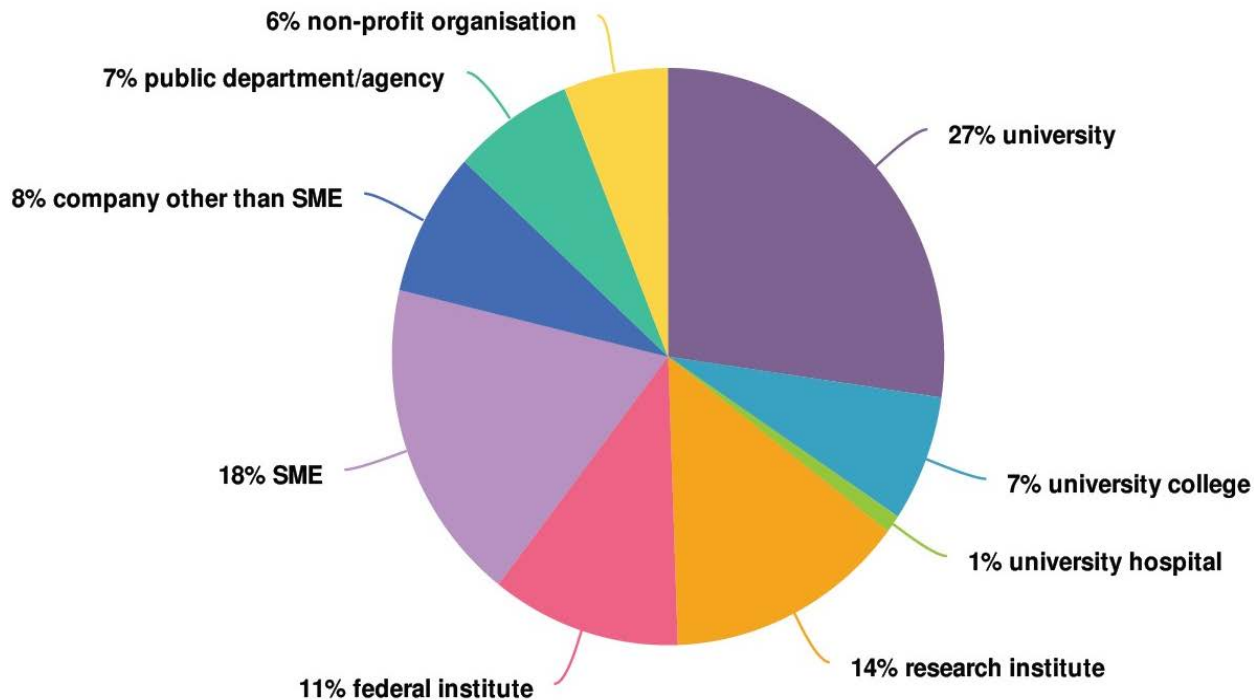
- Joint Belgian **reality check**
- Complement **at field level** the interim evaluation of H2020 done at policy level
- Focus on qualitative and content suggestions
Limited sample of strongly involved Applicants / Beneficiaries

Survey characteristics

- Open from 19 June 2018 to 15 July 2018 – disseminated by all Belgian L&F NCPs to their stakeholders through their usual communication channels
- Main objective: receive anonymous comments from the stakeholders about the implementation of the current H2020 programme, that could be suggested as points of improvement of the new “Horizon Europe”, for a **simplified programme implementation**
- Information has been gathered about
 1. **proposal submission**
 2. **evaluation**
 3. **grant agreement preparation**
 4. **non-financial reporting**
 5. **financial rules and reporting**
 6. **Audits**

Survey results: general (1)

- 99 respondents (not all could see all questions / answered to all questions)
- respondents coming from **whole spectrum of organizations types:**



Survey results: general (2)

Concerning the participants role within the organisation (99 responses):

- 32 researchers
- 21 administrative staff in central administration
- 13 administrative staff in projects
- 24 managing staff /CEO
- 9 other

From the 99 responses:

- 80 submitted (or helped to submit) a proposal in H2020
- 68 obtained (or helped to obtain) funding for a H2020 project
- 64 had direct experience in H2020 project administration
- 68 had already participated in previous European research framework programmes

Concerning the audit questions, (68 responses), 26 have been audited.

Concerning the two-stage submission (77 responses), 56 have experience with the procedure [and most of them were positive]

Survey results - 1 very appreciated feature

Indirect Costs

- Question: **A flat rate of 25 % for indirect costs is used in Horizon 2020. Are you satisfied with this rate?**
- Answer: **86,5% rates (very) positive**
- If negative - remarks, but only 4:
 - 3 wish a higher rate
 - 1 info: *“in some occasions the EC refers to the indirect costs for costs that were categorised by them as ineligible, which is not considered as a good practice”*

Personnel cost

- Question: **Do you consider the calculation of personnel costs in Horizon 2020 as complex**
- 46 answers with experience: **52% too complex**
- Because: *actual cost of previous year • underestimation • fixed team and limited number of categories, not reality • 1720h is not real • we cannot use the monthly calculation • whole series of calculations, often leading to losses • back to the FP7 requirements • calculation of p.m. • double ceiling, maternity leave, salary corrections, are complex. It would be easier to just claim real personnel cost, multiplied by the % time allocation when not 100% • not the same than for the national public authorities • EC updates its rules on a constant basis and expects everybody to abide by their views and interpretations • ...*

Survey results - 1 topic having received **many** comments

Timesheets

- Question: **Are the rules about the time sheets requirements sufficiently clear ?**
- 53 responses: **positive majority**
 - 39 answered rather yes/yes very much;
 - 9 answered not at all/not really;
 - and 5 had no opinion.

Reasons for dislike:

*“rules should be **more simple, univocal, consistent**” • “level of evidence ambiguous” • “rules too generic” • “**should comply with national TS requirements**” • “**template timesheet [AGA], discussed with the EC and their audit services, confirms that this would not suffice when audited. extremely confusing and makes it very hard to implement stricter time recording...seems to allow the presentation only showing actual time worked in the project , but also need to present holidays, sick leave, and other activities**” • “**Researchers work much more hours, at other locations than at work. They have to recalculate the actual hours to office hours and for multiple projects, teaching etc. This should be simplified a lot!**” • “No timesheets... would be a good signal of respect and trust from EC to European researchers” • “**creativity needs to be evaluated**” • “**No more TS for personnel working above 90%**” • ...*

SME & MSCA unit costs

- Question: **Are you satisfied with the ‘SME owners’/MSCA unit cost?**
- 11 answers SME (only 18 participated to the inquiry)
 - **45% not satisfied** - conform remarks received in many occasions by SMEs during Horizon 2020:
“A rate that it so low that it is in many cases in no relation to the real and demonstrably received payments received by SME owners. It hence discourages SMEs and SME owners to participate - contrary to the proclaimed political objectives of the EU.”
Key problem in Belgium: SME owners cannot exhibit a contract as an employee by law hence are obliged to use SME unit cost
- 24 answers MSCA
 - **41% not satisfied – does not cover actual costs**

Survey results - 1 question having received balanced answers

Negotiation

- **Question: In Horizon 2020, proposals selected for funding are turned into grants as they were submitted – without requesting changes to the technical content ('no negotiation' approach). Do you feel a need for the possibility of introducing changes ('negotiations' with the European Commission) during the preparation phase?**
- **Answer:**
 - 58 answers received
 - **50% yes – 50 % no**

No shared views on the topic > no strong support to request a move back to the FP7 approach (keep stable rules is also simplification)

Top comments (selected by NCPs)

- The structure of the **proposals** that is imposed is too cumbersome and leads to repetitive elements in the project description. Especially when it comes to describing probable results, impact and dissemination. Often these 3 are very interrelated and describing them separately is artificial. & Shorter proposals
- **ESR**: need for more **constructive** suggestions on the weakness and less general comments. Reviewers feedback should be specific to proposal and not a superficial copy/paste text (no standard form).
- More room for local **SME** size organisations
- The **time sheets** are not an appropriate tool to judge scientific production. It is just a waste of time. & No more timesheets & No time sheets for personnel working above 90% of full employment
- Straightforward **calculation of personnel costs**. & The calculation method of direct personnel cost doesn't match the actual amount & **Actual** salary costs (cf FP7) & Make claiming of real personnel costs possible
- The **administrative burden** is colossal and counterproductive & Massive overhead and consortiums, little money left for the real R&D
- Deliverables should be more **flexible**. In science, you should be able to keep an open mind about the results. & Scrum-like structures should be introduced.
- **Audits**: need for a follow-up letter for the respectively DG who has financed the project closing the whole audit procedure

How we used this further

- Shared with BE representatives in September
Keep the link between policy and operation
- Shared with COM at L&F NCP meeting in October
- Fed in the discussion on Horizon Europe Rules for Participation
(link with relevant Articles)
Brainteaser for further simplification on the field
- Thank the participants and provide them with feedback
(TODAY)
Keep the link with the field
Make Applicants/Beneficiaries aware of the variety of views

Joint qualitative inquiry as reality check to feed our exchanges on Horizon Europe participation rules

Thanks for your attention.



NCP Flanders





HORIZON 2020

Lessons Learned from H2020 audits

Table of Contents

- 1. First lessons from H2020 audits**
- 2. Audits for Horizon Europe**
- 3. Q&A**

First results of H2020 audits (Scope)

- As of end of February 2019, H2020 audits closed for Belgium
 - *23 audits – 49 audited participations (90% External Audit Firms)*
 - *Overall 555 audits finalised -1280 Participations (78% External Audit Firms)*
- Value % against all negative adjustment
- Indirect costs excluded
- No reclassification

The H2020 Audit Strategy targets 9000 participations audited

First results of H2020 audits (1/2)

Personnel costs – actual costs (1/3 of all negative adjustments) due to:

- Incorrect remuneration costs - e.g. estimated (20%)
- Incorrect productive hours calculation (6%)
- Incorrect time working on action claimed (3%)
- Other - e.g. unreliable/missing timesheets, incorrect additional remuneration (4%)

Personnel costs – unit costs (0% of all adjustments):

- One key difference: Incorrect remuneration costs - e.g. budgeted, estimated

First results of H2020 audits (2/2)

Other goods and services (61% of all adjustments) due to:

- Lack of adequate supporting documents (59%)
- No direct measurement of the cost (1%)
- Double funding and Other errors – e.g. indirect costs claimed as direct costs , no value for money (1%)

Subcontracting (1% of all adjustments) due to:

- Other errors – including e.g. no value for money, (1%)

Travel (1% of all adjustments) due to:

- Cost not related to the action (1%) (mostly)

Equipment (1% of all adjustments) due to:

- Other errors – e.g. no value for money, cost not related to the action (1%) (mostly)

To go further

Annotated Model Grant Agreement (AMGA) :

http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf

Indicative Audit programme (IAP) :

http://ec.europa.eu/research/participants/data/ref/h2020/other/gm/audit/h2020-iap_en.pdf



Lessons Learned (1/2)

- Promote understanding of specific risks and common errors in support of:
 - Ex ante control from financial and project officers
 - Reporting by beneficiaries (incl. FAQ – Online Manual, via Support)
- Raise awareness and provide sustained guidance to Beneficiaries through Communication campaigns
- Improve audit procedures towards a reduced administrative burden and a sped up reporting
- Need for additional guidance on hourly rates and productive hours (e.g. new IT tool to be presented today).

Lessons Learned (2/2)

- Additional guidance required on “Declaration on exclusive work” and minimum requirements of time records.

- Different regional perspectives:

http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-issues-list-countries_en.pdf

- Self-employed employees working via a management company and temporary employment agency
- Specific case of natural persons with a direct contract (co.co.co and co.co.pro) in Italy and Greece.
- Work-agreement and work-performance agreements (Equivalent Appointing acts)
- SME-owner / Marie-Curie-rates

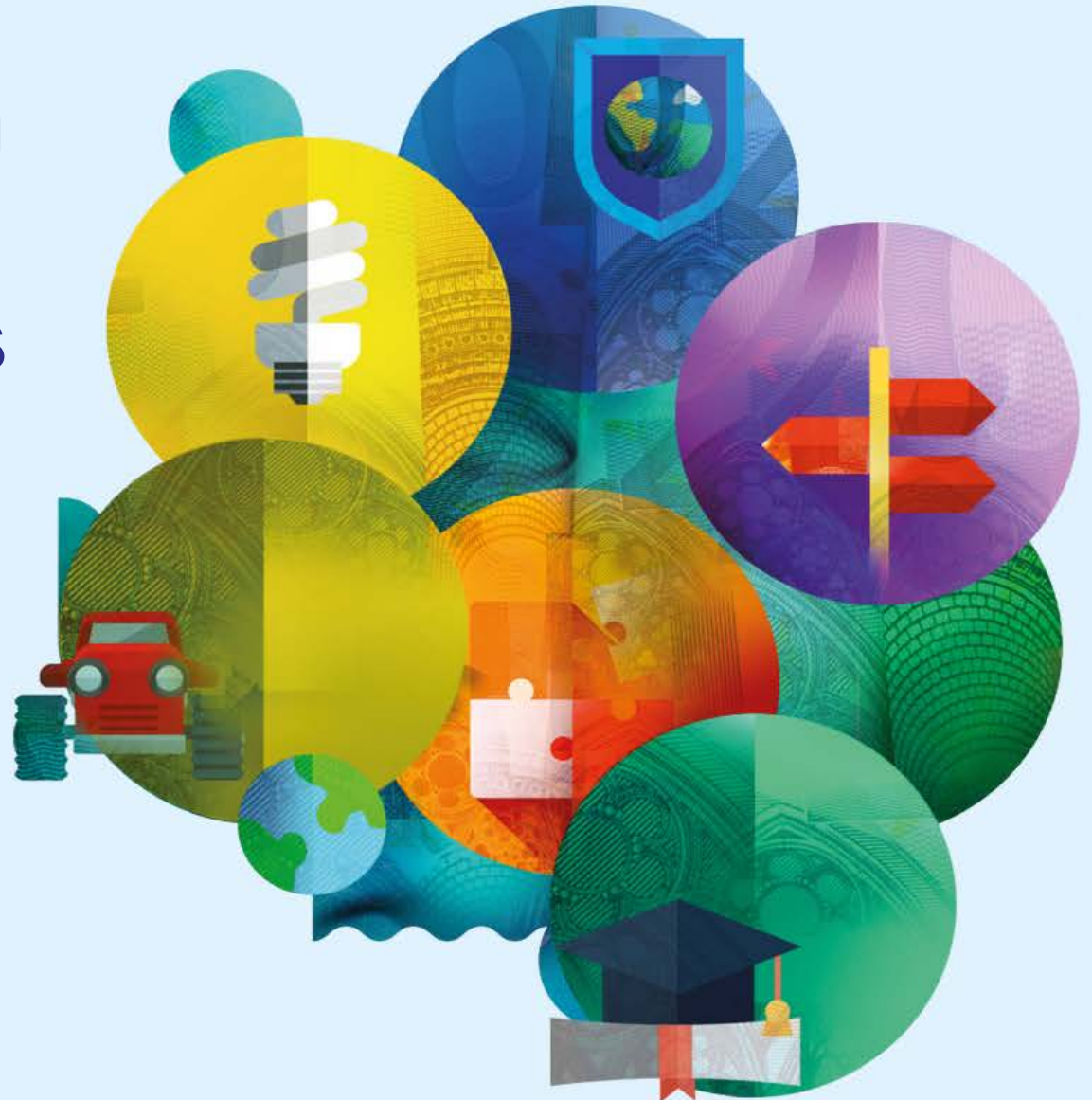
**HORIZON EUROPE
THE NEXT EU RESEARCH & INNOVATION
PROGRAMME (2021 – 2027)**

Horizon Europe audits *focusing on system audits and cross reliance of audits*

[#HorizonEU](https://twitter.com/HorizonEU)

Common Audit Service

31 January 2019





Audit and control system

NEW

Simplified audit and control system:

Key features

- Combined reviews
- Single audit principle for joint funding
- Possibility for enhanced cross-reliance

Combined review

Combines systems and process audit with an audit of transactions
Optional for certain types of beneficiaries
May lead to less Certificates on Financial Statements

Single audit principle for joint funding

A single audit for actions that receive joint funding from different Union programmes

Possibility for enhanced cross-reliance

Possibility for the Commission to rely on audits on the use of Union contributions carried out by other persons or entities



reduced audit burden for beneficiaries



Audit and control system



Article 48 RfP – Audits (1/3)

1. The control system for the Programme shall ensure an appropriate balance between trust and control, taking into account administrative and other costs of controls at all levels, especially for beneficiaries.
2. The audit strategy for the Programme shall be based on the financial audit of a representative sample of expenditure across the Programme as a whole. The representative sample shall be complemented by a selection based on an assessment of the risks related to expenditure. **Actions that receive joint funding from different Union programmes shall be audited only once, covering all involved programmes and their respective applicable rules.**



- ▶ **Seek synergies with other Union Programmes**
- ▶ **Increase leverage of Union funding**
- ▶ **Reduce the audit burden for beneficiaries**



Audit and control system



Article 48 RfP – Audits (2/3)

3. In addition, the Commission or funding body may rely on **combined systems reviews** at beneficiary level. These combined reviews shall be optional for certain types of beneficiaries and shall consist in a **systems and process audit**, complemented by an **audit of transactions**, carried out by a competent independent auditor qualified to carry out statutory audits of accounting documents in accordance with Directive 2006/43/EC³⁴. They may be used by the Commission or funding body to determine overall assurance on the sound financial management of expenditure and for **reconsideration of the level of ex-post audits and certificates on financial statements**.



