



# H2020

## Financial and Legal matters

Federico Esu

Legal Officer – Grant Agreements and Public Procurement Contracts  
DG Research and Innovation

[Federico.esu@ec.europa.eu](mailto:Federico.esu@ec.europa.eu)

IS-ENES3 KoM, 10 January 2019, Paris

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# Forms of costs

## Actual costs

- Costs actually incurred, identifiable and verifiable, recorded in the accounts, etc.
-  **NEW:** non-deductible VAT paid is also eligible

## Unit costs

- A fixed amount per unit determined by the Commission Example: SME owners' unit cost
- For average personnel cost (based on the usual accounting practices – with or without COMUC)

## Lump sum

- A global amount to cover one or several cost categories Example: Phase 1 of the SME instrument

## Flat rate

- A percentage to be calculated on the eligible costs Example: 25 % flat rate for indirect costs

# Budget

## **Annex 2 to GA**

Costs by beneficiary and category

Total estimated eligible costs of action

EUR **9,802,612.50**

Reimbursement rates: **100%**

Maximum grant amount

EUR **9,802,612.50**

## Project timeline and payments

48 Months - 3 RPs  
Start of project: 1 January 2019



1<sup>st</sup> reporting period ends  
**01/07/2020**

2nd reporting period ends  
**01/01/2022**

Submission of reports within  
max. 60 days



Final reporting period ends  
**01/01/2023**

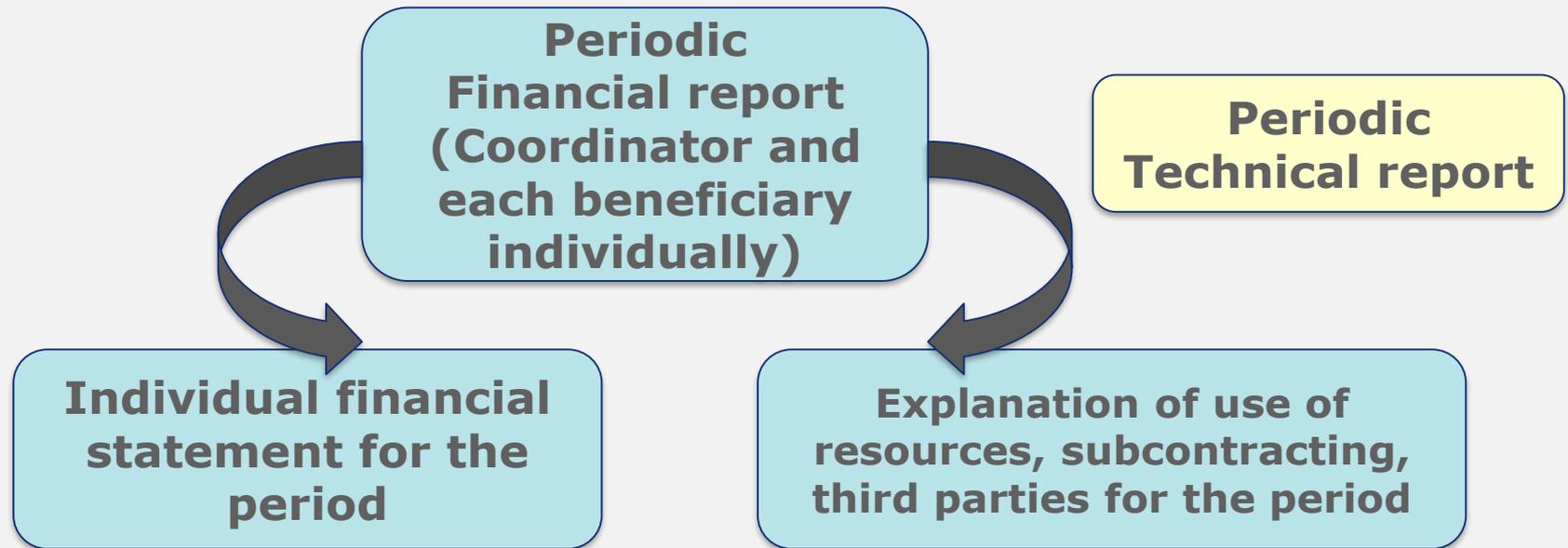
Submission of reports within  
max. 60 days

