



Financial Administration and Auditing Preparation in H2020 funded projects

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- Horizon Europe Insights
- Legal Framework behind H2020
- Grants Management Process

- Eligibility of costs
- Ineligible costs
- Receipts
- Final Grant Amount

- Examples and Questions

Working with the European Commission

- EC – implementing the EU policies and programmes established in the
 - Multi-annual Financial Framework (MFF), the 6 EC Priorities, Work Programmes, Regulations and Directives
- Administrative Structure
 - EC's Directorates General (DGs) and Services
 - Common Implementation Service, Common Audit Service
 - Agencies and other EU bodies
 - Court of Auditors
 - OLAF
- Why communication and publicity is so important for the EU funded projects?
 - The Commission shall make available, in an appropriate and timely manner, information on recipients of funds financed from the budget (Art. 38.1 FR)

2021-2027 EC key financial data

- Legal Framework
- Strategic Planning 2021-2027
 - The 6 Political Priorities
- The novelties in EC Research Funding
 - Nearly 100 bn euro available
 - European Innovation Council
 - Missions
 - Partnerships
 - Simplifications
 - Single MGA for all EU programmes
 - Simplified Personnel Cost Accounting
 - Audit Optimisation
 - System and Process Audit



2021 – 2027 the six priorities of the Ec

1. A European Green Deal

- Building a climate-neutral, green, fair and social Europe

2. An economy that works for people

- Developing a strong and vibrant economic base
- Building a climate-neutral, green, fair and social Europe