- ▶ **Reduce the audit burden for beneficiaries** : at CFS level and ex-post audits.
- ▶ **Voluntary basis / Optionality** : Similarities with CoMUC and LRI.



Audit and control system



Article 48 RfP – Audits (3/3)

4. In accordance with Article 127 of the Financial Regulation, the Commission or funding body may rely on audits on the use of Union contributions carried out by other persons or entities, including by other than those mandated by the Union Institutions or bodies.
5. Audits may be carried out up to two years after the payment of the balance.



- ▶ **Single set of rules** : one of the seldom repetition of the Financial Regulation.
- ▶ **Well defined scope** : No possible reliance on audits on non-EU contribution (importance of eligibility rules).
- ▶ **Stability** : Auditability similar to Horizon 2020 (5 years in FP7).

Thank you!

#HorizonEU

<http://ec.europa.eu/horizon-europe>



HORIZON 2020

H2020

PERSONNEL COSTS

The Framework Programmes timeline

2007

2014

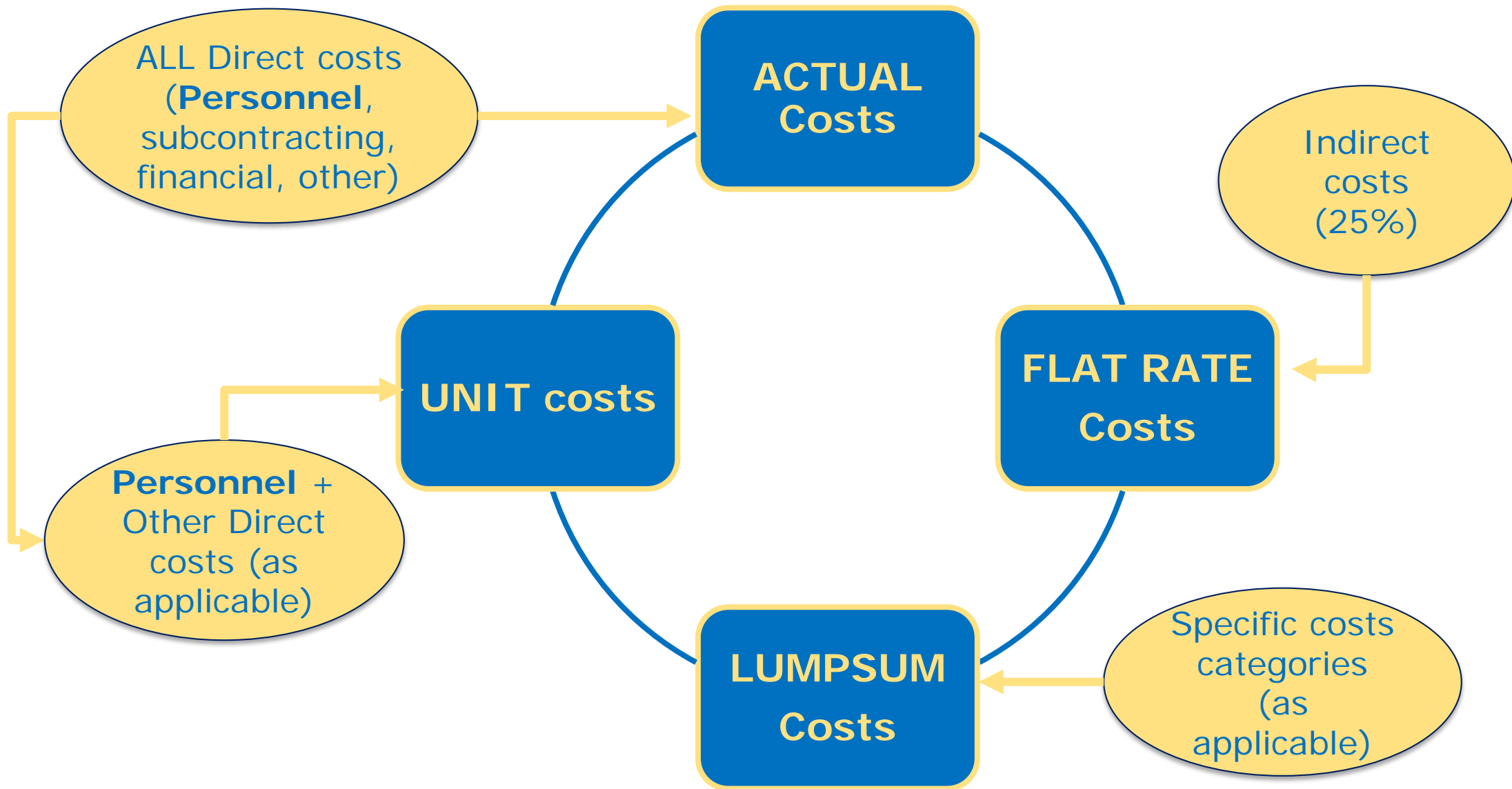
2021



Each FP brings its brick in the wall!

Horizon Europe

Forms of costs (AGA p. 31/32)



Classifying workforce contracts

Is it an employment contract?

Is there one or multiple contracts?

Are working time conditions legal/contractual/flexible?

Who signed the contract (person/company)?



What about 'consultants'?

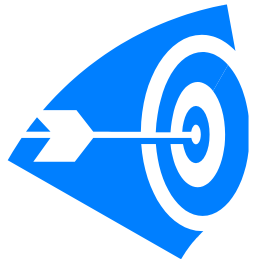
What contract under what budget category

A. Direct personnel costs		B. Direct costs of subcontracting	C. Direct costs of fin. support]	D. Other direct costs	E. Indirect costs ²
A.1 Employees (or equivalent)	A.4 SME owners without salary			D.1 Travel	
A.2 Natural persons under direct contract	A.5 Beneficiaries that are natural persons without salary			D.2 Equipment	
A.3 Seconded persons				D.3 Other goods and services	
[A.6 Personnel for providing access to research infrastructure]				[D.4 Costs of large research infrastructure]	
Actual	Unit ⁷	Unit ⁸	Actual	Actual	Flat-rate ⁹

Workforce costs

What contract under what budget category

Under personnel costs



Persons hired via an *employment contract*

(as per national law including social security contributions)

BUT ALSO:

-> **Natural persons** hired via a **direct** contract (not as employees) **IF:**

- Similar work conditions to those of an employee (e.g. work hours)
- No intermediate third party
- The beneficiary owns the result of the work (similar to employees)
- The costs are not significantly different from those of an employee

-> Employee **Seconded** by a **third party** (Annex 1!)

What contract under what budget category

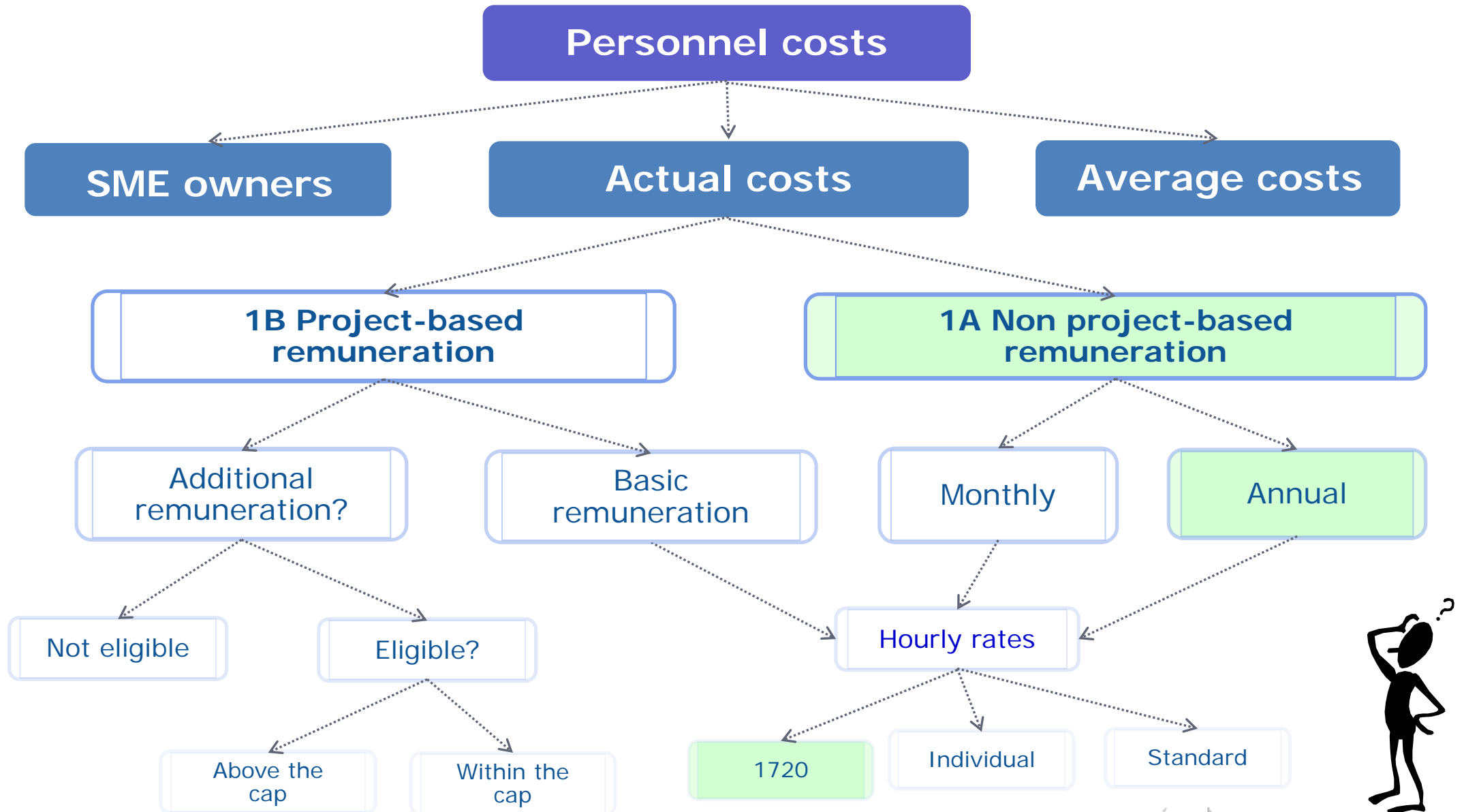
NOT under personnel costs

- ❌ Contracts via **intermediate companies** (temp agencies)
- ❌ Natural persons who don't fulfil **all** the required **conditions**
e.g. not working like employees in the premises of the beneficiary
- ❌ Natural persons paid for **deliverables** rather than for *working time* (*subcontracting*)




In principle, budget category 'Other goods and services' or 'Subcontracting'

Personnel costs: calculating values to report



Personnel costs: Basic methodology



Hours worked




Hourly rate
EUR/hour



Additional remuneration



Time records and/or Declaration on exclusive work



Formula for actual costs



project-based remunerations

Hours actually worked on the action can be charged



In other words:

Hours declared must be supported by reliable records and documentation (Art.18)



NOT eligible:

- Budgeted time (what you indicated for the budget)
- Estimated time (e.g. person 'guessing' at the end of the year)
- Time allocation (e.g. x % of the contractual time of the person)



Time records: supporting documents

Exclusive Work or NOT

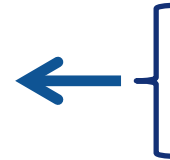
↳ Exclusive work on the H2020 action during an uninterrupted period of at least one **full calendar month**

Exclusive Work	Records	Conditions (full details in the AGA)
YES	Declaration	<ul style="list-style-type: none">→ One per person and per reporting period→ For an uninterrupted period (a month at least) of exclusive work
NO	Time records	<ul style="list-style-type: none">→ dated and signed at least monthly (employee and supervisor)→ minimum conditions and information needed of the AGA (art. 18.1.2)

Declaration for persons working exclusively on the action:

On the portal: reference documents/reporting templates

- the whole reporting period
- from/...../.....³ until/...../.....⁴
(This period must cover at least one full natural month)⁵



EU GRANT'S DECLARATION ON EXCLUSIVE WORK FOR THE ACTION		Reporting period number:	<input type="text" value="insert RP number (from DDMMYYYY) (DDMMYYYY)"/>
Project name (acronym):	<input type="text"/>	Project number:	<input type="text"/>
Participant name:	<input type="text"/>		
Name of the person:	<input type="text"/>	Type of personnel (see Art 6.2.A MCA):	<input type="text"/>

We hereby declare that insert name of person..... has worked exclusively for the above-mentioned project during (Chose one below):

- the whole reporting period
- from/...../.....³ until/...../.....⁴ (This period must cover at least one full calendar month)

Please ~~don't~~ forget that you must keep time-sheets for any time worked on the project outside this declaration.

DESCRIPTION OF ACTIVITIES CARRIED OUT FOR PROJECT DURING THE COVERED PERIOD	
Work package number	Activities
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

SIGNATURES

For the participant (supervisor):

Name:

Date:

Signature:

Person:


Date:

Signature:



Only one declaration can be made per reporting period for each person

Do keep time records

- Check the AGA:
 - Art.18.1.2 lists 6 elements considered a minimum requirement
-  Time-sheets need corroboration
 - Records of annual leave and other leaves and work-related travel

Common errors during audits:

- Inconsistency with HR records
- Time sheets not properly dated or signed
- Time charged on different projects > Productive hours (double funding!)
- Poor or limited information captured

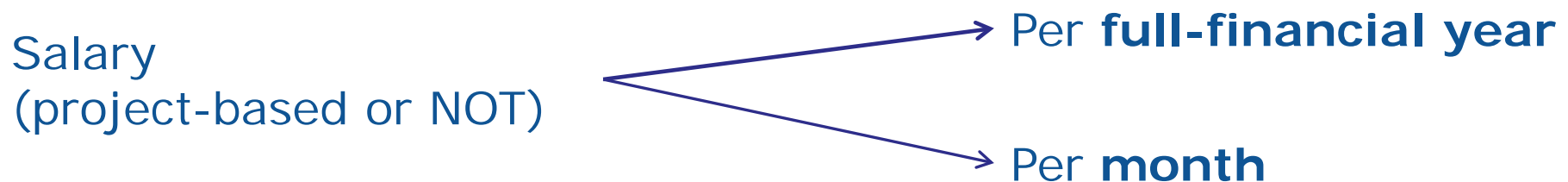
SME owner without a salary

- Fixed hourly rate (unit cost) determined in the grant

Average personnel costs

- Average hourly rate (unit cost) calculate in accordance with the beneficiary's practices

Actual costs



Personnel costs: hourly rate

SME owner or natural person without a salary


Costs are based on the unit cost set in Commission Decision C(2013) 8197 and in Annexes 2 and 2a of the GA

In SYGMA :

Monthly living allowance for experienced
researchers under the IF actions

143

× Country correction coefficient

 **Remuneration** by dividends, service contracts between the company and the owner, etc. are **not a salary**

Personnel costs: hourly rate

Average personnel costs

Usual cost accounting practice, **subject to:**

- ↪ A consistent application of the methodology, based on objective criteria, regardless of the source of funding
- ↪ An hourly rate based on actual personnel costs (accounts) less ineligible cost or costs included in other budget categories
- ↪ Annual productive hours stemming from one of the options detailed in the Grant Agreement.