**Pre-financing:** 53.33 % of  
maximum grant amount

**Interim** payment capped to 90%  
of maximum grant amount.  
Paid within max. 90 days of  
receipt of interim reports

Payment of **balance**.  
Paid within max. 90 days of  
receipt of final report

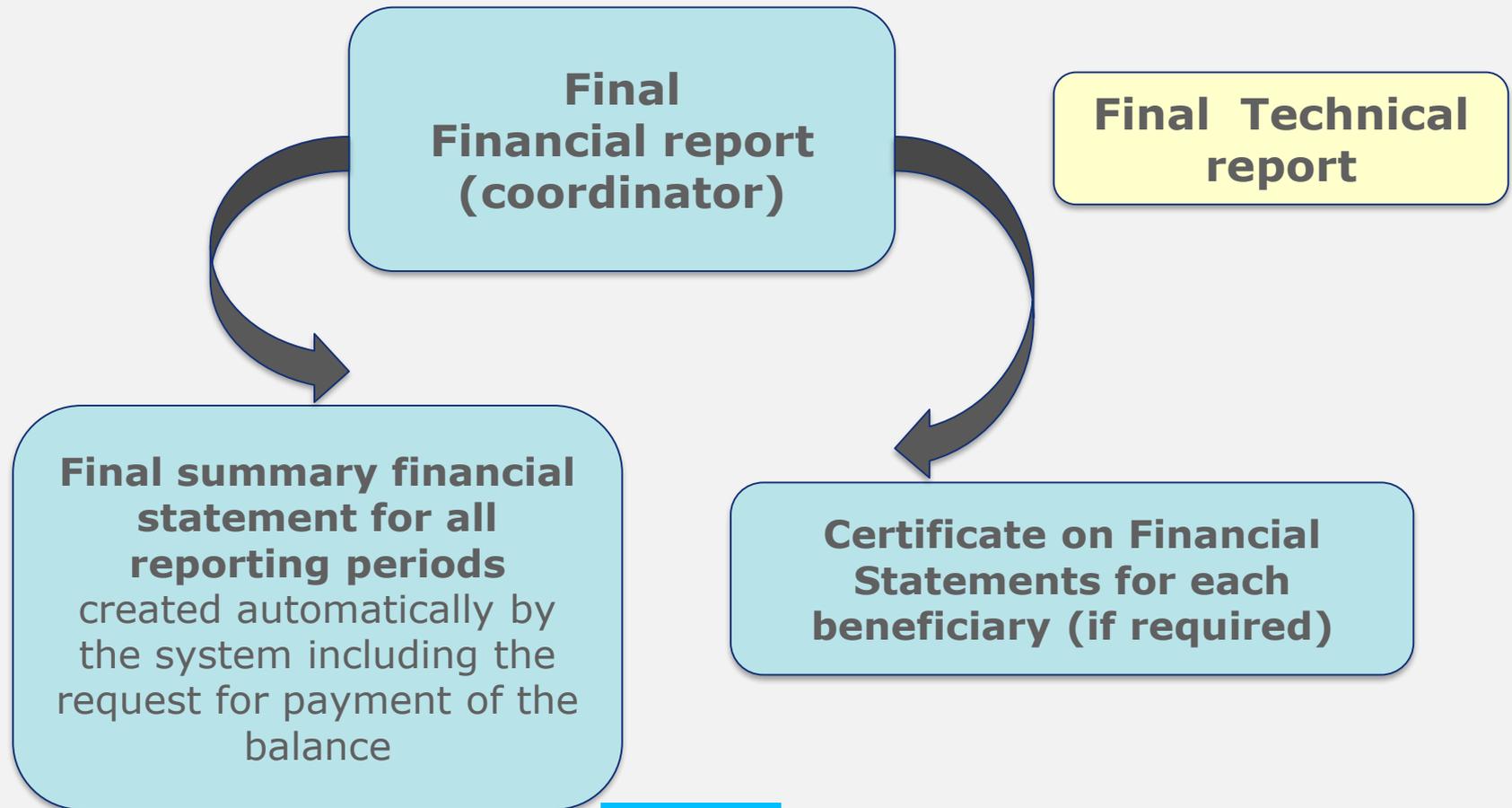
# Periodic reporting





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# Final reporting



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## Eligible costs (Article 6)