3. A Europe fit for the digital age

- Developing a strong and vibrant economic base

4. Protecting our European way of life

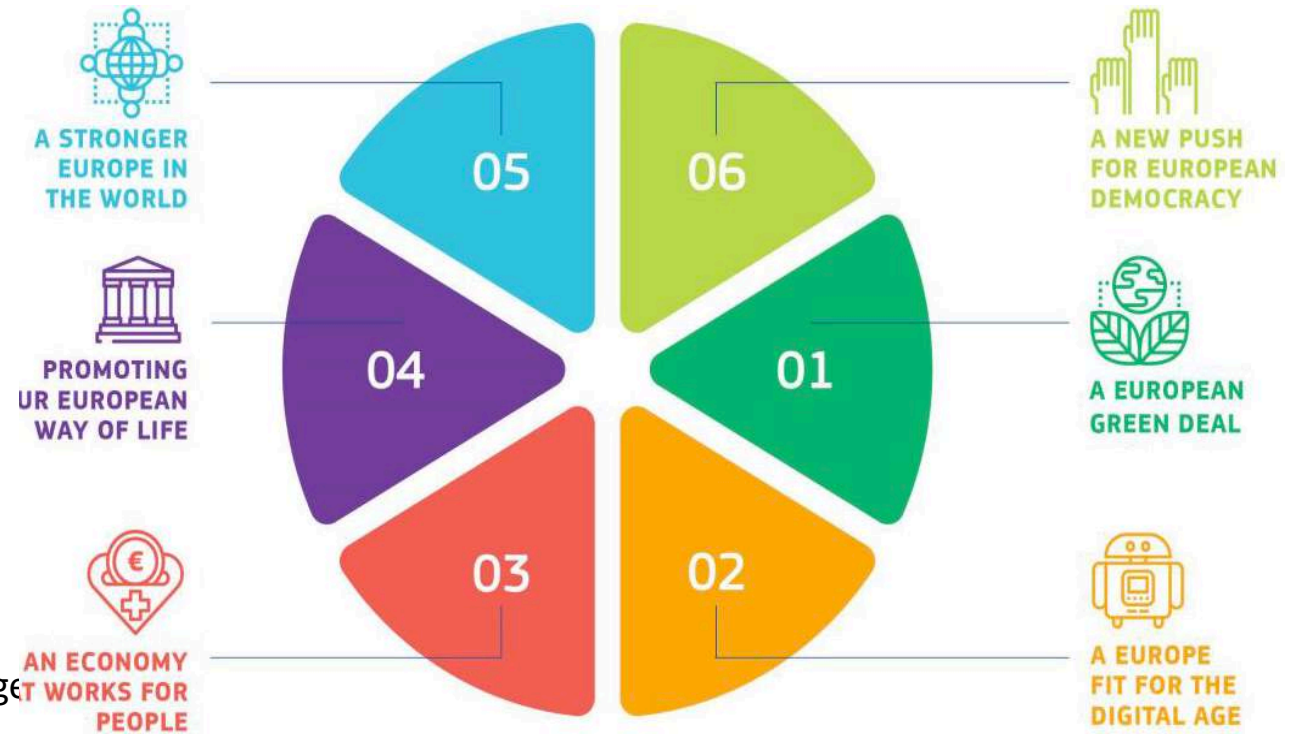
- Protecting Citizens and Freedoms

5. A stronger Europe in the world

- Promoting European interests and values on the global stage

6. A new push for European democracy

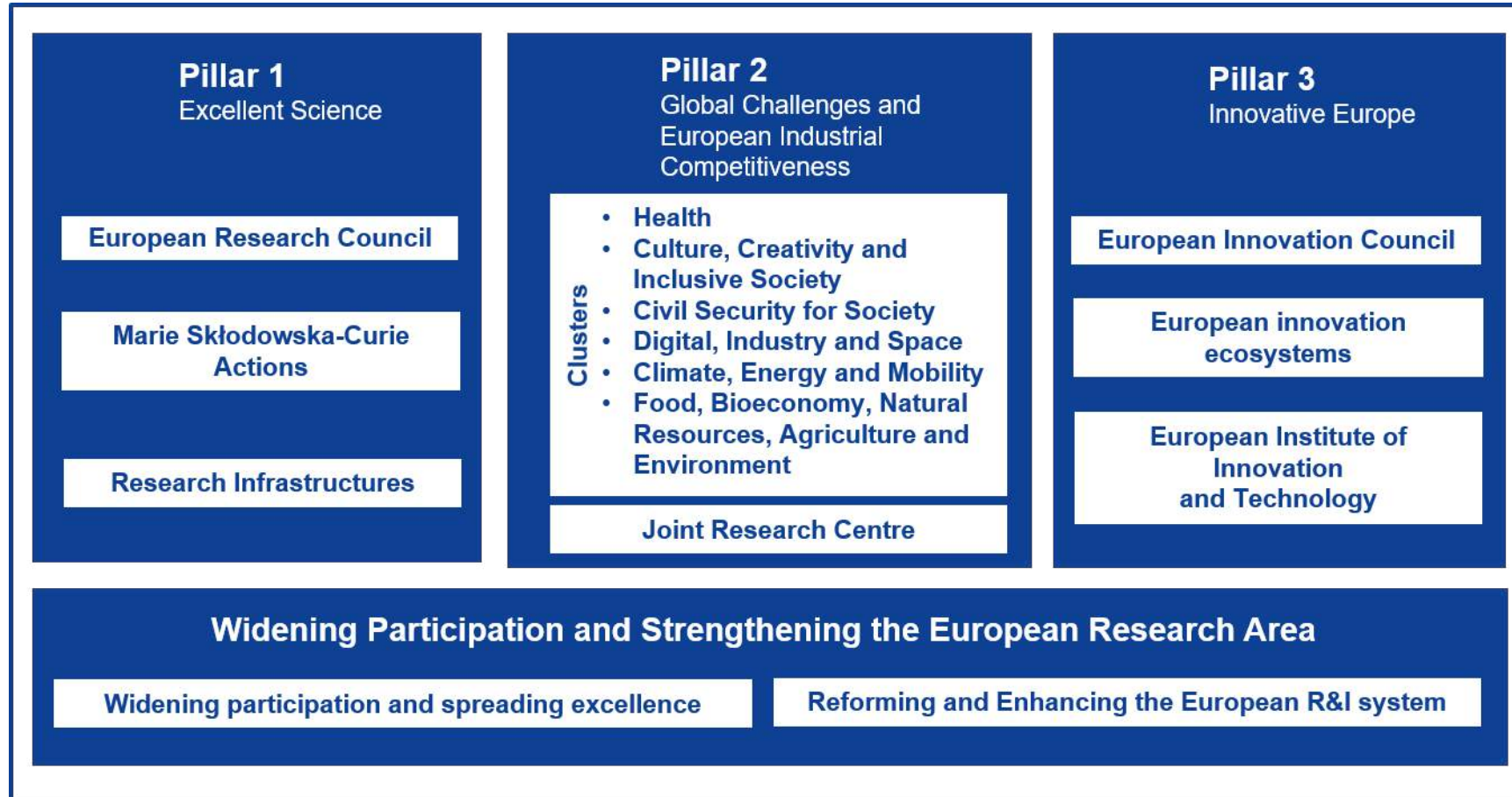
- Protecting Citizens and Freedoms



Horizon Europe

- Horizon Europe will be the ninth framework programme (FP9).
- It builds on Horizon 2020, the eighth framework programme, which comes to an end on 31 December 2020
- The Commission's new proposal for a regulation establishing Horizon Europe – the framework programme for research and innovation, laying down its rules for participation and dissemination, envisages a financial envelope for the implementation of the framework programme of €94.1 billion for the 2021-2027 period. In addition, the Commission proposes to contribute another €3.5 billion from the **InvestEU Fund** for Horizon Europe.
- Together with the €2.4 billion for the Euratom research and training programme, this makes a total budget allocation of €100 billion (€88.7 billion in constant or 2018 prices) for science, research and innovation related projects.
- This would represent an increase of 29% in comparison with the H2020 (2014-2020) multiannual financial framework (adjusted for the UK's departure).

Horizon Europe strategic planning



H2020 Legal Framework

- The Financial Regulation of the EU/Euratom - Regulation 2018/1046
- The H2020 Establishment Regulation of the EU 1291/2013
- Rules for Participation and Dissemination Regulation 1290/2013
- Rules of Application (RAP) - Regulation (EC, Euratom) No 1268/2012
- H2020 Work Programme 2018-2020
- Euratom Research and Training Programmes
- Model Grant Agreement and the Annotated version(s)
- MGA Annexes

H2020 – types of action: funding rates

- RIA 100% or RIA-LS - Research and Innovation Actions (LS – Lump-Sum)
- IA 70% or IA-LS – Innovation Actions (100% for non-profit beneficiaries)
- CSA 100% or CSA-LS – Coordination and Support Actions
- ERC 100%
- MSCA 100%
- COFUND
 - ERA-NET 33%
 - EJP 70%
- Procurement
 - PCP 30%
 - PPI 50%
- SME Instrument
 - 1st phase – a lump sum of 50 000 euro;
 - 2nd phases – 70% (of a range 0.5 - 2.5 mln euro)

GRANTS

- Grants may be awarded in order to finance an **action** intended to help achieve a Union policy objective ('action grants') – Art. 180 of FR
- Horizon 2020 is the biggest EU Research and Innovation Programme so far with nearly €80 billion of funding for the period of 7 years (2014 to 2020)
- Horizon 2020 Multiannual Work Programmes cover the large majority of support available.

GRANTS

- Sound financial management (Art. 33 of the Financial Regulation)
 - **Economy** - the resources used by the Union institution concerned in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality, and at the best price
 - **Efficiency** - the best relationship between the resources employed, the activities undertaken and the achievement of objectives
 - **Effectiveness** - the extent to which the objectives pursued are achieved through the activities undertaken
 - SMART objectives: Specific, Measurable, Attainable, Relevant and Time-bound
 - RACER PMI indicators: Relevant, Accepted, Credible, Easy and Robust
- Funding Risks:
 - for the Commission
 - for the Beneficiaries

H2020 control Safeguards

PARTICIPANT GUARANTEE FUND

5 % of the total
Grant amount
All Grants
All funding
schemes

Ex-Ante financial capacity check

Required only for
private
coordinators in
projects of more
than
EUR 500.000

Certified Financial Statements

Only one CFS in
the last reporting
period;
For costs above
325 000 euro;

EX-Post audits

Emphasis on risk-
based control and
fraud detection;
Ex-post audits up to
2 years after the
payment of the
balance

7% of Horizon 2020 beneficiaries subject to audit over the whole programming period, larger beneficiaries a priority for auditing



Grant management

GRANTS MANAGEMENT

- Pre-signature
 - Call for proposal, Submission of proposal, Selection, Evaluation, Negotiation, Signature, Start date of the duration of the action
- After signature
 - [Keeping records](#)
 - [Amendments](#)
 - [Reporting, Payments and Suspensions](#)
 - [Checks, reviews, audits and investigations](#)
 - **Role of the Coordinator**
 - Deliverables
 - Dissemination and Exploitation of Results
 - Communication

GRANTS Management

- REQUEST OF INFORMATION (Art.17 of the GA)
 - The Commission may request a Beneficiary to provide ANY information at ANY time during or after the action.
 - In an ex-post financial audit that starts 18 months after the balance is paid, the Commission may request any information it needs during the audit. The audit may continue **beyond the two years after the balance is paid** (see Article 22).
 - The Commission may request information from the beneficiaries in order to evaluate the action's impact **up to five years after the balance is paid** (see Article 23).
 - The beneficiaries must comply with any additional exploitation obligations set out in Annex 1, for **up to four years after the action ends** (see Article 3).
 - **Personal data** may be transferred to internal audit service, to the Court of Auditors or to the European Anti-Fraud Office (OLAF) and between authorising officers of the Commission, and the executive agencies (Art. 57 of Financial Regulation)

GRANTS Management

- Keeping Records (Art.18)
 - Retention period (after the payment of the balance) for the original supporting documents
 - 5 years
 - 3 years for grants up to 60 000 euro
 - Beneficiaries' usual accounting practice and internal control practice must enable direct reconciliation between the costs declared, the accounting records and the supporting documents
 - For Unit Costs:
 - Number of units declared; or COMUC compliance
 - For Flat-Rate Costs:
 - Adequate records and supporting documents to prove the eligibility of the costs declared, but not for the amount declared
 - For Lump Sum funded actions:
 - Prove of implementation of the tasks according to Annex 1, but not for the concrete costs

GRANTS Management

- Keeping Records
 - **Sufficiency** relates to the quantity of evidence;
 - **Appropriateness** relates to its quality.
 - The evidence must be **verifiable**, **auditable** and **available**.
 - The beneficiaries must keep **original documents** (according to national law)
 - In principle, documents should be kept in the format in which they were received or created.