Personnel costs: hourly rate

Actual costs

1A - General case: the salary is NOT project-based

$$\text{Hourly rate} = \frac{\text{Total personnel costs}}{\text{Total productive hours}}$$

1B - Specific case: project-based remuneration

$$\text{Hourly rate} = \frac{\text{Personnel costs for the H2020 action}}{\text{Hours worked for the H2020 action}}$$



Subject to the provisions on additional remuneration

Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

Annual hourly rate

Hourly rates calculated per full financial year

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Monthly hourly rate

Hourly rates calculated per month

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

Two options

★ One outcome

Eligible personnel costs

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

- ✓ **Salaries + Social security** contributions (employers' and employees')
- ✓ Taxes and **other costs** included in the remuneration, which arise from national **law** or the employment **contract** (country guidance)
- ✗ Ineligible items listed in article 6.5
- ✗ Costs included in other budget categories (e.g. indirect costs)

Hourly rate: CASE 1A (remuneration is not project-based)

Annual productive hours

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$



Hourly rate: CASE 1A (remuneration is NOT project-based)

Annual productive hours principle: CONSISTENCY

- *One option for all personnel (by category)*
- *One option(s) per full financial year*

✓ Options may be changed with each financial year

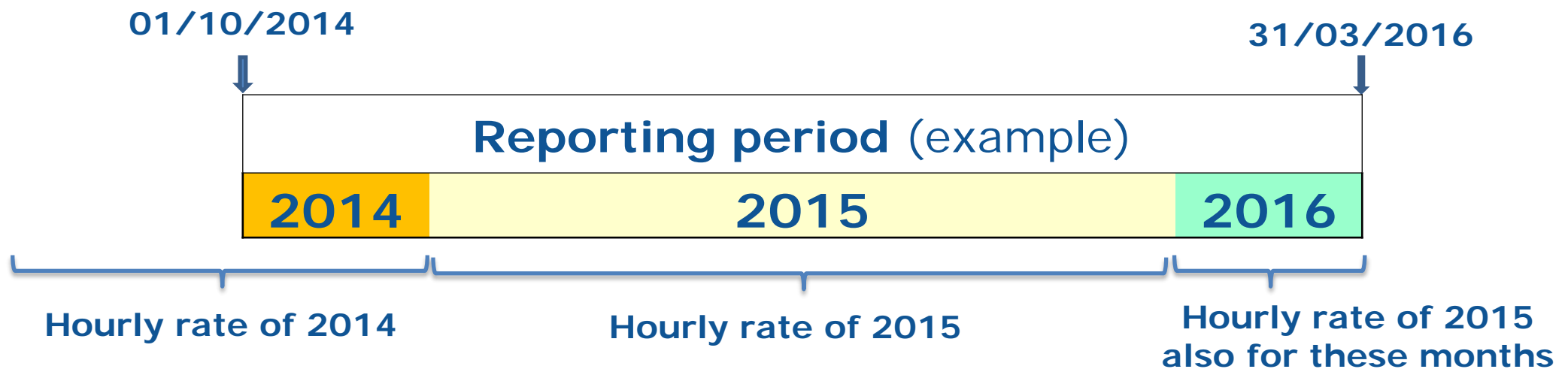
Hourly rate: CASE 1A (remuneration is NOT project-based)

Annual hourly rate specificities

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

⚠ The annual hourly rate is calculated **per full financial year**

If the financial year is not closed at the end of the reporting period, the rate of the *last closed financial year* is to be used



Hourly rate: CASE 1A (remuneration is NOT project-based)

Monthly hourly rate specificities

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

One hourly rate *per month per person*

- ✓ **Monthly productive hours** = 1/12 of the annual productive hours
 - ✓ Only options 1 (1720) and 3 (standard) are allowed. Option 2 (individual) is NOT allowed for monthly hourly rates.
- ⚠ **Thirteen salary** (and similar) included in each month "pro-rata"; not in full in the month when they are paid.
- ✓ **Time spent in parental leave** cannot be deducted from the monthly productive hours (but actual personnel costs incurred during the leave may be charged in proportion to the time the person worked for the action)

Personnel costs: double ceiling

Beneficiaries must ensure that:

- the **total number of hours declared** in EU **and** Euratom grants for a person for a year:

   $\sum \text{hours declared} \leq \text{total annual productive hours}$

- the **total** amount of **personnel costs declared** (for reimbursement as actual costs) in EU **and** Euratom grants for a person for a year

   $\sum \text{cost declared} \leq \text{total personnel costs for the person}$

1 Additional remuneration?

Identify what part of the remuneration of the employee is 'basic' and what part is 'additional'

2 Hourly rate

Calculate the hourly rate of the employee using only the 'basic remuneration'

3 Personnel costs: 'basic'

Multiply that hourly rate by the number of hours worked in the action

4 + Additional remuneration

Calculate what part of the additional remuneration identified in Step 1 is eligible & add it to the result of Step 3

CASE 1B: FOUR STEPS TO CALCULATE THE PERSONNEL COSTS

Exercise: Calculation of personnel costs (general case)

Ms R. has worked in 2015 and 2016 for a H2020 action with a reporting period from 01/10/14 to 31/03/16.

Calculation of the personnel costs to be charged to the action:

Step 1

Calculate the hourly rate

Step 2

Identify the hours worked for the action

Step 3

Multiply the hours worked for the action by the hourly rate

Exercise: General calculation of personnel costs

$$\text{Cost} = \text{Hours worked for the action} \times \underbrace{\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}}_{\text{Hourly rate}}$$

Step 1.a

Calculate the hourly rate: annual personnel costs

⚠ *With **2016 on-going** at the end of the reporting period, the applicable rate for 2016 is the **2015** one*

In 2015, Ms R. had a gross monthly salary of 2 500 EUR and the employer's social security costs are 30 %

$$\text{Annual personnel costs} = (2\,500 \times 12) + 30\% = 30\,000 + 9\,000 = 39\,000$$

Exercise: General calculation of personnel costs

$$\text{Cost} = \text{Hours worked for the action} \times \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Step 1.b

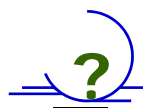
Calculate the hourly rate: annual productive hours

Out of the three options in H2020 grant agreements:

- i. Fixed hours
- ii. Individual annual productive hours
- iii. Standard annual productive hours

The beneficiary applies option 1 for all its staff

Annual productive hours of Ms R. = 1720



What if Ms R. were a part time employee?

Exercise: General calculation of personnel costs

$$\text{Cost} = \text{Hours worked for the action} \times \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Step 2

Identify the hours worked for the action

Ms R. worked some hours in December 2015 (time records):

DAY	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total	
Reference e.g. work package																																	
WP 2		8	8	8			4	8	8	8	8				8	8	8																84

And in 2016 she signed a declaration of exclusive work in the action covering the period:

- from 01/01/2016³ until 15/02/2016⁴
(This period must cover at least one full natural month)⁵

Hours worked for the action in 2016 = (1720 / 12 months) x 1,5 months = 215

Exercise: General calculation of personnel costs

$$\text{Cost} = \text{Hours worked for the action} \times \frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Step 3 Multiply the hours worked for the action by the hourly rate

$$\text{Cost 2015} = 84 \times \frac{39\,000}{1\,720} = 84 \times 22.67 = 1\,904,28$$

⚠ *With 2016 on-going, the 2015 hourly rate applies for the 2016 months of the reporting period*

$$\text{Cost 2016} = 215 \times 22.67 = 4\,874.05 \text{ EUR}$$

Participant Portal

At: <http://ec.europa.eu/research/participants/portal/desktop/en/home.html>



Horizon 2020 Annotated Grant Agreement

http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf



Horizon 2020 On-line Manual

http://ec.europa.eu/research/participants/docs/h2020-funding-guide/index_en.htm



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H2020

OTHER DIRECT COSTS



Content

- General principles
- H2020 novelties / Internal invoicing
- H2020 novelties / (Sub)contracting
- Auditor advice: tendering

Direct costs for the action

Direct costs are defined as:

- Attributable directly to the action
- Linked directly to the action implementation
- Exclusive of any indirect costs

Direct costs are used, in full, for:

- the action

OR

- several actions AND directly measurable by action (e.g. not allocated via cost drivers)

Direct costs for the action

Art. 6.1 (a) – Eligibility criteria in practice

- Evidence the direct link to the action
(sufficient and persuasive evidence/indicative audit programm)
- Keep records which establish the direct measurement of use
 - NOT fair apportionment through proxies, cost drivers or allocation keys. It's indirect cost
- Demonstrate that the measurement system accurately quantifies costs (identifiable and verifiable)
- Overall, what was considered direct/indirect in FP7 remains the same in H2020

Examples (1)

NOT ALLOWED!

The **full** depreciation costs of an x-ray machine are declared in the periodic reporting.

Only some hours of total usage goes **to the action**.

ALLOWED!

The **actual** use should be **directly measured** (logbook, etc.):

The part of the annual depreciation to the H2020 action is calculated based on the number of hours/days/months of actual use of equipment for the action.

Examples (2)

NOT ALLOWED!

Consumables costs are charged as **direct costs** on the H2020 action as a **proportion** of the action hours to total worked hours in the laboratory.

ALLOWED!

They may be declared as **actual** costs *e.g. direct consumption for the action should be **measured*** (actual consumables used).

Even if it is the usual accounting practice of a beneficiary, these are considered indirect costs.

Auditor's advice: direct measurement

*In FP7, energy and power supply was an indirect cost:
can I charge it as direct in H2020?*

Yes, if I can measure it...

*Administrative staff members doing accounting for the action:
can I charge them to the action?*

Yes, with time sheets and provided it is your usual practice...

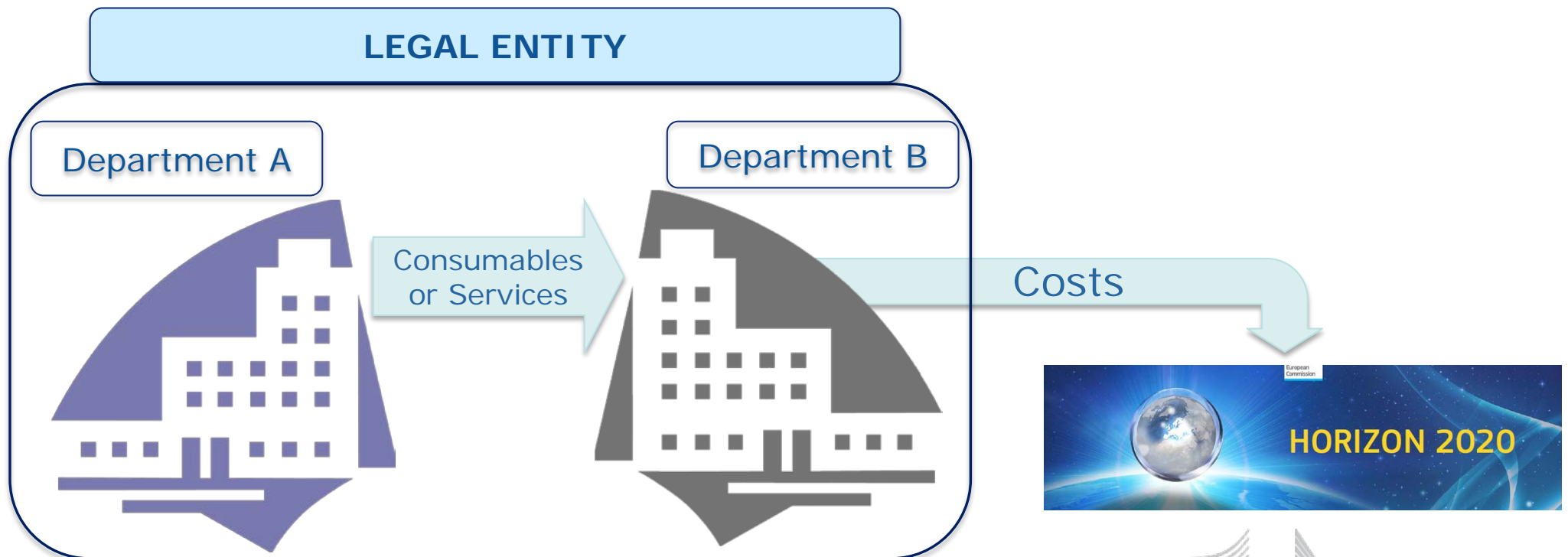
*Multi-purpose equipment used for several activities/actions:
can I charge its depreciation to an EU action as a % of
its capacity based on my experience?*

No. I have to measure its use.

Internal invoices unit cost

Internal invoices:

- inter-services cost of use (invoice)
- of internal goods or services
- used directly for the action
- at a unit cost calculated in accordance with usual cost accounting practices



Internal invoices unit cost

EXAMPLES

Self-produced consumables

- e.g. electronic wafers, chemicals, etc.

Use of devices or facilities

- e.g. clean room, wind tunnel, supercomputer, etc.

Specialized premises

- e.g. animal house, aquarium, etc.

Standardised processes

- e.g. genomic test, mass spectrometry analysis, etc.

Hosting services for researchers²

- e.g. housing and canteen costs for visiting researchers

Internal invoices unit cost

Internal invoices:

- Calculated according to usual cost accounting practices
- BUT, adjusted to comply with eligibility criteria.



Subcontracts vs Contracts

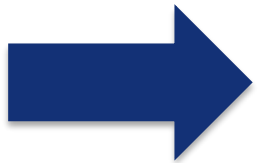
<p align="center">Article 10</p> <p align="center">Contracts to purchase goods, works or services</p>	<p align="center">Article 13</p> <p align="center">Subcontracts</p>
<p>These contracts do not cover the implementation of action tasks, but they are necessary to implement action tasks by beneficiaries.</p>	<p>Subcontracts concern the implementation of action tasks; they imply the implementation of specific tasks which are part of the action and are described in Annex 1.</p>
<p>Do not have to be indicated in Annex 1.</p>	<p>Must be indicated in Annex 1.</p>
<p>The price for these contracts will be declared as ‘other direct costs’ — column D in Annex 2 — in the financial statement; they will be taken into account for the application of the flat-rate for indirect costs.</p>	<p>The price for the subcontracts will be declared as ‘direct costs of subcontracting’ — column B in Annex 2 — in the financial statement; they will not be taken into account for the application of the flat-rate for indirect costs.</p>

Contracts in H2020 vs. FP7: What changed?

The following are considered as contracts:

(if not specifically mentioned in Annex 1 as action tasks)

- Catering for meetings
- Translation services
- Setting up and maintenance of a project website



To be reported as other direct costs

(Sub)contracting: characteristics

- Business transaction (profit margin)
- Independent worker (No subordination/ supervision°)
- The beneficiary bears sole responsibility to the EU INCLUDING:
 - Ensure that its (sub)contractors can be audited by the Commission/Agency, OLAF and ECA
- “Contracting authorities” must comply with applicable national law on public procurement
 - In principle: EU directives
- Responsibilities to EU lie with the beneficiary
- **Best value for money**
- **Prevent Conflict of interest**

Subcontracting: additional eligibility conditions

- Tasks and estimated costs:
 - in Annex 1 for each subcontract
- The need for a subcontract:
 - in Annex 1
- Total costs per beneficiary:
 - in Annex 2
- Existing framework subcontracts are acceptable:
 - indicate the name of the subcontractor in Annex 1



These conditions do not lift the obligation to ensure best value for money!

You must demonstrate
'best value for money'

and

take measures to avoid
'conflict of interests'

Auditor's advice: Best Practice

How to demonstrate 'best value for money'

- Some level of tendering to demonstrate 'best value' – e.g. tender, three offers, market survey, etc.
- Naming the supplier in the grant does not mean that you do not have to demonstrate best value
- We will normally accept your standard practices, when properly used

BUT



Your accounting practices are not a panacea!

