

Practice case 1.1.

A1. Personnel costs – how many working hours?

During the period 2017-2019 Ms Smith worked on H2020 project at 50% of her time scheme, and 50% she worked on another EU grant, funded by another EU programme. Her hourly rate was calculated using the 1720 productive hours, Option 1 from the art.6 of GA on an annual basis. The hours worked were paid and declared by her employer and reimbursed by the EC.

Ms Smith has a detailed timesheet where she keeps record of her hours worked on both EU grants respectively. It can be seen that her actual worked hours on the H2020 grant summed up at 920 hours and at 920 on the other EU grant.

In 2019 the EC initiates an audit of the H2020 project for the period 2017-2018 financial year.

Please, select the correct statement:

1. To verify the eligibility of the personnel costs for Ms Smith, the auditors have to:
 - (1) calculate the hourly rate - all the recorded and paid yearly remuneration costs for her (on H2020 project), divided by 1720 and
 - (2) multiply the rate by the 920 hours worked on H2020.
2. The hours for which the hourly rate will be applied, should take into account the actually worked and declared hours under the other EU grant, so $1720 - 920 = 800$. Thus, the eligible costs under the H2020 grant are (the hourly rate) *800. The costs related to the 120 hours difference (920 hours as per timesheet and 800 maximum hours on H2020 after applying the double ceiling rule) will be rejected as ineligible.
3. The personnel costs of Ms Smith will not be subject to verifications, as there was already another audit on the other EU grant where Ms Smith also worked and had incurred eligible costs.

A2. Personnel costs – what category?

The beneficiary, a private company A, has signed the Grant Agreement on 31 August 2017 for a period until 31 August 2022. The budget in the Annex 2a sets the planned personnel costs of personnel under a direct employment contract.

During the course of the second year, it has become evident that for some part of its activities, for several action tasks, the beneficiary needs to involve additionally scientists with experience and qualification that was not envisaged as necessary at the time of the signature of the Grant Agreement. Under the same principal investor(owner) as that of the beneficiary A, another private company, B, is also working on similar projects and it offers to send some of its employees to work on the A's project.

How can this be organised so as to claim the personnel cost as eligible?

1. Company B is an affiliated entity, and it can second its employees – for free or for payment – to the company A's project. In this way, these employees will be reporting their working hours on the A's project so their personnel costs may also be declared as in-kind contributions to the action.

2. Company B is a subcontractor. Procurement procedures for the selection of B's consultancy services have to be applied, and all the principles of no conflict of interest, security and confidentiality, equal rights, etc., have to be implied in the procedure for selection. Company A can claim the costs for the consultants' work as direct costs under category Subcontracting.
3. None of the above.
4. Both **a** and **b** are correct.

A3. Personnel Cost - Hourly Rate (questions 1-3 have ONE answer only)

1. Is it possible to calculate the hourly rate on different methods – monthly or annual – within the action duration?
 - a. Yes, but only for one financial year for the same grant.
 - b. Yes, but for the full financial year one method for the same grant.
 - c. Yes, but it should be consistently applied for the full financial year for all H2020 grants managed.
 - d. Yes, the Beneficiary can choose the method, but this should be clearly explained in the Annex 2 of the GA.
 - e. No, one method should be applied consistently for the entire grant duration.
2. When calculating the monthly rate for actual personnel costs, must Beneficiaries cap the number of hours worked for EU actions on a monthly basis?
 - a. Yes
 - b. No
3. May Beneficiaries deduct the time spent on parental leave by an employee from the annual productive hours when calculating the monthly hourly rate for action personnel costs?
 - a. Yes, if the timesheets clearly prove the hours worked for the months of that financial year.
 - b. No, for the monthly rate, as it is applied for the full financial year, it is reflected in proportion to the time worked on the action during the year.

A4. Personnel costs – seconded personnel

The Beneficiary declared personnel costs as direct costs, however the auditors found that some persons were seconded via a temporary agency. What will the auditors check? (You may select more than one statement).

1. If the temporary agency appears in the GA annexes or in an Amendment, so costs are eligible, no more questions.
2. This is service costs and should not be included in the personnel direct costs category. Additional eligibility condition is the principle "value for money".
3. The costs will be subject to procurement audit procedures relating to the subcontracting of the personnel in question.
4. If the Beneficiary is not a non-profit-entity there are no procurement obligations.
5. The costs of the seconded persons should be accounted as unit costs.

A5. Meal vouchers

The beneficiary pays to its employees on the action as part of their salary lunch vouchers. Is it eligible and as what category of cost?

1. Yes, their value constitutes a component of the annual remuneration for an employee, which is used for the calculation of the rate, if they are also paid to all other non-H2020-action related staff, as usual remuneration policy.
2. There should be analysis of the tendering and subcontracting procedures before they are accepted as direct costs.

A.6 Absences

One of the project managers within the beneficiary's organization experienced major health problem that needed to be treated for a period under special sick leave. How can this be reflected in the calculation of the hourly rate for this person?

1. All absences should be reflected for the calculation of the annual productive hours.
2. If Option 1 or Option3 is used, the special sick leave is not deducted from the annual productive hours. If Option 2 is used, the special sick leave must be deducted from the total individual productive hours for the year.
3. If the monthly rate is used, instead of annual rate, it can be deducted from the annual productive hours number in all three options.