Grant management

- Keeping records (2):
 - For Personnel Costs (Art.18.1.2) reported as actual costs
 - TIME records
 - [Monthly timesheets](#): Name/Signature of person, Name/Signature of supervisor, Number of HOURS
 - [Declarations](#) – for people working EXCLUSEVELY on the action
 - Accounting records and supporting documents
 - general ledger transactions, annual financial statements and supporting documentation (i.e. labour contracts, collective labour agreements, applicable national law on taxes, labour and social security contributions, payslips, bank statements showing salary payments , etc.
 - Costs must be detailed for **each person** carrying out work for the action


GRANT Management

- Keeping records (3):
 - For other direct costs:
 - Breakdown of costs declared by cost type
 - For equipment - details per individual equipment used for the action – date of acquisition, price of acquisition, relevant depreciation methods according to national legislation and/or beneficiary's usual accounting practice, accounting records on date of writing-off in case of disposal, etc.
 - .general ledger transactions, annual financial statements and supporting documentation
 - purchase orders, delivery notes, invoices, contracts, bank statements, asset usage logbook, depreciation policy
 - 3rd parties
 - The Original financial statements and supporting documents, related to the costs declared are the be kept by the Beneficiary , (so not only timesheets, but also CFS, annual reports, etc.)
 - Non-compliance
 - Non-eligible (Art.6), Rejected Costs (Art. 42)
 - Grant amount may be reduced (Art. 43)

Grant management

- Keeping records (4)
 - Costs declared as unit costs set by the Commission:
 - prove the number of units declared !
 - Costs declared as unit costs as usual accounting practices (average personnel costs and costs for internally developed goods and services, art.5.2 MGA)
 - show that the costs used to calculate the unit cost **match** the actual costs as recorded in the statutory accounts
 - verify that the unit cost is free of ineligible cost components
 - assess the acceptability of budgeted and estimated elements
 - for personnel costs: verify the number of productive hours used to calculate the unit cost (hourly rate)

GRANTS Management

- COMUC - Certificate on Methodology for Unit Cost Accounting for Personal Costs
 - Certifies that the Beneficiary's cost accounting practices conform with Art.6.2 of GA
 - Drawn-up by an Independent Auditor/Public Officer, using the template in Annex 6 of GA
 - Approved by the Commission/Agency
 - Valid for FP7 ≠ Valid for H2020
 - Request for approval – before or during the Grant duration
 - The Certificates allows approval of personnel costs declared according to the unit costs method for all H2020 projects of the Beneficiary, even for those before the Commission/Agency approval
- 👉 Keep detailed records and other supporting documents to prove that the methodology complies with the rules in case of audit. 

GRANTS Management

- Amendments to the GA (Art. 55 of the GA)
 - By the Project Consortium, via the Coordinator
 - By the Commission
 - Before the End date of the project duration (but exception for bank account change, Coordinator change)
 - For inclusion/termination of a Beneficiary & linked third parties. Beneficiary's **partial takeover**
 - For changes involving the Coordinator
 - For changes on the technical implementation of the project (Annex 1 of the GA), acronym, start date, duration
 - For financial aspects of the Grant:
 - Maximum Grant Amount (pre-financing, PGF contribution)
 - Reimbursement Rate(s),
 - Estimated eligible costs
 - Specific unit costs

45 days



REPORTING

- Reporting by “periods” as defined by the GA, Art. 20
 - Periodic Reports – within 60 days after each Period
 - Technical (on deliveries)
 - Financial (Art. 20.3. (b), and Annex 4 of the GA)
 - All beneficiaries - including the Coordinator - must fill in their own financial statement, electronically sign it and submit it to the Coordinator.
 - Users who can fill in the statement: Participant Contacts, Project Financial Signatories, Task Managers
 - Users who can **electronically sign & submit** the statement: *Project Financial Signatory (PFSIGN)* only
 - Make sure you have assigned an PFSIGN user role to your project in your organisation.

Payments (Art.21 of the GA)

- Pre-financing
 - Paid to the Coordinator within 30 days of the entry into force of the GA
 - 5% of the Grant Amount is transferred to the Guarantee Fund
- Interim payments
 - Subject to the approval of the periodic report.
 - Paid to the Coordinator within 90 days from receiving the periodic report (except in case of suspension)
 - 90% of the maximum Grant amount as per the GA
 - The Reimbursement rate as in the GA (art. 5)
- Payment of the Balance
 - Grant Amount -Pre-financing - Interim payments + Amount retained for the Guarantee Fund
 - Paid to the Coordinator within 90 days of approval of the final report
 - Contradictory Procedure (Art. 43 and 44 of the GA)

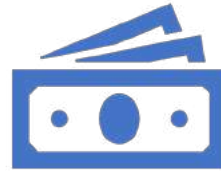
👉 The Beneficiary bears the **cost of transfers charged by its bank** for the Grant Payments from the Commission.

Pre-financing



When

Within 30 days from the signature of the grant or 10 days before the starting date, whichever is latest



How much

Usually = maximum grant amount / number of periods
Retention 5 % of maximum grant for Guarantee Fund



Why

It remains the property of the EU until the payment of the balance

CERTIFICATE ON FINANCIAL STATEMENT

- For requested EU contribution equal or superior than 325 000 euro (Art.20.4.(b)(ii) of the GA)
- Beneficiaries/linked 3rd parties may submit either **one certificate per reporting period** or a **single CFS for the whole action (scope)**
- May ONLY be submitted **with the FINAL financial report within 60 days of the last reporting period (submission time)**
- Costs for partial certificates (i.e. one certificate per reporting period) will be accepted ONLY in the **last** reporting period and ONLY if:
 - a CFS is mandatory (i.e. the threshold is reached at the end of the action) and
 - the total costs of the partial certificates is similar to the cost that would have been incurred for a single certificate.
- **Public bodies** — the certificate MAY be issued by an Independent Public Officer with formal competence to audit the Beneficiary/linked 3rd party (instead of by an external auditor).
- **Linked 3rd parties** must submit a certificate if their costs reach the threshold

CURRENCY

- Currency for Financial Reporting: always EURO
- Beneficiaries/linked 3rd parties **with accounting records in a currency other than the euro**: conversion of costs recorded in their accounts by one of the following:
 - Daily euro exchange rate is published in the C series of the *Official Journal of the European Union* for the currency in question: using the **average** of the daily exchange rates published over the **corresponding reporting period**
 - For cost adjustments to previous periods ('adjustment financial statements'), the exchange rate to be used is the one for the reporting period in which the costs adjusted were incurred.
 - For eligible cost related to drafting and submitting the final reports incurred after the action duration, the exchange rate to be used is the one for the last reporting period.

SUSPENSIONS

- Suspensions - Art. 47 and 48 of GA
 - Payment request does not comply with the provisions of the GA
 - Payment request is incomplete or requires clarification
 - Doubts on the eligibility of costs
 - Substantial errors, irregularities or fraud OR serious breach of obligations (in **this** or **other** grant)
 - Late payment without suspension of the payment deadline gives rise to late-payment **interest for the beneficiaries** (Art. 21.11)
 - the Commission may also terminate the Agreement or the participation of the Beneficiary (Art. 50.3.1(I)) if:
 - non-compliance of the technical or financial reports (see Article 20) and
 - the revised report or statement is not submitted or was submitted but is also rejected



Case question

- How may Beneficiaries address potential delays in finalising the action tasks at the last reporting period in order for the consortium to be able to submit the Final Report and to be paid?
 - If the previous payments have NOT reached the 90% of the grant amount, the Coordinator may introduce an amendment request for adjusting the reporting schedule with the **introduction of an additional interim period** to allow the consortium to receive up to 90% of the grant amount. The amendment should be combined with a request for **extending the action duration** to allow the consortium to have sufficient time to finalise the action tasks and declare all corresponding costs in their final report.
 - If the payments have already reached the 90% of the grant amount, it will not be possible to pay the 10% retention (see Article 21.3.2 H2020 MGA), therefore the request for amendment should be only for **extending the action duration**.