(e.g. cash basis depreciation is not automatically accepted even if it is in line with your accounting practices)

Auditor's advice: Common errors

- 'Best value' not demonstrated
 - no tender, no offers, no market survey
- No documentation kept
- Participants' own usual practices and procedures not applied
- Subcontracting between participants
- Public entities not applying public procurement rules
- Too high (unreasonable) thresholds foreseen in the rules of the participant

Auditor's advice: Conflict of interests

Avoid **conflict of interests**

(Art.35 of the MGA)

*'The beneficiaries must take all measures to prevent any situation where the impartial and objective implementation of the action is compromised for reasons involving economic interest, political or national affinity, family or emotional ties or any other shared interest ('**conflict of interests**').'*

Auditor's advice: Conflict of interests

Avoid **conflict of interests**

(Art.35 of the MGA)

The beneficiaries must formally notify the EC/Agency without delay any situation constituting or likely to lead to a conflict of interests and immediately take all the necessary steps to rectify this situation.

Non-compliance may have consequences (reduction of grant, termination).

Auditor's advice: Examples

I have named my subcontractor in the Annexes to the GA
is it enough?

- **No because** you are still deemed to have respected the best value for money

My subcontractor is a friend
is it a problem?

- As such **not. But** you must be in a position to prove that his/her offer represents the best price-quality ratio
- The conflict of interests rule requires you to adopt every measure to avoid it (including family and emotional ties)

I use the same IT provider since 20 years, with a written framework contract

is it ok?

- **If** you use it for you and for us, then **ok**. However, maybe it is time to look for better prices ...

Best Practice

- Do not wait for an audit!
- At grant signature:
Foresee and justify all subcontracts in Annexes 1 & 2
- During the grant execution:
 - Ask for amendment to include subcontracts
 - Justify subcontracts in the technical reports
 - Communicate clearly and in writing with the project officers





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Model Grant Agreement THIRD PARTIES

Third parties: basics

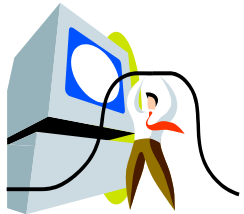
⇒ What is a third party?

↳ A legal entity which carries out work of the action, supplies goods or provide services for the action, but which did not sign the grant agreement

⇒ What types of third parties?



1. Third parties directly carrying out part of the work described in Annex 1



2. Other third parties: providing resources, goods or services to the beneficiaries for them to carry out the work described in Annex 1



3. Third parties receiving financial support (money) from the beneficiary as part of the action. Only when authorised in the call

1. Third parties carrying out work in the action

Beneficiary

Linked third parties

Affiliated entities

Third parties with a legal link

Affiliated entity

- Under the direct or indirect control of the beneficiary
- Under the same direct or indirect control as the beneficiary
- Directly or indirectly controlling the beneficiary

'control' = >50 % shares or majority voting rights or decision-making powers


1. Third parties carrying out work in the action

Beneficiary

Linked third parties

Affiliated entities

Third parties with a legal link

- Similar to FP7 Special Clause 10
- Must be identified in the GA
- Same cost eligibility criteria than for beneficiaries
-  **NEW:** COM or Agency may request them to accept joint and several liability for their EU contribution

Affiliated entity

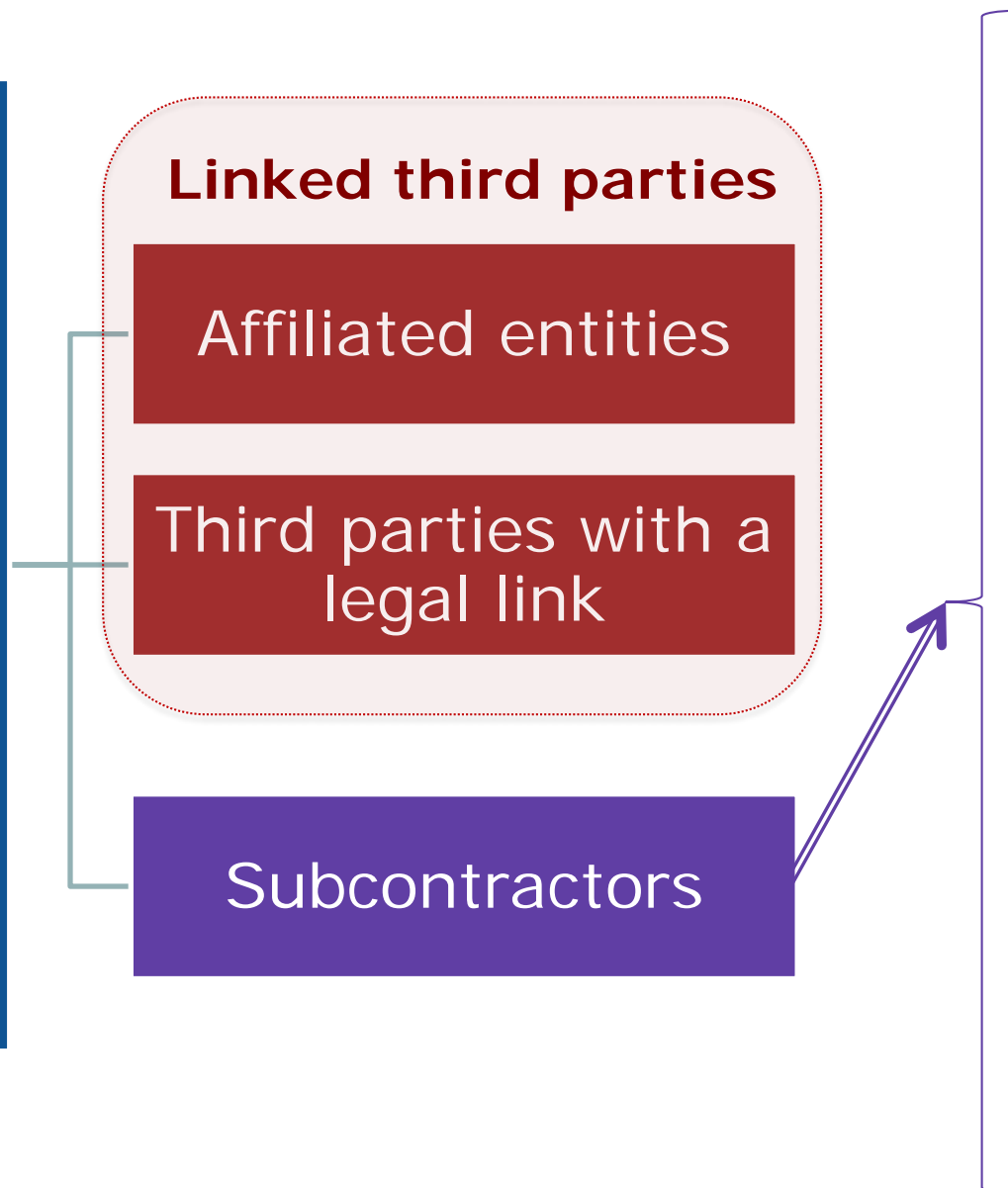
Legal link

A legally established relationship **not** specifically created for the Grant Agreement.

It may be in the framework of a legal structure (e.g. the relationship between an association and its members) or through an agreement or contract (not limited to the action).

1. Third parties carrying out work in the action

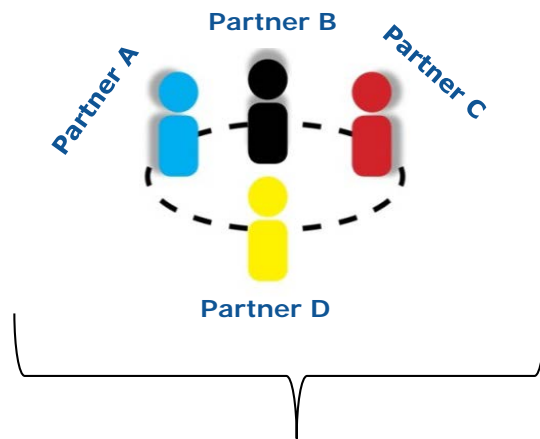
Beneficiary



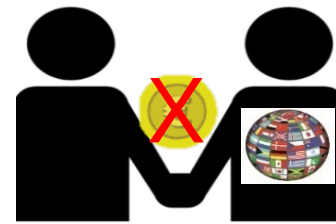
- Ensure best value for money and avoid conflict of interests
- ⚠ Subcontracting between beneficiaries is **not allowed**. Subcontracting to affiliates is generally not allowed either
- Estimated costs and tasks must be identified in the budget and in Annex 1
- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
- E.g.: Testing described in Annex 1 as action task

"INTERNATIONAL PARTNERS"

H2020 project



- Signatories of the GA
- May receive EU funding
- **Partner B** has one **International Partner**



International Partner:

- Linked to Partner B
- Participant Identification Code (PIC number)
- Not Signatory of the GA
- No EU funding
- Own (non EU) Budget
- Action Tasks in the Project
- No financial reporting

2. Other third parties

Beneficiary

Contracts
necessary for the
implementation

In- kind
contributions

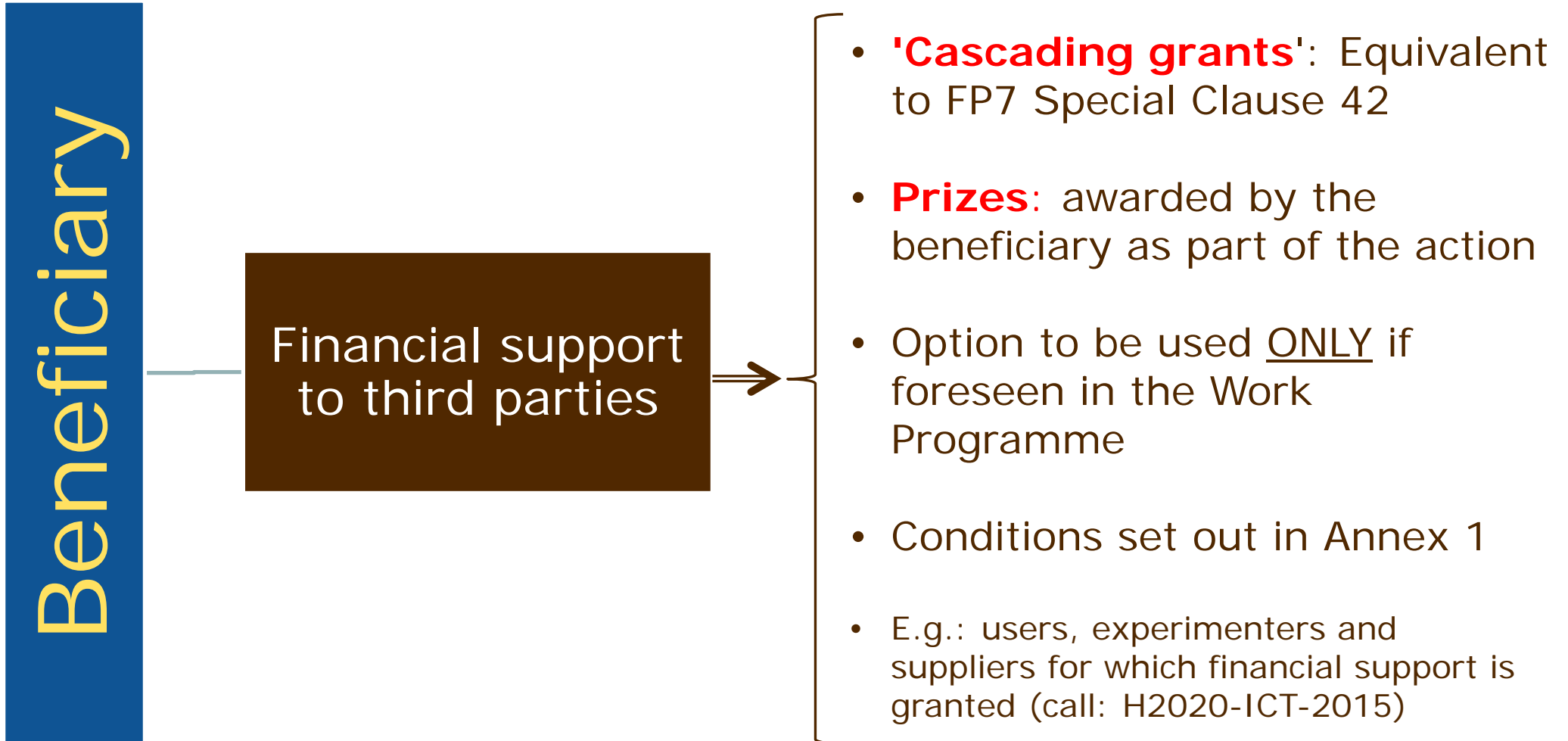
- For the purchase of goods, works or services
- Ensure **best value for money** and avoid any **conflict of interests**
- E.g.: CFS, supply of consumables, etc.

- Free of charge or against payment
- ⚠ Only the actual eligible costs of the third party may be charged
- Must be set out in Annex 1
- **NEW**: if not identified in Annex 1, Commission may still approve them (beneficiary bears the risk of rejection)
- E.g.: seconded staff, use of equipment

Subcontracts vs. Contracts

<p align="center">Article 10</p> <p align="center">Contracts to purchase goods, works or services</p>	<p align="center">Article 13</p> <p align="center">Subcontracts</p>
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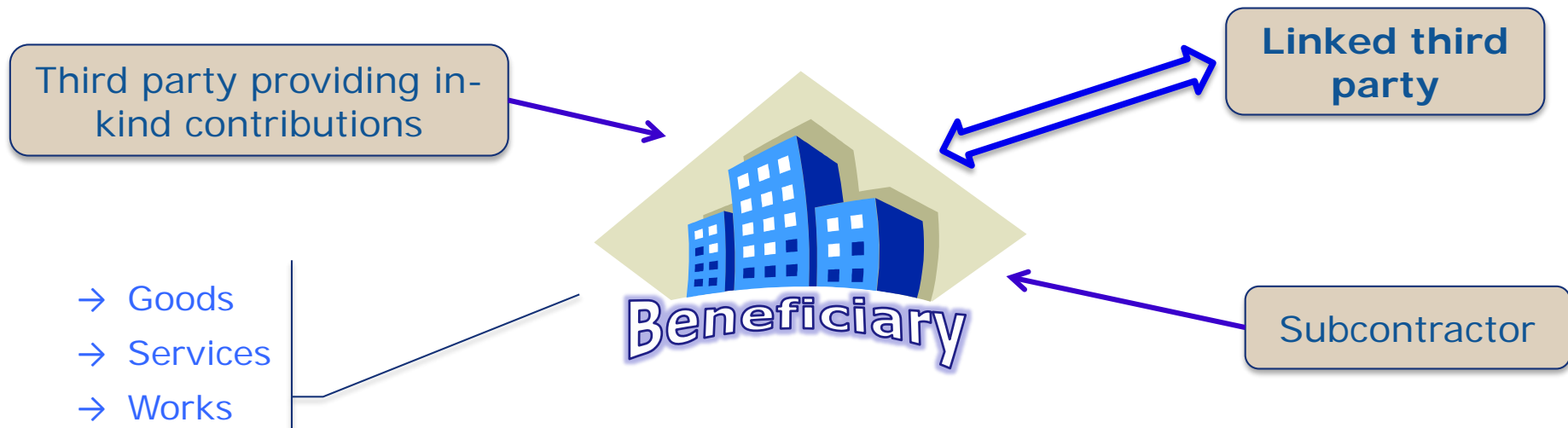
3. Financial support to third parties



Third parties: summary

Types of third parties	CHARACTERISTICS						
	Does work of the action	Provides resources or services	What is eligible?	Must be indicated in Annex 1	Indirect costs	Selecting the third party	Articles
Linked third party	YES	NO	Costs	YES	YES	Must be affiliated or have a legal link	Article 14
Subcontractors	YES	NO	Price	YES	NO	Best value for money, avoid conflict of interest	Article 13
International partners	YES	NO	No EU funding	YES	No EU funding	Partner to one beneficiary	Article 14a
In-kind contributions by third parties	NO	YES	Costs	YES	YES	Must not be used to circumvent the rules	Articles 11 and 12
Contractors	NO	YES	Price	NO	YES	Best value for money, avoid conflict of interest	Article 10
Financial support to third parties	Only if allowed in the call The beneficiaries' activity consists in providing financial support to the target population			YES	NO	According to the conditions in Annex 1	Article 15

Third parties: Warnings !



The beneficiary retains the sole responsibility for the work and the costs declared !

If something goes wrong with the third party, the beneficiary will be responsible



The beneficiary must ensure that Commission, OLAF and European Court of Auditors can audit its third parties including subcontractors and providers



In case of an audit to a 3rd party, the beneficiary is also in copy of all relevant communications (announcement of the audit, audit report, etc.)

Additional Guidance



➔ Horizon 2020 Annotated Grant Agreement

http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf

- ✓ All MGAs explained in a single document
- ✓ Updated periodically based on feedback from users

➔ Communication and training

- ✓ H2020 Communication Campaign
- ✓ Coordinators' days, info days, etc.

Still questions? **Research Enquiry Service** (<http://ec.europa.eu/research/enquiries>)



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Audit Process in H2020

Table of Contents

- 1. Framework for external audits*
- 2. Audit process*
- 3. Communication flow*
- 4. Coherence between FP7 and H2020*
- 5. How often could I be audited ?*
- 6. Latest developments*
- 7. Additional info*

1. Framework for ex-post audits

- ✓ External audits **ARE** ruled by Article 22.1 of the H2020 Model Grant Agreements: H2020 General MGA

ARTICLE 22 — CHECKS, REVIEWS, AUDITS AND INVESTIGATIONS — EXTENSION OF FINDINGS

22.1 Checks, reviews and audits by the *[Agency and the]* Commission

22.1.1 Right to carry out checks

The *[Agency or the]* Commission will — during the implementation of the action or afterwards — check the proper implementation of the action and compliance with the obligations under the Agreement, including assessing deliverables and reports.

For this purpose the *[Agency or the]* Commission may be assisted by external persons or bodies.

The *[Agency or the]* Commission may also request additional information in accordance with Article 17. The *[Agency or the]* Commission may request beneficiaries to provide such information to it directly.

Information provided must be accurate, precise and complete and in the format requested, including electronic format.

- ➔ Ex-post controls
- in-house (CAS) +/-20%
 - outsourced (EAFs) +/-80%

- ✓ External audits **ARE NOT** :

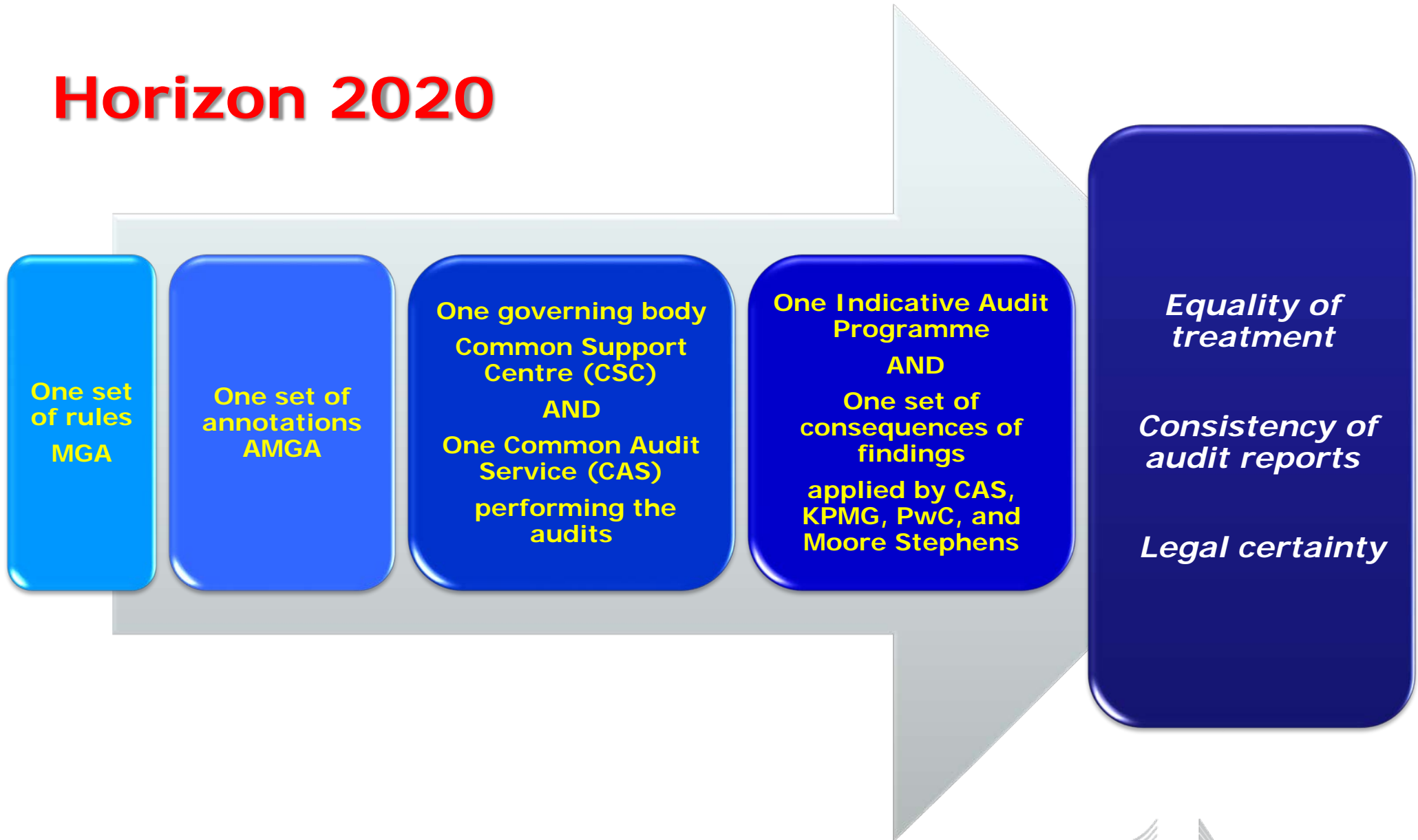
- Agreed Upon Procedures performed by CFS auditors
- Controls by operational officers on deliverables
- Controls by financial officers on Financial Statements

Ex-ante controls

The information is not legally binding.

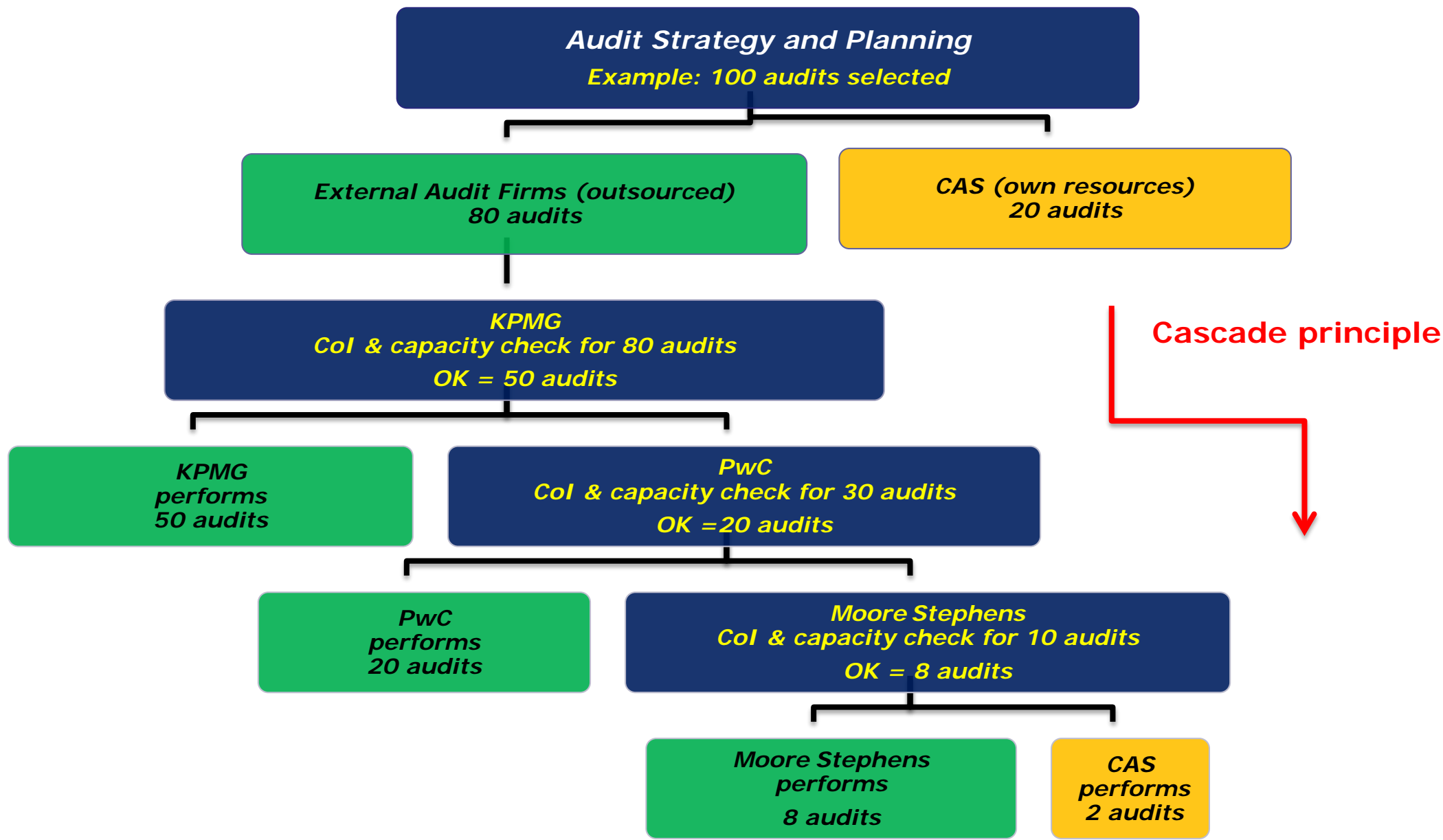
1. Framework for ex-post audits

Horizon 2020



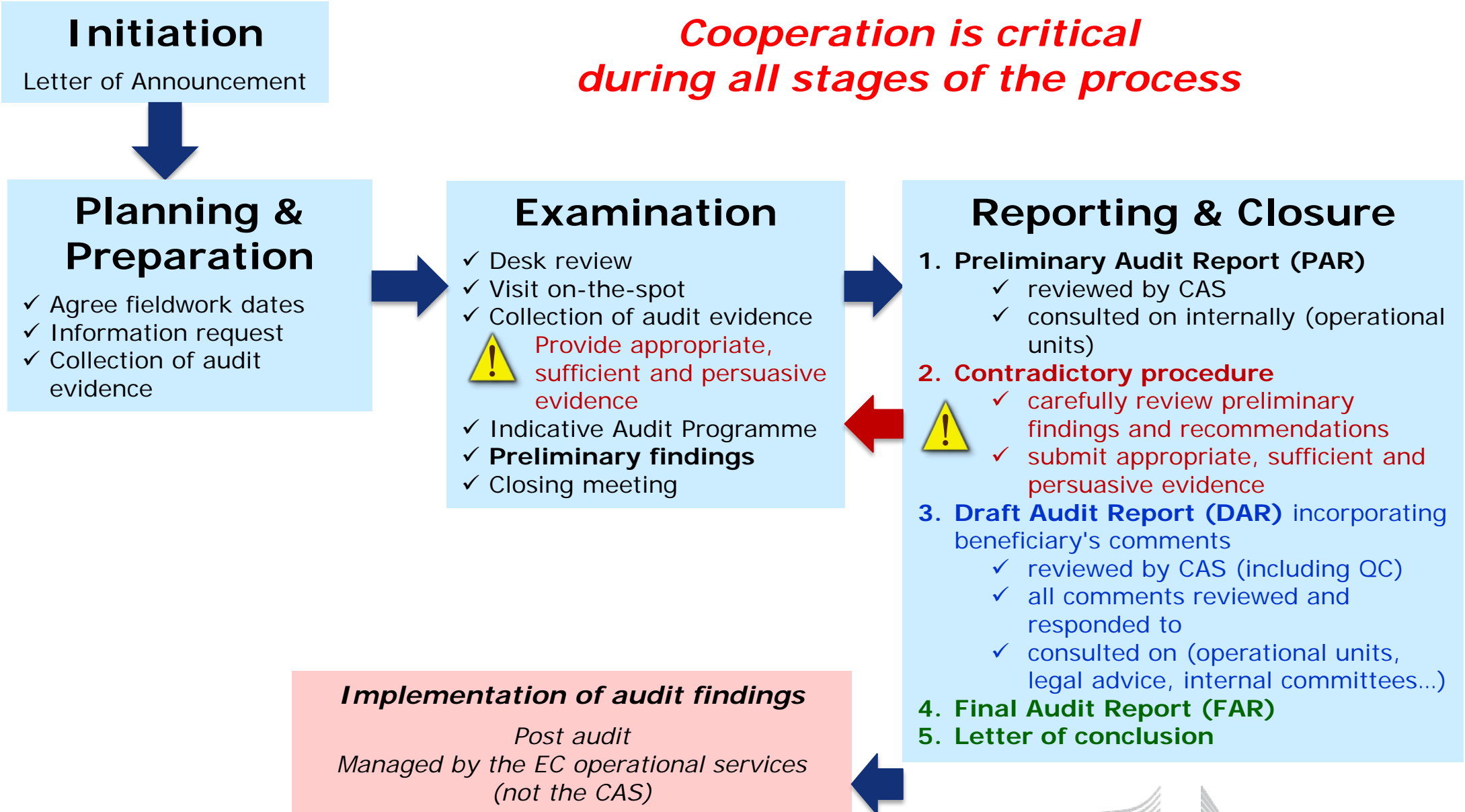
The information is not legally binding

2. Audit process – Audit Strategy and Planning



2. Audit process – Main steps

Cooperation is critical during all stages of the process



The information is not legally binding



3. Communication flow

3.1 How to avoid "bad-surprise" in an audit

3.2 Communication during the audit process

3.3 Communication after the closure of the audit

3.1. How to avoid "bad-surprise" in an audit



Discipline



Prudence



Perseverance



Reality



Headache during the weekend



**When in doubt, consult:
EC PO/FO, enquiry service**

3.2 Communication during the audit process (1)

Example 1: *Missing documents are not reported during the closing meeting, but the draft audit report proposes adjustments on that ground;*

- ✓ Advice 1: during contradictory phase the Beneficiary and the auditor should:
- discuss every missing supporting documents
 - request mutual additional clarification;
 - As required, agree for an extension of the contradictory procedure

Example 2: *there were no preliminary findings identified in the closing meeting, but based on the final report, the pre-information letter proposes significant recovery amounts*

- ✓ Advice 2: in a normal audit process 'no surprise' should occur – previous phases should have prevented this.

3.2 Communication during the audit process (2)

- *Use the contradictory process at every step:*

For the Beneficiary

- Closing meeting summarises significant preliminary audit findings, as well as further steps.
- Upon receipt of the draft audit report, comment ALL findings and recommendations raised and back your comments with sufficient and persuasive evidence.

For CAS

- To ensure equal treatment, the draft report is subjected to a number of quality controls before it is communicated.
- The auditors are requested to assess all your comments and document their conclusions in the final report.
- Findings are referenced to an Article of the H2020 MGA

3.2 Communication during the audit process (3)

Example 3: *Due to substantial misunderstandings in the final audit report, the beneficiary needs more time to finalise their comments.*

- ✓ Advice 3: Choose prevention at every stage:
 - during the physical audit, provide missing supporting documents asap
 - the contradictory procedure is one month; if insufficient please inform the Auditors/CAS
 - if necessary, ask for an extension (limited) to the time granted for comments.

Who does what?