CHECKS, REVIEWS, AUDITS and INVESTIGATIONS

- Checks, reviews, audits and investigations (Art. 22 of GA)
 - During and After the end of the Action and/or Payment of the Balance
 - (audit may be started up to 2 years after end date, but may prolong beyond the 2 years))
 - No approval by the Beneficiary
 - Internal Commission Staff or External Experts
 - Deadline for presenting the information requested
 - Meetings, on-the-spot reviews, access to premises, contractors, subcontractors, linked third parties readily available information

REVIEWS

Art. 22 of the GA

- Assessment of:
 - proper implementation of the action (including assessment of deliverables and reports)
 - compliance with the obligations under the Agreement and
 - continued scientific or technological relevance of the action
- Review Reports
- The review report together with the Commission comments will be notified to the Coordinator (or, exceptionally, the Beneficiary concerned) for comments within 30 days (**contradictory review procedure**)

AUDITS

Art. 22 of the GA

- Audits (EC and/or ECA)
 - During the Implementation of the Action and/or up to **two years** after the payment of the balance
 - Draft Audit Report (DAR)
 - Contradictory Audit Procedure (observations from the Beneficiary within 30 days from sending the DAR, **Art. 22.1.3**)
 - Final Audit Report
 - Letter of Audit Conclusions (referring to eventual cost rejections, extrapolation rate)

Audits Sampling

- Materiality Level:
 - 5% of total costs claimed
- Samples (for personnel costs or for other direct cost per cost sub-category)
 - When the value is below 5% - the tests are performed on the item with highest value in the cost population
 - When the value is above 5%, then:
 - If less or equal to 5 items - all items are tested
 - If more then 5 items:
 - Randomly selected items higher or equal to 10% of the total value of the cost sub-category
 - 50% in value based on the total cost sub-category
 - Up to 15 items

investigations

If the Commission suspects that a Beneficiary or 3rd party involved in an action committed fraud or other illegal acts, it will inform OLAF, who **may** decide to investigate



Results of the reviews, audits and investigations

- Cost rejection, suspension of the payment deadline, termination, grant reduction and recovery (Art. 42-44, 47-50), or exclusion and/or financial penalties (Art. 45), amendment (Art.22.5.1)
- In some audit cases, findings may result in the acceptance of additional costs (if the Beneficiary declared them)
- Criminal prosecution before the national authorities

Extension of findings

- Extension of findings to non-audited grants and/or periods (be it on-going or closed)
 - Recurrent error - an infringement found in several grants of the Beneficiary
 - Systemic - an infringement that is inherently related to the Beneficiary's methodologies, accounting, management or internal control practices
 - Letter of Audit Conclusions:
 - for cost rejection:
 - a request to submit revised financial statements for the grants/reporting periods on the list (via a specific form annexed to the letter of audit conclusions)
 - the proposed correction rate for extrapolation (if the Beneficiary does not submit revised financial statements)
 - the conditions for external counter-audits to propose an alternative correction method
 - for grant reduction: the proposed flat-rate for the correction

Extension of findings (2)

- The Extension rate will be **used** if:
 - The Beneficiary explicitly requests it
 - Example: if the Beneficiary considers that the administrative workload related to submitting revised financial statements for all the grants affected would be disproportionate or impossible and so it decides to accept the correction rate.
 - The Beneficiary does not submit revised financial statements or refuses to cooperate (in time)
 - The Commission cannot approve the revised financial statements (because they do not properly reflect the audit/review findings)
 - The Commission cannot accept the alternative correction method proposed by the Beneficiary

Extension of findings (3)

- Contradictory procedure 90 days (Art. 22.5.3.1) – the Beneficiary may:
 - submit comments on the list of grants, or
 - submit revised financial statements (free of the errors or irregularities raised)
 - if the Beneficiary does not intend to submit revised financial statement, but disagrees with the proposed correction rate, the Beneficiary may:
 - for cost rejection: present an alternative correction method (alternative correction rate), substantiated by an audit performed by an independent external auditor ONLY to determine **a more precise error rate** for the audit/review findings of the Commission (NOT to contest those findings themselves)
 - for grant reduction: present an alternative correction method (alternative flat rate), substantiated by a note explaining why the alternative rate is more appropriate than the rate proposed by the Commission

Role of the coordinator

- Art. 19 and 20 of the GA
 - The Coordinator must submit the deliverables identified in Annex 1, in accordance with the timing and conditions set out in that Annex.
 - The Coordinator must submit the technical and financial reports
 - requests for payment
 - using the forms and templates provided in the electronic exchange system
 - The Coordinator must distribute the payments between the beneficiaries without unjustified delay (Art. 21.7)
 - If the coordinator breaches any of its obligations under this Article, the grant may be reduced and the Agreement or the participation of the coordinator may be terminated, or the Beneficiaries may be subject to other consequences as described in Art. 6.
 - Pre-financing, interim and final payments
 - The Coordinator must not delegate its administrative tasks, except for those listed in Art. 41.2
 - Except for public bodies of secondary or higher education.

Role of the coordinator

- How and when the payments are distributed is in principle an internal matter for the consortium.
- It is only if the coordinator is terminated that the Commission (and especially the Guarantee Fund) will intervene; *see Article 50*).
- The Commission will be informed of the distribution of the payments by the coordinator:
 - if it specifically requests this
 - in the event of recovery at the payment of the balance (*see Article 44*)
 - if the participation of one or more beneficiary is terminated (*see Article 50*)

Background agreement

- Art. 24 GA
- The beneficiaries must identify and agree (in writing) on the background for the action, committing to share:
 - any data, know-how or information — whatever its form or nature (tangible or intangible), including any rights such as intellectual property rights — that:
 - is held by the beneficiaries before they acceded to the Agreement, and
 - is needed to implement the action or exploit the results.
- If a Beneficiary breaches its obligations to the Background Agreement
 -
 - The grant may be reduced
 - Art. 6 measures

Other Grant Management issues

- CHAPTER 4, Sector 3
 - Dissemination and exploitation of results Art. 28 and 29 of the GA
 - Visibility of the action Art. 38
 - Intellectual Property Management, Access Rights, Ownership and Protection of Results

communication

- Art. 38 of the GA
 - Promote the action and its results, by providing targeted information to multiple audiences (including the media and the public) in a strategic and effective manner
 - Apply obligations on dissemination (Art. 29), confidentiality (Art. 36) and/or on security obligations (Art. 37)
 - Before engaging in a communication activity expected to have a major media impact, the beneficiaries must inform the *Commission/Agency/EU funding body*.
- VISIBILITY OF THE ACTION
 - EU emblem AND a specific text
 - Art. 27, 29 and 38

Eligibility of costs



Eligibility of costs

- Art.6 of the GA (based on Art. 186 of the FR)
- Expenditure must include estimated costs in the GA, exclusively on the implementation of the action
- **Eligibility** of costs: **general criteria**
 - Incurred during the implementation of the action
 - Necessary for the action
 - Identifiable and Verifiable
 - Compliant with national legislation on taxes and social security
 - Reasonable, justified, based on the principle of Sound Financial Management (economy and efficiency)
- Costs incurred by the Affiliated Entities – identified in the GA, abide by the same rules applicable to the Beneficiary
- Non-recoverable VAT

Eligibility of covid19 - related force majeure costs

- Force majeure (Art. 51 GA):
 - was unforeseeable, exceptional situation and beyond the parties' control
 - proves to be inevitable in spite of exercising all due diligence
 - must be formally notified to the other party without delay, stating the nature, likely duration and foreseeable effect
 - Travel tickets/hotel bookings/meetings cancelled
- Costs are eligible if they fulfil:
 - the general eligibility conditions of Article 6 MGA AND
 - Beneficiaries must immediately take all the necessary steps to limit any damage due to force majeure