- ***CAS closes the audit:***
- **Final Audit Report + Letter of Conclusion**
 - The Letter of Conclusion summarises the audit findings and informs the beneficiary of the next steps
- ***Operational Services implement the audit:***
- **EU financial contribution amount** (recover or offset)
 - For a recovery, the pre-information letter details the reasons
 - Take due account of the comments and observations received in return and may decide to:
 - revise the amount of the EU financial contribution
 - and/or to confirm the amount to be recovered;
 - offset (deduction from a next payment)

Who does what? - Recovery

- ***Operational Services:***
 - Issue a debit note to the beneficiary
- ***The Beneficiary:***
 - Replies to the pre-information letter and submits comments and observations within a deadline indicated in the letter
 - Can challenge the outcome in Court

*The **Court of Justice** is the **competent** court for any dispute regarding the **validity, application or interpretation** of the H2020 grant in accordance with the Art 57.2 of the H2020 MGA*

4. Coherence FP7 vs H2020

- Comparable eligibility criteria
- Significant steps to simplify Personnel and Indirect costs:
 - *Personnel costs:*
 - *>73 % of direct costs declared in FP7 Forms C*
 - *AND, ca. 60% of adjustments on direct costs in favour of the EU budget*

Budget category	FP7	H2020
▪ Personnel costs	▪ Reliable Time Recording System	<ul style="list-style-type: none">▪ minimum requirements including monthly granularity▪ Timesheets for the H2020 actions▪ Declaration for exclusive involvement
▪ Indirect costs	▪ Several ICM	▪ 1 single flat rate

5. How often could I be audited ?

- The H2020 Audit Strategy stems from H2020 Regulation:

"a revised control strategy, shifting focus from minimisation of error rates towards risk-based control and fraud detection, should reduce the control burden for the participants".

- Audits may be started up to two years after the payment of the balance.
- Audit findings can only be extended to grants for which the final payment was less than two years before the letter of conclusion.
- A maximum of 7% of the number of the H2020 beneficiaries are to be audited.
- The new CSC (incl. CAS) aims to coordinate all H2020 audits and prevent over-auditing the beneficiaries.

6. Latest developments

- MGA v. 5.0 (published on 18 October 2018)
- AGA v. 5.1 (published on 6 December 2018)

1. Basic/Additional remuneration

2. Internal invoices (unit cost)

3. Clarification of art. 6.2.D./Prototypes

CASE 1B (project-based): hourly rate

$$1B. \text{ Hourly rate} = \frac{\text{Basic remuneration for the H2020 action}}{\text{Hours worked for the H2020 action}}$$

➤ Includes:

- ✓ Salaries,
- ✓ Social security contributions (employers' and employees')
- ✓ Taxes and other costs included in the remuneration if they arise from national law or the employment contract

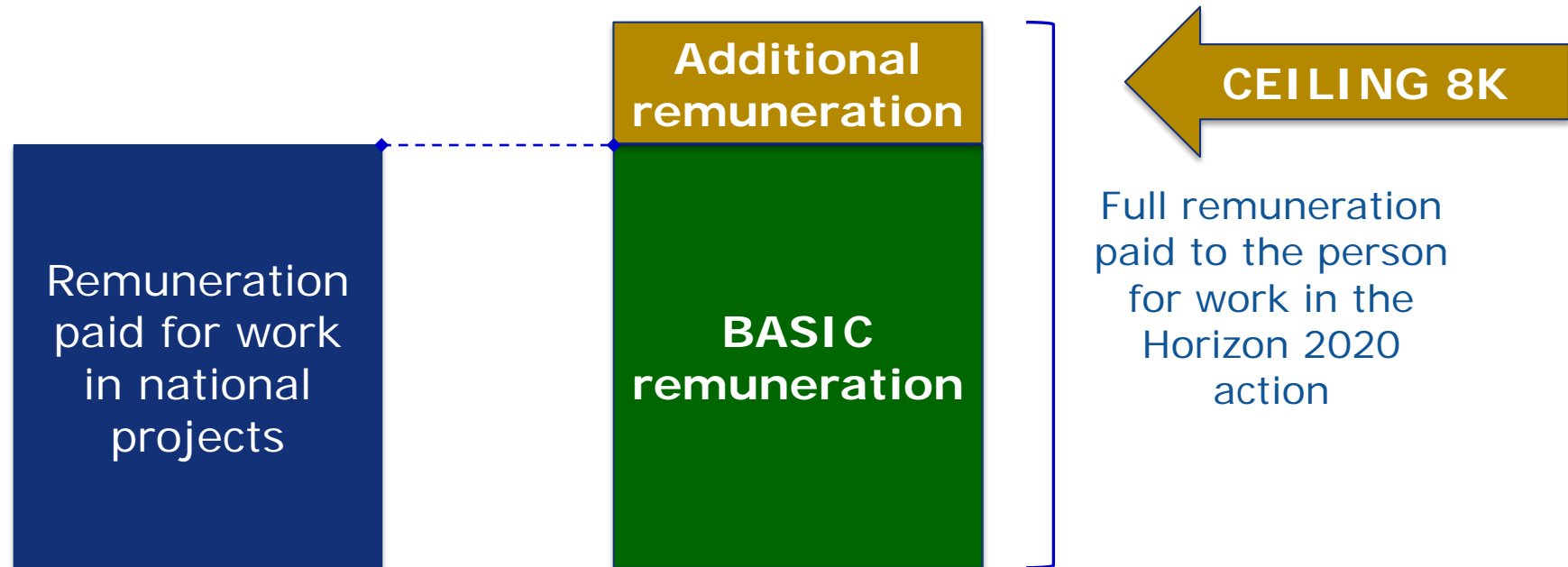
➤ Excludes:

- ✗ Ineligible items (article 6.5) and costs included in other budget categories (e.g. indirect costs)
- ✗ **Additional Remuneration**

Case 1B: additional remuneration

What is additional remuneration?

Article 6.2.A.1: 'Additional remuneration' means any part of the remuneration which exceeds what the person would be paid for time worked in projects funded by national schemes.



Additional remuneration may only be eligible for non-profit legal entities


Personnel costs: bonuses

BONUSES

Ineligible

- Arbitrary bonus
- Bonus based on commercial or funding targets (e.g. sales target) or representing profit distribution (dividends)
- Bonus applied only to EU actions

Additional Remuneration

- Tied to specific projects, resulting in remuneration in addition to that of national projects
- Justified by additional work or expertise
- Usual remuneration practices
- Based on objective criteria established in the internal rules
-  **Eligible only for non-profit legal entities**

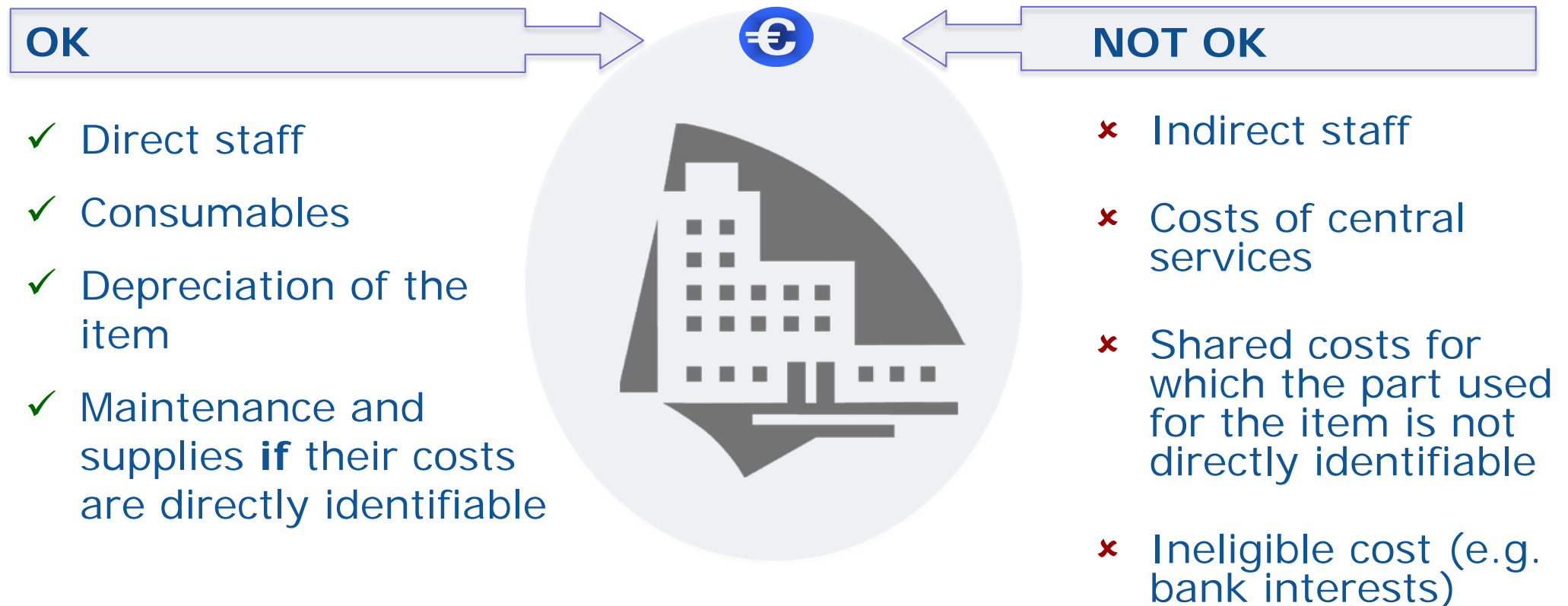
(also) Basic Remuneration

- Not tied to specific projects OR without remuneration in addition to that of national projects
- Scheme authorised by law, collective agreement or contract
- Based on objective criteria established in the internal rules

Internal invoices unit cost

Internal invoices:

- Calculated according to usual cost accounting practices
- BUT, adjusted to comply with eligibility criteria.



WHY:

Chore principle, GAs cover, by default, operational costs (ie not fixed assets)

HOW:

For projects, with a primary purpose to create a prototype

(ie creation of fixed assets in the absence of operational costs until the end of the GA)

7. Additional info

Participant Portal

At: <http://ec.europa.eu/research/participants/portal/desktop/en/home.html>



Horizon 2020 Annotated Grant Agreement

http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/amga/h2020-amga_en.pdf



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<http://ec.europa.eu/research/participants/portal/desktop/en/funding/guide.html#>



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HORIZON 2020

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for your attention!**

Find out more:

<http://ec.europa.eu/programmes/horizon2020/>

*Research and
Innovation*



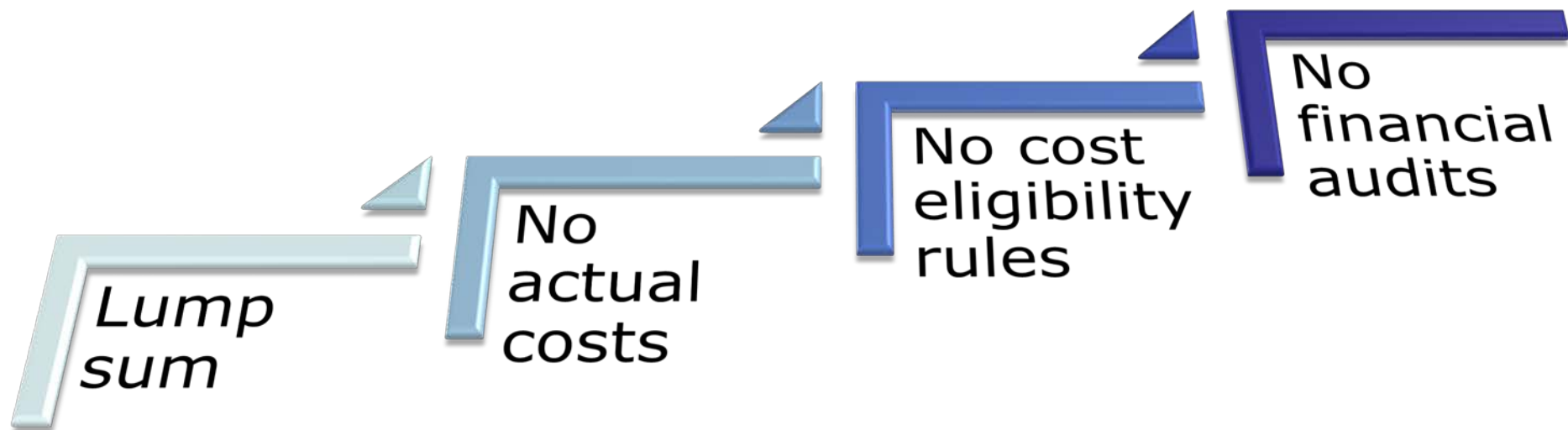
HORIZON 2020

Model Grant Agreement LUMP SUM PILOT

Lump sum grant: introduction

The grant agreement will set out the lump sum (EU funding) corresponding to the full accomplishment of the work committed in Annex 1.

The lump sum for the grant is set out at its signature, the costs actually incurred are not relevant.



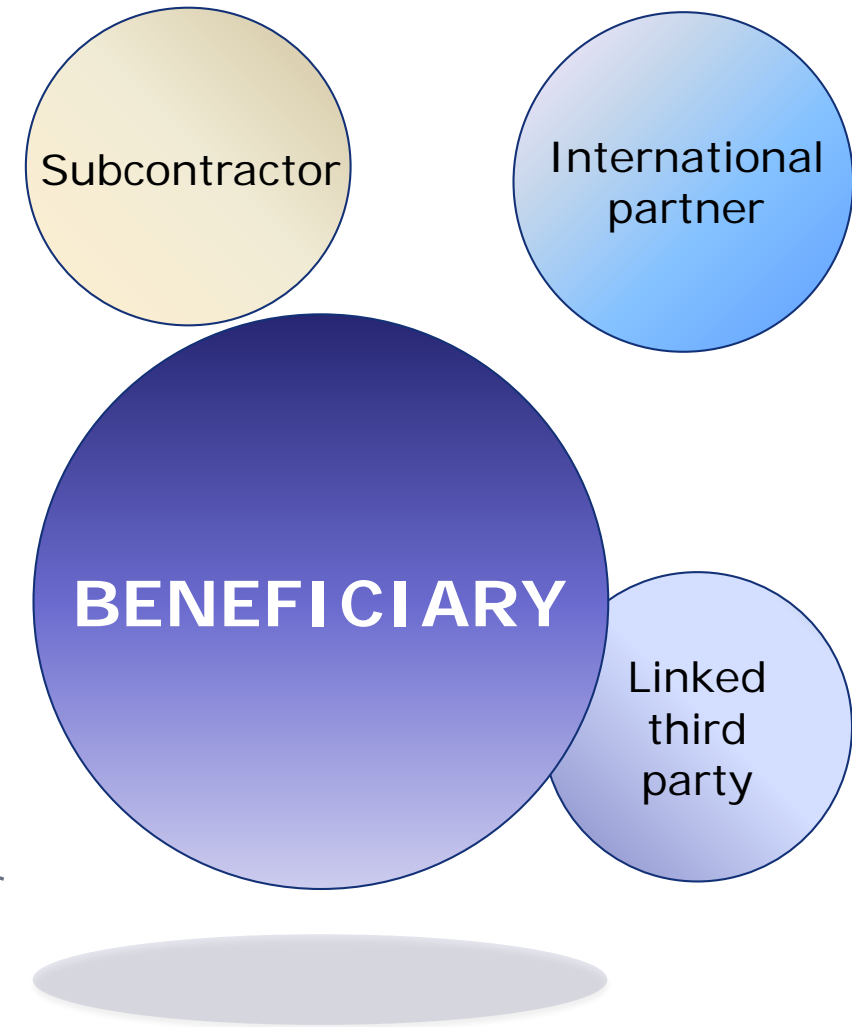
Lump sum grant: introduction (ii)

Costs actually incurred are not relevant.

Who does the work still is !