Direct and Indirect costs

- **Direct costs** – costs that are directly linked to the action implementation and can therefore be attributed to it directly. They must not include any indirect costs
 - Staff related
 - Travel, accommodation and subsistence allowances
 - Services under Subcontracts and Implementation Contract
 - Administration costs
- **Indirect costs** - costs that are not directly linked to the action implementation and therefore cannot be attributed directly to it

Forms of costs

- Actual costs

- Real, not budgeted or estimated numbers

- Unit costs

- Personnel costs for SME owners/Natural persons not receiving a salary
 - Usual costs accounting practice of the Beneficiary for average personnel costs
 - Internally invoiced goods and services

- Specific unit costs

- costs for **energy efficiency measures** in buildings
 - **access costs** for providing trans-national access to research infrastructure
 - **access costs** for providing *virtual* access to research infrastructure
 - costs for **clinical studies**

- Flat rate for indirect costs

- 25% of direct eligible costs

- Lump sum

Forms of costs

- This is included in the Grant Agreement per cost category. (Art. 5.1 and Annex 2a GA)
- The reimbursement rates apply to all forms of costs (actual, unit, lump sums and flat-rates costs) and all budget categories.
- Within a grant, different forms of costs can be used.

Staff costs

- Personnel categories
 - Personnel working under employment contract (incl. In-house consultants)
 - Natural persons working under a contract with the Beneficiary, other than an employment contract, or who are seconded by a 3rd party against payment (unit costs)
 - National administrations personnel – for the additional activities related to the action only
 - SME owners without salary (unit costs)
 - Beneficiaries that are natural persons without salary (unit costs)
 - Personnel costs for providing trans-national access to research infrastructure

👉 External experts are NOT Staff but Services Costs!

Annual Personnel costs

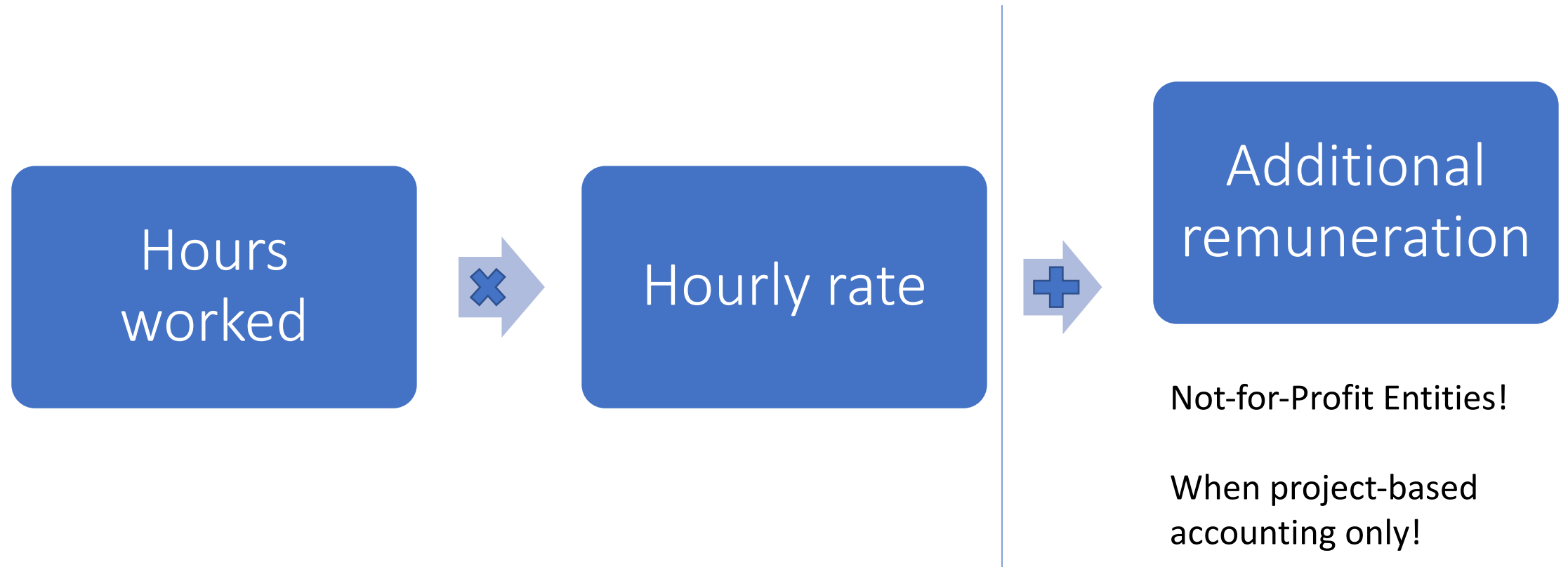
- **Basic Remuneration** = Annual Salaries + Social Security Contributions + Statutory Costs
 - up to what is the beneficiary's usual remuneration practice for national or other non-EU-funded projects
- **Additional Remuneration** (for non-profit organisations only)
 - Paid above the beneficiary's usual remuneration practice for national projects
 - **8000 EUR ceiling**
 - Consistently applied whenever the same kind of work or expertise is required and regardless of the source of funding used
- Personnel costs can be declared as:
 - “actual costs” OR
 - “unit costs” (in accordance with the usual cost accounting practices (average personnel costs; *Arti.5.2a*).



STAFF Costs

- Actual, incurred and paid during the period, necessary and reasonable
- Not exceeding the rates used in the Beneficiary's usual policy on remuneration
- Keep records and supporting documents to verify costs:
 - Payrolls, payslips, timesheets, contracts, bank statements, remuneration policy, accounting policy used
 - Information about the method used to compute the productive hours and for the additional remuneration

Personnel Costs



Hourly rate

Annual personnel costs
for a person for a
financial year

divided by

Productive hours worked
by the person for the year



Hourly rate

- Annual hourly rate
 - using the personnel costs and the number of productive hours for each full financial year covered by the reporting period concerned; If a financial year is not closed at the end of the reporting period, the beneficiaries must use the hourly rate of the last closed financial year available
 - 3 Options for calculating the annual productive hours
- Monthly hourly rate
 - using the personnel costs for each month and (one twelfth of) the annual productive hours calculated:
 - Either Option 1 "Fixed annual productive hours 1720", or
 - Option 3 "Standard annual productive hours", where there is an applicable reference to what a standard workable hours is



Annual Productive hours

- 3 options:
 - 1720 fixed
 - For full-time working personnel
 - Pro-rata for non full-time working personnel
 - Individual annual PH – based on workable hours for the year
 - Workable hours + overhead-absences
 - Standard number of annual PH
 - Usual Beneficiary's accounting practices
 - At least 90% of standard workable PH



- Article 6.2.A.1 of the GA
 - the 'annual workable hours' are established according to one of the following:
 - employment contract of the person concerned
 - applicable collective labour agreement
 - national law on working time
- If the contract (or applicable collective labour agreement or national working time legislation) does not allow to determine the annual workable hours, Option 2 for productive hours calculation cannot be used



Personnel Costs

- Project-based accounting (for **non-profit legal entities** only)
 - The beneficiary usual accounting practice in project management is to complement the personnel working on international projects with additional payment
 - 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.
 - Only for non-profit legal entities
 - Regardless of the source of funding
 - This “usual accounting practice” should be evidenced in the internal rules
 - There should have been at least one paid additional remuneration before the submission of the action proposal!