As in the General MGA:

- Linked third parties and international partners must be named in the grant agreement
- Annex 1 must detail the tasks to be:
 - ✓ Attributed to each linked third party
 - ✓ Attributed to each international partner
 - ✓ Subcontracted



Lump sum grant: two methods

Amount of the lump sum

Option 1

- § Amount set out in the call
- § Proposal describes efforts and resources
- § Split of the lump sum per WP and per beneficiary

Option 2

- § Proposal provides detailed estimation of cost
- § Experts assess costs during the evaluation
- § Lump sum is fixed at grant preparation

Lump sum grant: budget allocation

Annex 2

Lump sum = Maximum grant amount

Max. liability of the beneficiary after payment of balance

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	Total
Beneficiary A	250.000			50.000	300.000	250.000		300.000	1.150.000
Beneficiary B		250.000	350.000	50.000			100.000	150.000	900.000
Beneficiary C	100.000	100.000		50.000		280.000			530.000
Beneficiary D		120.000		50.000			100.000	150.000	420.000
Total	350.000	470.000	350.000	200.000	300.000	530.000	200.000	600.000	3.000.000

Share of the lump sum per WP

Lump sum grant: how many work packages?

As many as needed but no more than what is manageable

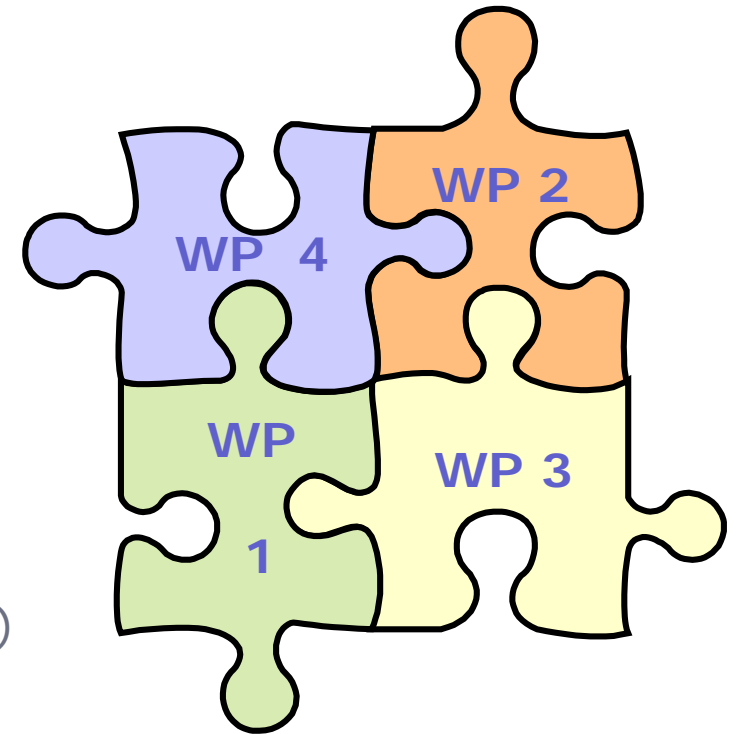
'Work package means a major sub-division of the proposed project.'

Horizon 2020 Proposal template

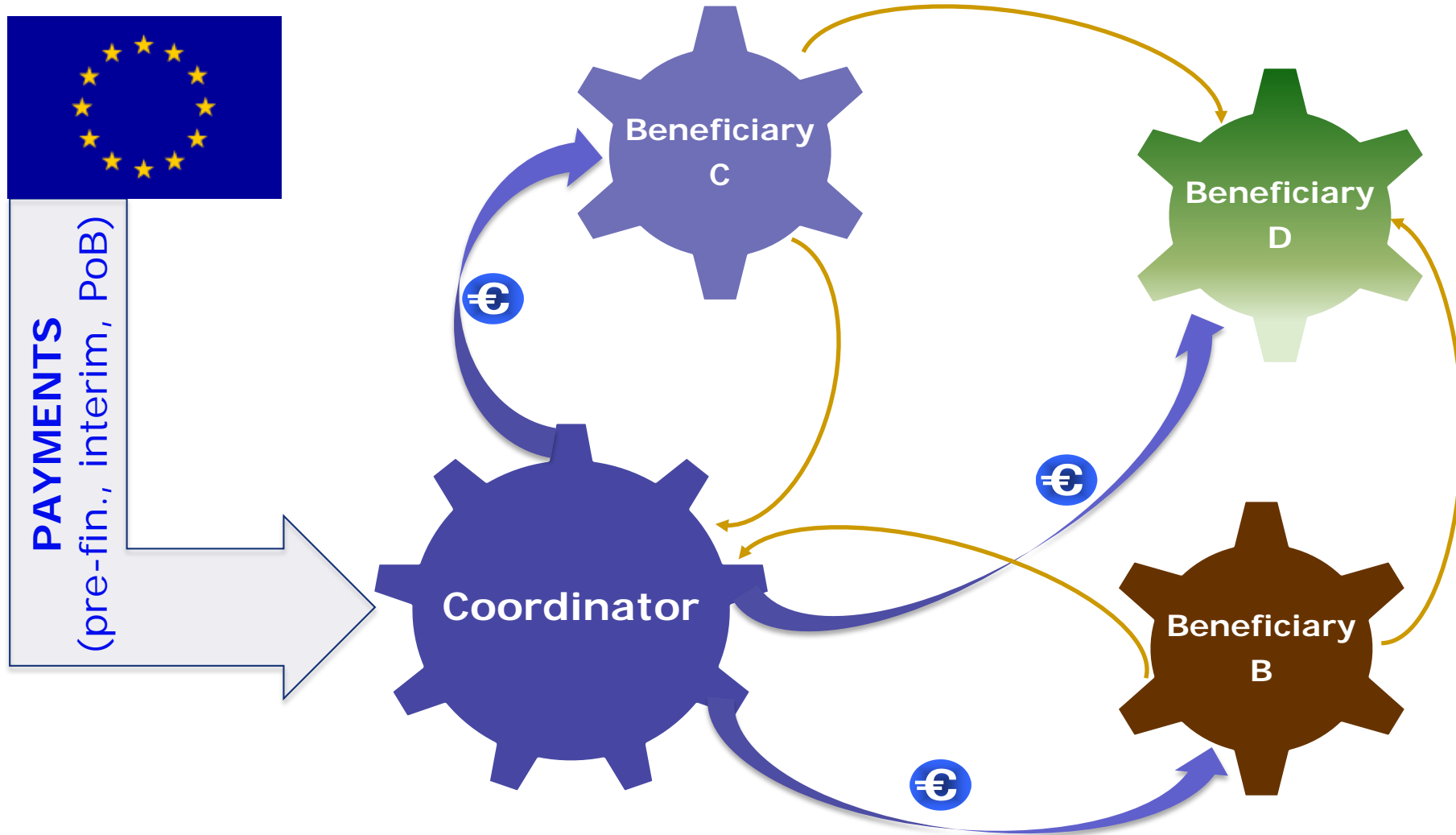
Therefore:

- ✘ A single activity is not a WP
- ✘ A single task is not a WP
- ✘ A % of progress of work is not a WP
(e.g. 50 % of the tests)
- ✘ A lapse of time is generally not a WP
(e.g. activities of year 1)

WP management may be an special case.



Lump sum grant: distribution of funds



Distribution of funds does not change financial liability of Annex 2



Lump sum grant: budget transfers

 All budget transfers require an amendment

	WP1	WP2	WP3	WP4	WP5	WP6	WP7	WP8	Total
Beneficiary A	250.000			50.000	300.000	250.000		300.000	1.150.000
Beneficiary B		250.000	350.000	50.000			100.000	150.000	900.000
Beneficiary C	100.000	100.000		50.000		280.000			530.000
Beneficiary D		120.000		50.000			100.000	150.000	420.000
Total	350.000	470.000	350.000	200.000	300.000	530.000	200.000	600.000	3.000.000

Transfer amounts between Work Packages only acceptable if:

- Work Packages **not** already completed (and declared)
- Justified by the technical and scientific implementation of the action
- A review confirms that it does not call into question the decision awarding the grant or breach the principle of equal treatment

Lump sum grant: types of payments



Pre-financing payment

- Same functioning that in the general MGA
- Coordinator distributes the amount according to consortium agreement



Interim payment(s)

- One or more
- Pay the shares of the lump sum set out in Annex 2 for the WPs completed & approved in the reporting period



Payment of the balance

- Closes the financial aspects of the grant
- Uncompleted WPs will (generally) NOT be paid
- Releases the guarantee fund

Lump sum grant: periodic report

Periodic report

⇒ Submitted by coordinator max. 60 days after end of the period

Periodic Technical Report

- ✓ explanation of the work carried out
- ✓ overview of progress of the work & plan for the exploitation dissemination of results
- ✓ summary for publication
- ✓ questionnaire

Periodic Financial Report

- ✓ financial statement (individual & summary): **no cost categories; only lump sum shares**
- ✓ use of the resources: **only to report subcontracts not in Annex 1**

Lump sum grant: interim financial reporting

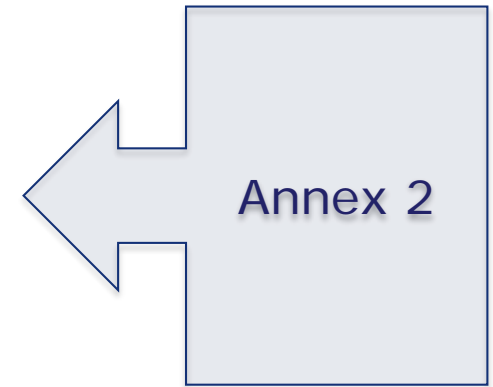
Each beneficiary declares its share of the lump sum allocated to Work Packages **fully** completed in the reporting period



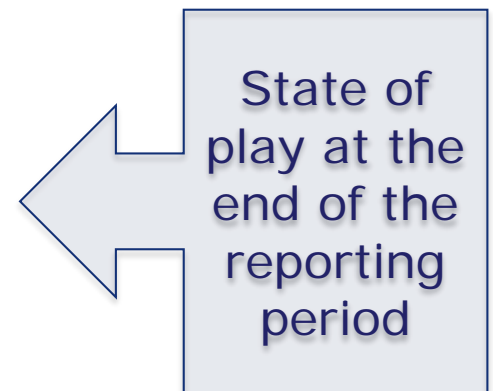
Lump sum grant: interim payment

Sum of the shares of the lump sum allocated to Work Packages fully completed in the reporting period

	WP1	WP2	WP3	WP4	WP5
Beneficiary A	250.000			50.000	300.000
Beneficiary B		250.000	350.000	50.000	
Beneficiary C	100.000	100.000		50.000	
Beneficiary D		120.000		50.000	
Total	350.000	470.000	350.000	200.000	300.000



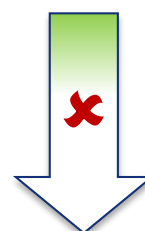
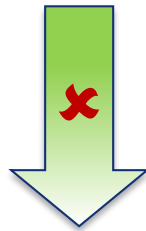
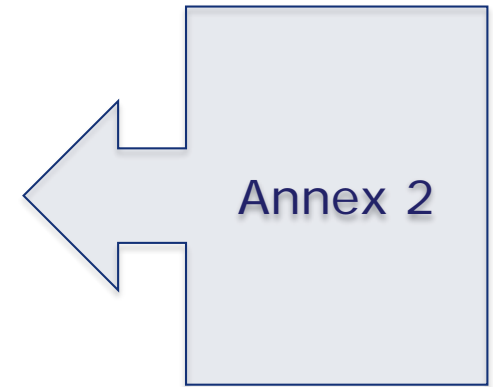
	WP1	WP2	WP3	WP4	WP5
Beneficiary A	Completed			Initiated	Initiated
Beneficiary B		Completed	Completed	Not initiated	
Beneficiary C	Completed	Not initiated		Not initiated	
Beneficiary D		Completed		Completed	



Lump sum grant: interim payment

Sum of the share of the lump sum allocated to Work Packages fully completed in the reporting period

	WP1	WP2	WP3	WP4	WP5
Beneficiary A	250.000			50.000	300.000
Beneficiary B		250.000	350.000	50.000	
Beneficiary C	100.000	100.000		50.000	
Beneficiary D		120.000		50.000	
Total	350.000	470.000	350.000	200.000	300.000



$$\text{Payment} = 350\ 000 + 0 + 350\ 000 + 0 = 700\ 000\ \text{€}$$



Limited to 90 % of the total grant

Lump sum grant: beneficiary termination

Participation of a beneficiary is terminated:

1. Contradictory procedure with the beneficiary about the shares of the lump sum approved by the Commission.

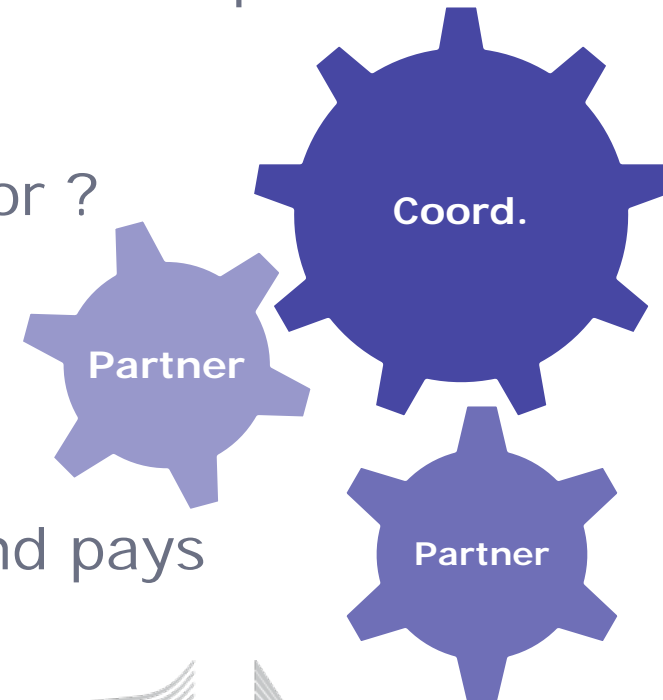
In general: only shares for WP in which it has completed its tasks may be approved.

2. Amount approved > payments from coordinator ?

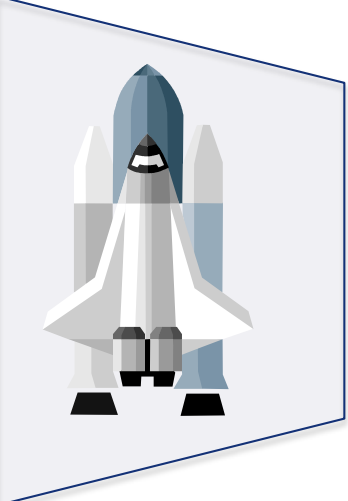
If YES = coordinator pays the difference

If NOT = beneficiary repays to coordinator

If beneficiary does not repay \Rightarrow Guarantee fund pays

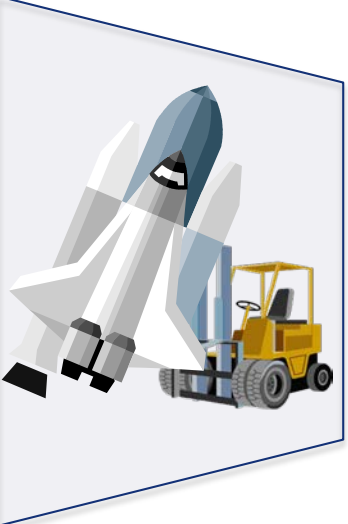


Lump sum grant: payment of the balance

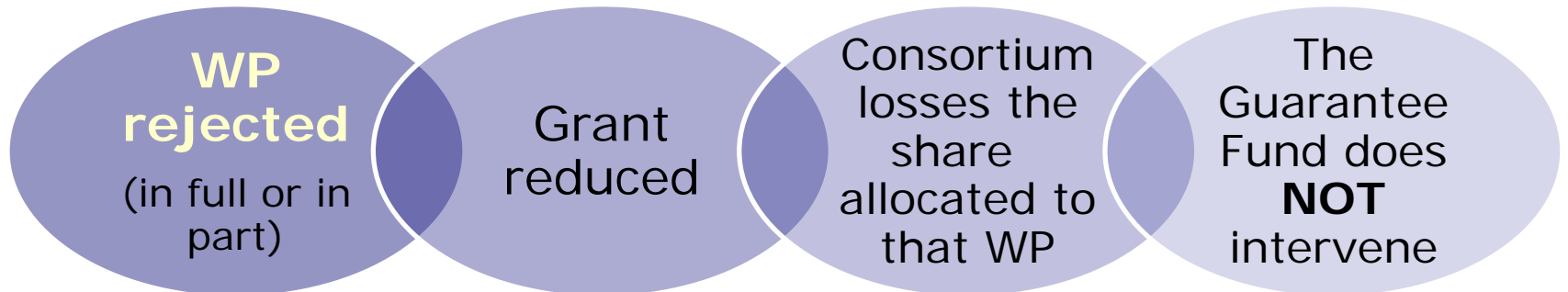


All work completed as indicated in Annex 1:

The Commission pays the remaining amount up to the total lump sum (and releases the Guarantee Fund)



Some WP not completed as indicated in Annex 1:



As in General MGA, other reductions (e.g. for breach of obligations) may also apply

Lump sum grant: ex-post controls

Checks, reviews and audits for:



Proper implementation of the action (e.g. technical audit)



Compliance with the other obligations of the grant:



IPR obligations

Obligations related to third parties (e.g. financial support)

Other obligations (e.g. ethics, visibility of EU funding, etc.)



Bye, bye, financial audits

Lump sum grant: ex-post controls

You **need**



- Technical documents
- Publications, prototypes, deliverables
- Who did what?
- ...any document proving that the work was done as detailed in Annex 1

You **don't need**



- Time-sheets
- Pay-slips or contracts
- Depreciation policy
- Travel invoices
-actual costs



Already the case under the general MGA

Lump sum grant: recoveries

During the action

- Recovery only in case of termination of a beneficiary (if amount approved < amount received from the coordinator)

Payment of balance (PoB)

- Recovery if amount approved < payments already made (e.g. grant reduction due to WP not completed according to Annex 1)
- Excess will normally be recovered from beneficiaries whose amount approved < amount received from the coordinator

After PoB

- Following (e.g.) a technical audit
- Recovery only from defaulting beneficiaries
- Each partner liable up to the amount allocated to it in Annex 2

Lump sum grants: on-going pilots

- **Option 1:** “Digital ‘plug and produce’ on-line equipment platforms for manufacturing” (IA)
2 Grants signed
- **Option 2:** “New anti-infective agents for prevention or treatment of neglected infectious diseases” (RIA)
GAP: ongoing
- **Shift 2 Rail Pilot** (Option 2)
7 grants signed
- **ERC Proof of Concept Pilot** (Option 1)
Work Programme 2019 – 2020 (1st cut-off date 22/01/2019)



HORIZON 2020

**Thank you
for your attention!**



Personnel Costs SyGMA Wizard

H2020-no financial errors.be – 2019 edition info session

Monday, 2 April 2019

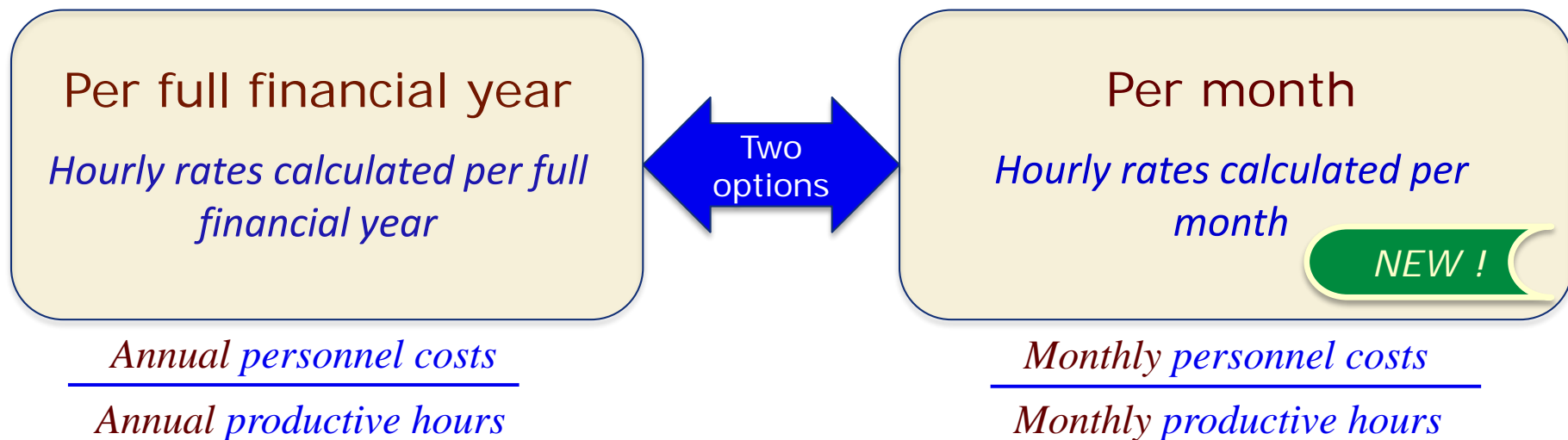
Miguel SAN JOSE, ERCEA , IT Solutions and Services

Wizard scope: Personnel costs as actual costs

What workforce can you declare under personnel costs in the SyGMA wizard?

- Employees or equivalent,
- Natural persons hired directly via a contract other than an employment contract
- Employees of a third party seconded to the beneficiary (must be set in Annex 1!)

Reporting options and hourly rate calculation



In case of project-based remuneration


The **hourly rate applicable** is calculated in a different way that takes into account if the **national laws or internal rules of the entity fix a salary to be paid for work on projects funded by national schemes or NOT.**

Productive hours

Three different methods

Advice

1720 hours

 you must use this option if the employment contract does not specify the working time conditions or if the "annual workable hours" cannot be determined

Individual annual productive hours

• Formula: annual workable hours + overtime - absences

Standard annual productive hours

• According to the beneficiary's usual accounting practices. Minimum threshold: annual productive hours \geq 90 % of the standard annual workable hours

Personnel costs calculation

Hours worked
on the action



Hourly rate
EUR/hour



Additional
remuneration

The hours worked in the action by a person cannot go above the ceiling of the total annual productive hours used to calculate the hourly rate. If the person is not working the full financial year, the ceiling will be adjusted accordingly

Only eligible for non-profit legal entities with persons working on the action whose remuneration is project-based

Reporting: hourly rate



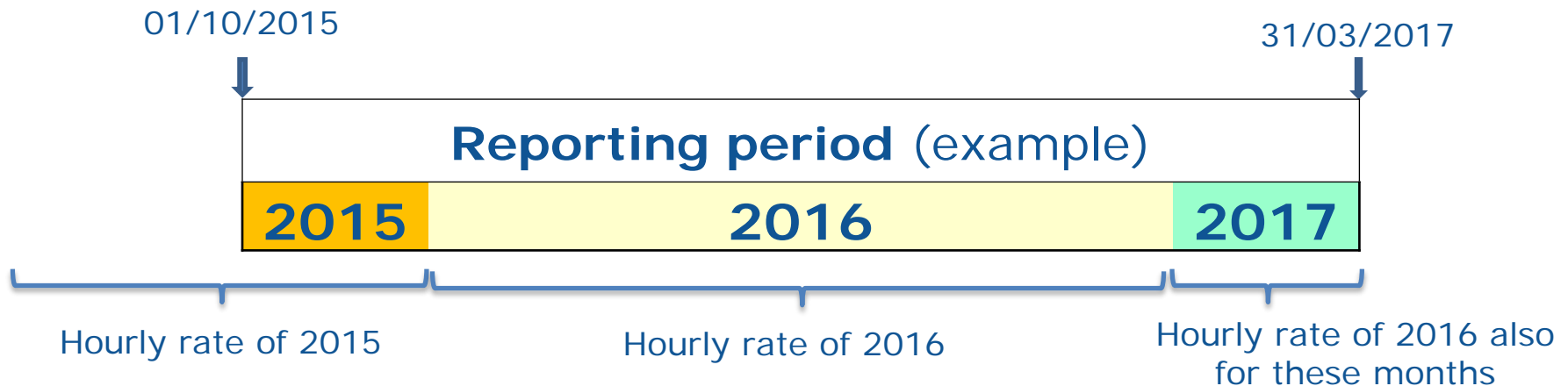
Annual hourly rate specificities

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$



The annual hourly rate is to be calculated **per full financial year**

If the financial year is not closed at the time of reporting, the wizard uses the hourly rate of the *last closed financial year available*.



Wizard entry point



Grant Management Project Periodic Report

666037 (666037) ERC-ADG Beneficiary 2: ULANC

Legal Name: LANCASTER UNIVERSITY
 PIC: 999840984 Status: VALIDATED

Legal Address: BAILRIGG, LA1 4YW, LANCASTER United Kingdom

Period No: 1 Duration (months): 18
 Reporting Period: [20 Apr 2015 - 19 Oct 2016]

Financial Statement

Financial Statement

Financial information from contract

No contribution requested? Yes No

Financial Statements

Period	Adjustment	Requested Contribution
20 Apr 2015 - 19 Oct 2016 (Period No. 1)	No	66,855.18 €

Financial Statement for period '1' - (20 Apr 2015 - 19 Oct 2016)

Eligible costs:

Cost Category	Total	Actions
a) Direct personnel costs declared as actual costs	0.00 €	Wizard entry point
b) Direct personnel costs declared as unit costs (average costs)	0.00 €	
d) Direct costs of subcontracting	0.00 €	
e) Other direct costs	0.00 €	
g) Costs of internally invoiced goods and services	0.00 €	
h) Indirect costs (= 0.25 * (a + b + e + g + h))	0.00 €	
i) Total costs (= a + b + d + e + g + h)	0.00 €	
l) Maximum EU contribution (= 100% * i)	0.00 €	
m) Requested EU contribution	0.00 €	

Additional Information for indirect costs:

Use of 'costs of in-kind contributions not used on premises?' (n) Yes No 0.00 €

Direct personnel costs declared as actual costs

Direct personnel costs on action: 666037 ALEXIEA_ERC_ADG_SCI_7
 Reporting period: 1 - INTERIM - From 20 Apr 2015 to 19 Oct 2016
 Role: PARTICIPANT
 PIC: 999840984
 Is non profit LE?: Yes
 Beneficiary: LANCASTER UNIVERSITY
 Financial year = calendar year? ^{*} Yes
 Financial year start month:

Edit Financial year reporting type

Financial year: 2016
 Reporting type ^{*}:
 Per full financial year
 Per month

OK Cancel

	Financial year	
1	2015	Per full financial year
2	2016	Per full financial year

[+ Add Person working on the action](#)

Work contract type	Person alias	Start date	End date	Total personnel costs	Hours worked on action	Personnel costs	Additional remuneration	Actions

Total actual personnel costs: 0.00 €

Close without copying Clean up Cancel

Adding persons working on the action



Add Person working on the action

Person working on the action: 666037 ALEXIEA_ERC_ADG_SCI_7

Work contract type: Employee (or equivalent)

Person alias: Miguel SAN JOSE

Start date: 01-01-2016

End date: 19-10-2016

Annual productive hours calculation method: 1720 fix annual productive hours

Does the person receive a project-based remuneration?: No

Staff category: Principal Investigator

Reporting type: Per full financial year

OK Cancel Apply

Work contract type	Person alias	Start date	End date	Total personnel costs	Hours worked on action	Personnel costs	Additional remuneration	Actions

Total actual personnel costs: 0.00 €

Close without copying Clean up Cancel

 [Add Person working on the action](#)

Personnel costs by financial year(s) or by months



Add Person working on the action

Person working on the action **666037 ALEXIEA_ERC_ADG**

Work contract type *

Person alias *

Start date *

End date *

Annual productive hours calculation method

Does the person receive a project-based remuneration?

Staff category *

Financial Year	Employment period start date	Employment period end date	Total personnel costs	Annual productive hours	Hourly rate
1 2016	01-01-2016	19-10-2016	0.00 €	1,380.78	0.00 €

Person yearly total costs: 0.00 €

Edit Financial Year

Annual productive hours calculation method

Financial year

From 01 Jan 2016 to 19 Oct 2016

Person working on the action

Employment period

Is full-time job? *

Pro-rata

Total annual productive hours

Total personnel costs

Use previous hourly rate?

Annual hourly rate

Hours worked in the H2020 action during the period

Has the person declared hours in other EU/Euratom grants in the year?

If YES how many?

Hours eligible

Theoretical personnel costs

Has the person declared personnel costs for this year in other EU/Euratom grants?

If YES how much?

Personnel costs

Edit Financial Year



Annual productive hours calculation method	1720 fix annual productive hours
Financial year	2016
	From 01 Jan 2016 to 19 Oct 2016
Person working on the action	Employee (or equivalent)
Employment period	From 01 Jan 2016 to 19 Oct 2016
Is full-time job? *	Yes
Pro-rata	100.00 %
Total annual productive hours	1,380.78
Total personnel costs	40,000.00 €
Use previous hourly rate?	No
Annual hourly rate	28.9692 €
Hours worked in the H2020 action during the period	1,200.00
Has the person declared hours in other EU/Euratom grants in the year?	Yes
If YES how many?	200.00
Hours eligible	1,180.78
Theoretical personnel costs	34,206.1638 €
Has the person declared personnel costs for this year in other EU/Euratom grants?	No
If YES how much?	0.00 €
Personnel costs	34,206.1638 €

OK

Cancel

Persons with project-based remunerations



Add Person working on the action □ X

Person working on the action: 666037 ALEXIEA_ERC_ADG_SCI_7

Work contract type: Employee (or equivalent)

Person alias: Philippe Callens

Start date: 01-10-2015

End date: 19-10-2016

Annual productive hours calculation method: Standard annual productive hours

Does the person receive a project-based remuneration? Yes

Staff category: Post Doctorate

OK Cancel **Apply**

Add Person working on the action □ X

Person working on the action: 666037 ALEXIEA_ERC_ADG_SCI_7

Work contract type: Employee (or equivalent)

Person alias: Philippe Callens

Start date: 01-10-2015

End date: 19-10-2016

Annual productive hours calculation method: Standard annual productive hours

Does the person receive a project-based remuneration? Yes

Staff category: Post Doctorate

	Financial Year ▲	Employment period start date	Employment period end date	Total personnel costs	Annual productive hours	Hourly rate	Hours worked on action	Personnel costs	Additional remuneration
1	2015	01-10-2015	31-12-2015	0.00 €	0.00	0.00 €	0.00	0.00 €	0.00 €
2	2016	01-01-2016	19-10-2016	0.00 €	0.00	0.00 €	0.00	0.00 €	0.00 €

Person yearly total costs: 0.00 €

OK Cancel Apply

Edit Financial Year

Annual productive hours calculation method	Standard annual productive hours
Financial year	2015
Person working on the action	From 01 Oct 2015 to 31 Dec 2015
Employment period	Employee (or equivalent)
	From 01 Oct 2015 to 19 Oct 2016
Standard annual workable hours of the financial year	<input type="text" value="0.00"/>
Standard productive hours according to the beneficiary's methodology	<input type="text" value="0.00"/>
> 90%	No
Do your national laws or the internal rules of your entity fix a salary to be paid for work in projects funded by national schemes?	Yes <input type="button" value="v"/>
What would be the hourly rate applicable to this person for work on those national projects	<input type="text" value="0.00 €"/>
What is the maximum hourly rate you paid for work in a national project before the submission of this proposal?	<input type="text" value="0.00 €"/>
How much was the total personnel costs of the person in the year n-1	<input type="text" value="0.00 €"/>
Out of that total personnel costs, how much was the part paid for work in H2020 actions (if any)?	<input type="text" value="0.00 €"/>
How many hours worked the person in H2020 actions in the year n-1?	<input type="text" value="0.00"/>
Average hourly rate	<input type="text" value="0.00 €"/>
Total personnel costs	<input type="text" value="0.00 €"/>
Total productive hours	<input type="text" value="0.00"/>
Hours worked in the H2020 action	<input type="text" value="0.00"/>
Action reference	0.00 €
National projects reference	Personnel costs for work of the person in the H2020 action in the period divided by the number of hours worked in the H2020 action in the period
Effective Hourly rate basic remuneration	0.00 €
Total basic remuneration	0.00 €
Maximum hourly rate for additional remuneration	0.00 €
Hourly rate additional remuneration eligible for this beneficiary	0.00 €
Eligible additional remuneration	0.00 €
Personnel cost to be charged	0.00 €