Personnel Costs

- Project-based accounting
 - Annually, the additional remuneration should be capped to 8000 euro per person.
 - The ceiling is *fixed* at EUR 8 000 per year for each full time equivalent (FTE), i.e. EUR 8 000 for a **full-time employee working exclusively for the action during the entire year**.
 - This ceiling covers not only the additional payment (bonus) but also the additional taxes, costs and social security contributions triggered by the additional payment.
 - For an **employee working exclusively for the action but not hired full time during the entire year**, the ceiling is reduced pro-rata
 - For an **employee not working exclusively for the action**, the ceiling is *calculated pro-rata*, based on the hours worked for the action.

Personnel Costs

- Project-based accounting
 - Calculation of the additional remuneration:
 - **"action reference" (AR)** - reference rate for the work on the H2020 action
 - **"national projects reference" (NPR)** - reference rate for the usual remuneration practice for national projects
 - Compare both rates:
 - If $AR > NPR$, then there is additional remuneration
 - If $AR \leq NPR$, then there is no additional remuneration, all remuneration is basic
 - Calculation of the additional remuneration cost
 - $AR \times (\text{actual working hours per person per year})$
 - Application of the 8000 ceiling rule

Personnel costs

Let's have an example with the calculation of the personnel costs and the definition of the additional remuneration.

Please, refer to the Practice Case 1.1.



COVID-19 Confinement consequences

- Will the EU contribute to the salaries of researchers working in a Horizon 2020 action for the time they could not work due to the COVID-19 confinement measures (for actual costs grants)?
 - Answer
 - Yes, if they fulfil the general eligibility conditions of Article 6 MGA like any other cost incurred under the action
- AND
 - Beneficiaries must immediately take all the necessary steps to limit any damage due to force majeure



COVID-19 Confinement consequences

- Answer:



Monthly rate of personnel actual costs

- Please, answer to the questions
- The Answer to Question 1
- The Answer to Question 2

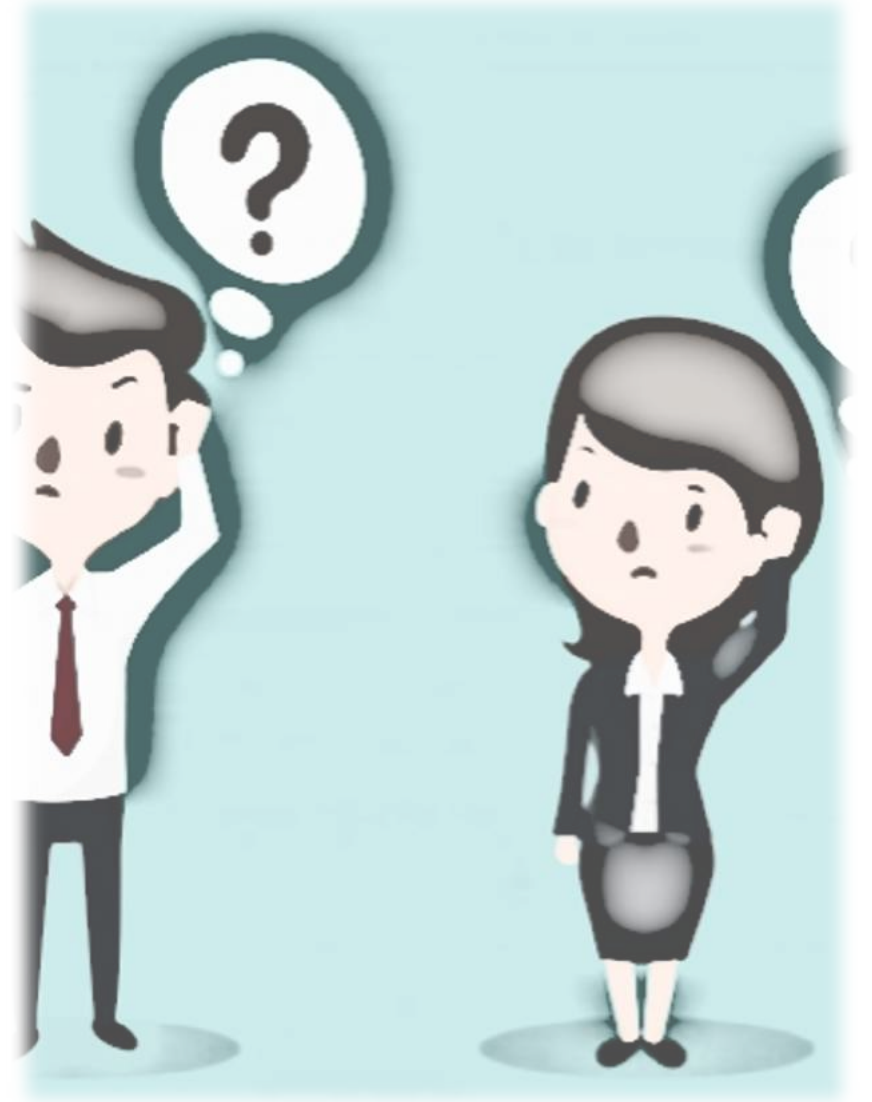


STAFF COSTS

- Double ceiling rule:
 - The total N hours worked and declared for a person for a year is NOT higher than the number of annual PH **used for the calculation** of his/her Hourly Rate
 - The total amount of personnel costs declared for a person for a year is NOT higher than the total personnel costs **recorded** in the accounts for that person for that year.
- Parental Leave:
 - Can be deducted from the annual productive hours for all options, when using the ANNUAL hourly rate
 - Can be considered when calculating the annual personnel cost in proportion to the actual hours worked when using the MONTHLY hourly rate

Parental leave

- Please, answer the question
- [The Answer](#)



Subcontracting

- Subcontracting/Implementation contracts (Art. 13 of GA)
 - The purchase of goods, works or services that are identified in Annex 1 as “action tasks” or in Amendment
 - Translation, Interpretation, specific Evaluation, external Expertise, Information, Dissemination, Reproduction, Publication
- Beware:
 - Procurement rules – best value for money, price-quality ration, lowest possible price
 - No core activities, no Coordinator’s tasks
 - Included in the Grant Agreement (Annex 1 and Annex 2)
 - OR agreed with the Commission (amendment/simplified procedure)
 - **The Subcontractor should abide with the same obligation and provide the same rights to the Commission as those of the Beneficiary**

Subcontracting

- **Obligations that must be extended to subcontractors:**
- Avoiding conflicts of interest ([see Article 35](#))
- Maintaining confidentiality (*see Article 36*)
- Promoting the action and give visibility to the EU funding (*see Article 38*)
- Liability for damages (*see Article 46*).

Failing to abide with these obligations, the grant may be reduced and/or other penalty consequences may occur, according to Art. 13.2 , Art. 43 and Art. 6

Subcontracting

- Conflict of interests (Art. 35, GA)

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



Linked third parties

Art. 14 Ga

affiliated entities

- 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

entities with a legal link to a beneficiary

- established legal relationship
- broad and not specifically created for the work in the GA that goes beyond the action duration and usually pre-dates and outlasts the GA

Subcontracting/ Third/ Linked parties

TYPE	CHARACTERISTICS						
	Works on action tasks?	Provides resources or services for action?	What is eligible?	Must be indicated in Annex 1?	Indirect costs?	Selecting the third party	GA articles
Linked third party	YES	NO	Costs	YES	YES	Must be affiliated or have a legal link and be eligible for funding	Article 14
International partners	YES	NO	N/A	YES	N/A	Must not be eligible for funding	Article 14a
Subcontractor	YES	NO	Price	YES	NO	Must be best value for money, avoid conflict of interest	Article 13
Third party providing in-kind contribution	NO	YES	Costs	YES	YES	May not be used to circumvent the rules	Articles 11 and 12
Contractor (selling, equipment, good or service)	NO	YES	Price	NO	YES	Must be best value for money, avoid conflict of interest	Article 10
Third parties receiving financial support ³³	The third parties participate in the action as recipients.		Amount of support given	YES	NO	According to the conditions in Annex 1	Article 15

In-kind contributions

by third parties but not subcontractors

- Used by the beneficiary against payment
 - Direct costs – actually incurred or unit cost based (Art. 6.2 GA)
 - Indirect costs – 25% on the actually incurred eligible direct costs when NOT in the beneficiary's premises
- Used by the beneficiary for free of charge
 - The beneficiary does not pay to the 3rd party but it may claim the actually incurred costs of the 3rd party
 - The beneficiary may NOT include the indirect costs a second time to calculate its own indirect costs
 - Free of charge in-kind contributions may also have to be declared as receipts — capped by the amount declared as third party costs for the contribution. (*Article 5.3.3(c)*)
- The accounting records of the third-party prevail over the beneficiary's paid balances

Other direct costs

- If necessary to implement the action, the beneficiaries may purchase **goods, works or services**.
 - The beneficiaries must make such purchases ensuring the **best value for money** **or**, if appropriate, **the lowest price**. In doing so, they must avoid any conflict of interests (see Article 35).
 - Internally invoiced goods and services (Art. 6.2. and D.5 of the GA)
 - Calculated as unit costs only
- Equipment
 - Depreciation of purchased equipment or the corresponding amounts if rented or leased equipment
 - No financial fees (e.g. for credits on the purchase, or for the leasing, etc.)

Other direct costs

- Rental of meeting rooms/interpretation booths
- Costs for certificates on the financial statements
- Financial costs, e.g. related to the bank guarantee
- Other office supplies

Ensure competitive selection procedure for purchase of goods, works, and services.

Other direct costs

- Travel and subsistence allowances (actual cost only)
 - Costs are necessary for the implementation of the action, reasonable, verifiable and not reckless
 - Keep tickets, bills, receipts, proof of payment
 - declared in euro according to the rules in the GA
 - According to the Beneficiary's usual travel policy
 - Only costs related to the time for travel related to the work on the action
 - Per diem/Fixed fees reconcile with the Beneficiary's usual travel policy, procedures or practice
- COVID19 : equipment for holding online meetings may be **eligible**.

COVID19 lockdown related problems

- If the equipment is not being used by researchers, are corresponding depreciation costs eligible?
- For newly purchased equipment, which has not been used due to delayed/impossible tasks, depreciation costs are incurred more than budgeted, are they all eligible?



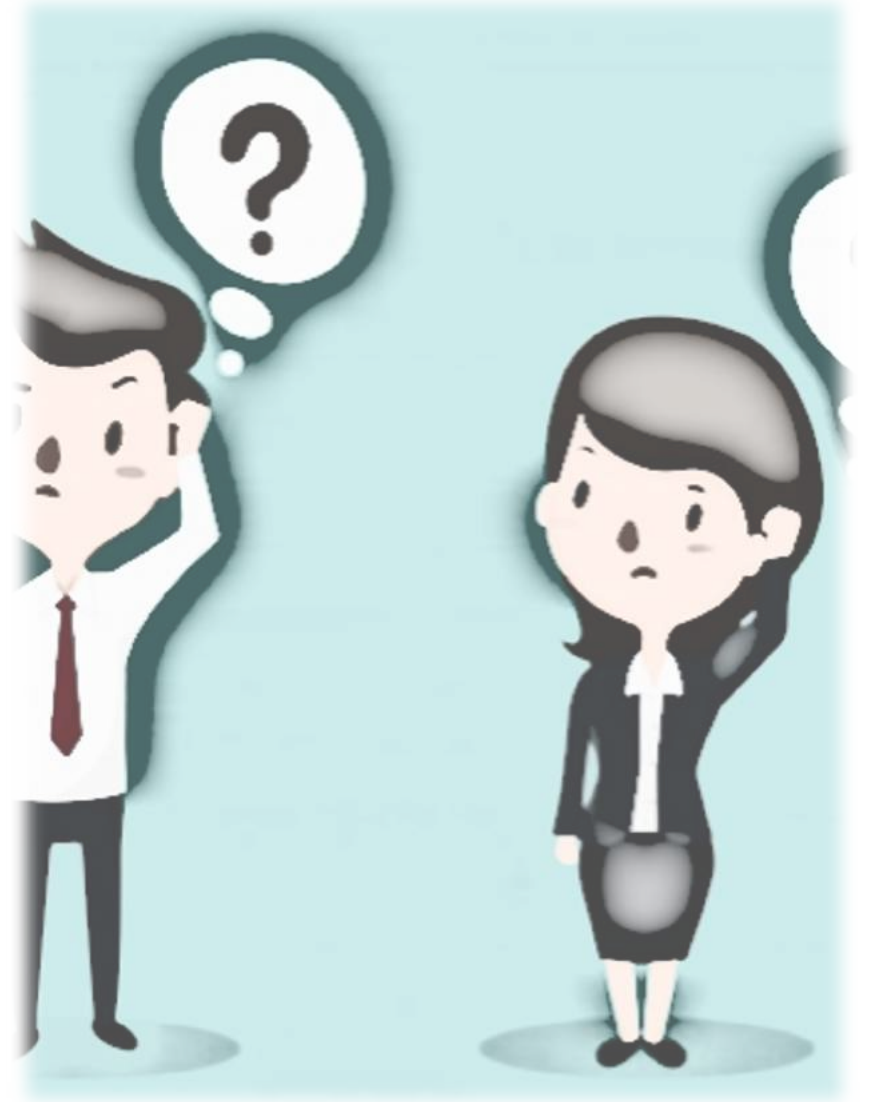
COVID19 lockdown related problems

- [Answers](#)



Renting/ leasing equipment

- Please, answer the question
- [The Answer](#)



Indirect costs

- One flat rate 25% of total eligible direct costs minus:
 - Subcontracting costs
 - In-kind contributions related costs incurred by 3rd parties outside of the Beneficiary's premises
 - Costs of providing financial support to 3rd parties
 - Costs from specific costs categories (unit or lump-sum costs) that include indirect costs
- BEWARE:
 - Indirect costs cannot be reimbursed and thus should not be declared if the Beneficiary also receives an Operating grant (for the operation and running costs of an entity, Art. 180.2.(b) of the FR), unless the Beneficiary applies separate accounting and shows no double funding doubts

Ineligible costs

- In principle – if costs **do not meet the general and specific eligibility conditions** set out in Articles 6.1 to 6.4 of the GA
- Costs **listed in Article 6.5** of the GA
 - Return on capital or return generated by an investment (dividends)
 - Debt and debt service charges (on loans)
 - Interest owned
 - Provisions for bad debts and losses
 - Bank costs
 - Currency exchange losses
 - Deductible VAT
 - Incurred during the suspension of the implementation of the action
 - Declared under another EU or Euratom grant
 - In-kind contributions from 3rd parties (voluntary work, equipment available for free, etc.)

Receipts from the action

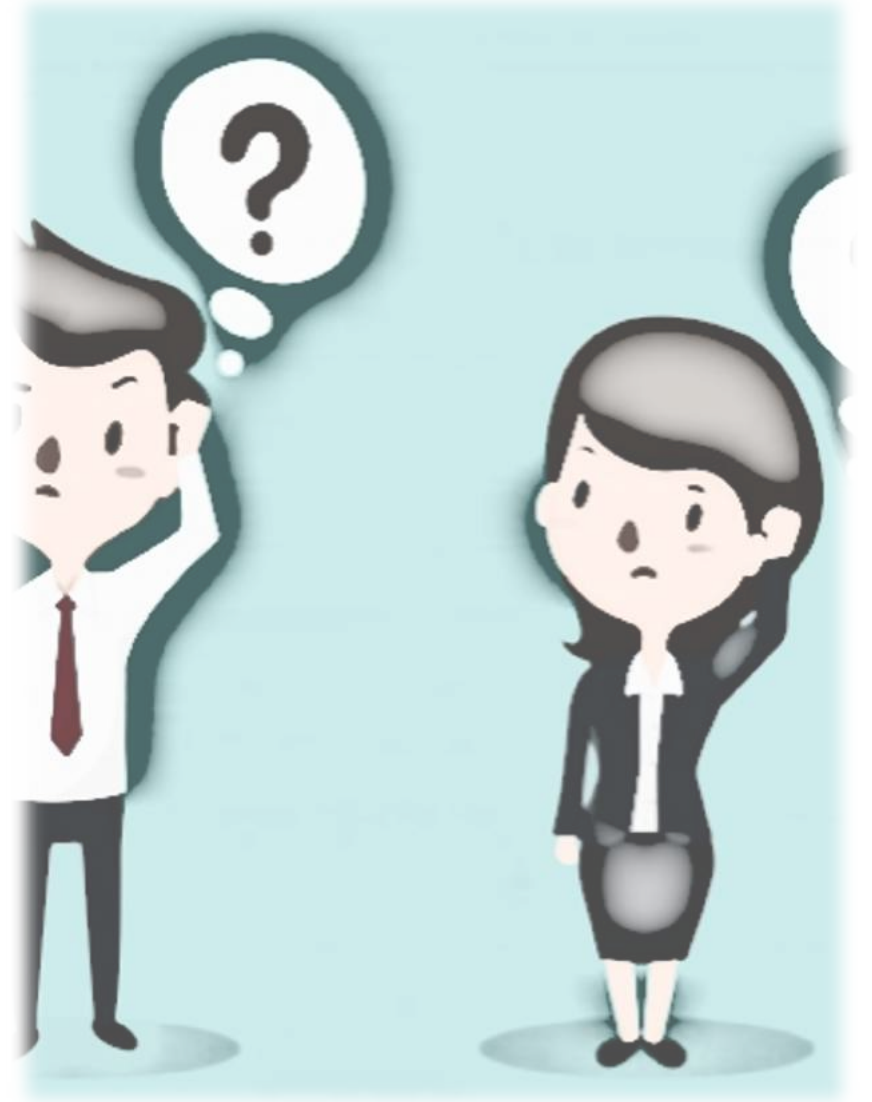
- Receipts from the action (Art. 5.3.3 of the GA)

NO PROFIT RULE

- (a) Income generated by the action; if the income is generated from selling equipment or other assets purchased under the Agreement, the receipt is up to the amount declared as eligible under the Agreement;
- (b) financial contributions given by third parties to the Beneficiary/linked 3rd party specifically to be used for the action, and
- (c) in-kind contributions provided by 3rd parties free of charge and specifically to be used for the action, if they have been declared as eligible costs

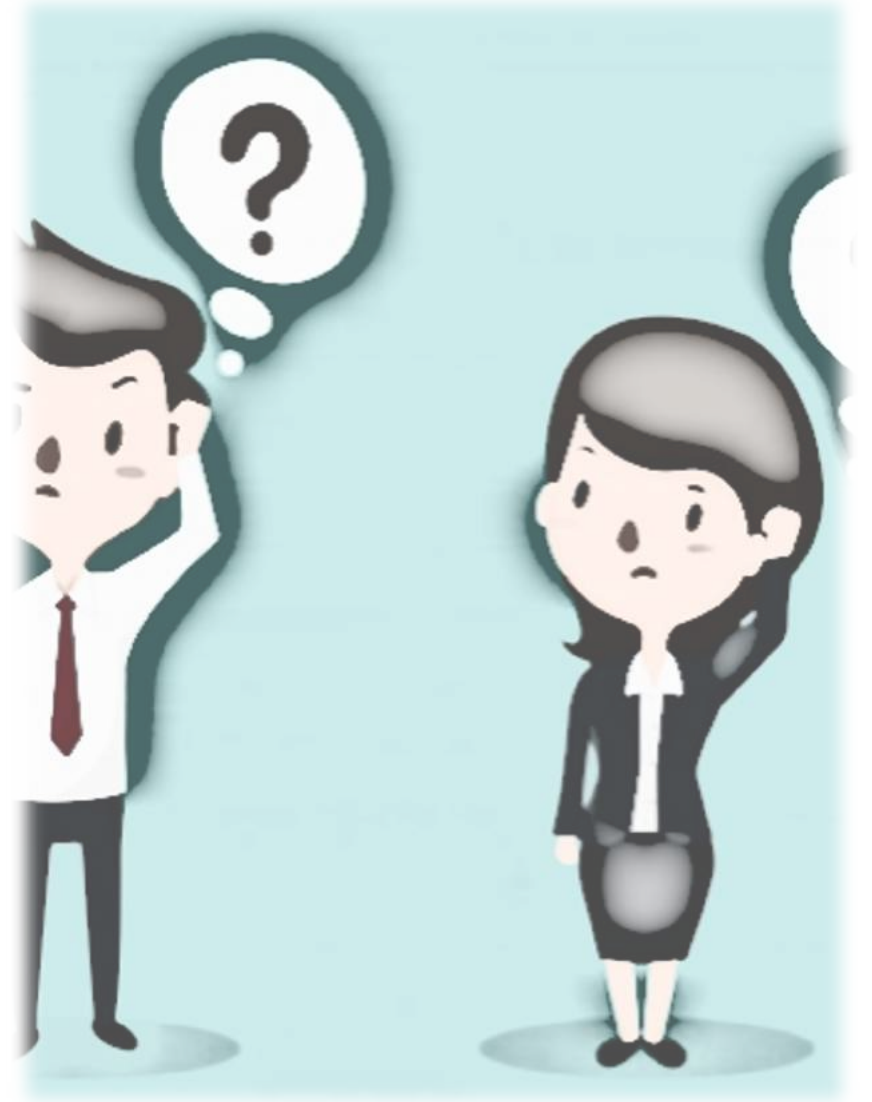
Receipts – question

- Please, refer to Example 2 Practical Case in your printed course handbook.



Receipts – question

- Answer



Final grant amount

- Calculated by the Commission when the Payment of the Balance is made
- Corrected with 4 Steps (Art. 5.3 of the GA)
 - Step 1 — Application of the reimbursement rates to the eligible costs
 - Step 2 — Limit to the maximum grant amount
 - Step 3 — Reduction due to the no-profit rule
 - Step 4 — Reduction due to substantial errors, irregularities or fraud or serious breach of obligations
- The final grant amount will be the lower of the following two:
 - the amount obtained following Steps 1 to 3 or
 - the reduced grant amount following Step 4, and
- Deducting the total amount of pre-financing and interim payments already made

EXAMPLES and QUESTIONS