Actually incurred by beneficiary

Incurred over Action's duration

Estimated in budget - Annex 2

Related to Action

Identifiable and verifiable

In compliance with national laws on taxes, labour and social security

Reasonable, financially sound

# Controls and audits

## Ex-post audits

- Audits of the Commission limited to **two years** after the payment of the balance.
- ARTICLE 18 — KEEPING RECORDS — SUPPORTING DOCUMENTATION  
The beneficiary must — for a **period of five years** after the balance is paid — keep adequate records and supporting documentation to prove the proper implementation of the action and the costs they declared as eligible

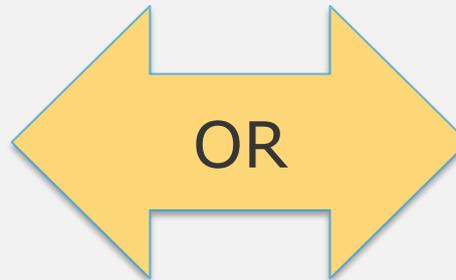
## Personnel Costs:

### What expenditure can be declared? (Art. 6.2.A)

- Costs for **employees** (or equivalent).
- Costs for natural persons working under a direct contract (**in-house consultants**).
- Costs for **personnel seconded** by a third party against payment.
- **SME owners** without salary.
- Beneficiaries that are **natural persons**.

# Time recording

Time sheets



Declaration on  
exclusive work  
for the action

In most cases you will need to record hours spent on the project. Please do it regularly, and have your timesheets countersigned by supervisor!

# Purchasing and Subcontracting

You must demonstrate "best value" in purchasing (MGA Article 10) and sub-contracting (MGA Article 13)  
Some level of tendering to demonstrate "best value" – e.g. tender, three offers, market survey

- *We will normally accept your standard practices, when properly used*
- *We will normally accept commercial agreements already in place*
- *Naming the supplier in the contract does not mean that you do not have to demonstrate best value*

<p align="center"><b>Article 10</b></p> <p align="center"><b>Contracts to purchase goods, works or services</b></p>	<p align="center"><b>Article 13</b></p> <p align="center"><b>Subcontracts</b></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>

## **OTHER DIRECT COSTS**

### **Travel costs and allowances**

**Costs necessary and limited to Action  
No specific calculation method**

**Be in line with your usual practices on travel and allowances**

### **Equipment costs**

**Used for Action**

**Depreciation cost and not full purchase price**

**Be in line with your usual practices on depreciation costs**

### **Other goods and services**

**Purchased for Action**

**Ensured best value for money/lowest price**

**No specific calculation method**

# Exchange rates

## ❖ Beneficiary 's accounts in €

conversion of costs into EUR according to their usual accounting practice

## ❖ Beneficiary 's accounts in other currency

average of the daily exchange rates published in the Official Journal of the EU calculated over the reporting period

<http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html>



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# Budget Categories - Budget Transfers (Article 4)

Budget transfers and re-allocation	Amendment needed?
From one beneficiary to another	<b>NO</b>
From one budget category to another	<b>NO</b>
Re-allocation of Annex 1 tasks	<b>YES</b>
Transfers between forms of costs (actual costs, unit costs, etc.)	<b>YES</b> if the 'form' receiving the transfer was not included in the budget (example a new unit cost)
 Transfers within <i>personnel costs</i>	<b>NO</b>
New subcontracts	<b>YES</b> (strongly advised)

**NEW !**



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Estimated budget for the action

Form of costs	A. Direct personnel costs				B. Direct costs of subcontracting	[C. Direct costs of fln. support]	D. Other direct costs		E. Indirect costs	[F. Costs of...]	
	A.1 Personnel A.2 Natural persons under direct contract A.3 Seconded persons [A.6 Personnel for providing access to research infrastructure]		A.4 SME owners without salary A.5 Beneficiaries that are natural persons without salary				D.1 Travel D.2 Equipment D.3 Other goods and services D.4 Costs of large research infrastructure	D.5 Cost of internally invoiced goods and services		[F.1. Cost of...]	[F.2 Cost of...]
	Actual	Unit	Unit		Actual	Actual	Actual	Unit	Flat rate 25 %	Unit	[Unit] [Lump sum]
(a)	Total (b)	No hours	EUR/hour (c)	(d)	(e)	(f)	(g)	(g)	(j1)	(j2)	
Beneficiary 1	500.000	0	100	3.213	150.000	0	325.000	0	207.053	0	0
Beneficiary 2	0	300.000	0	0	0	0	125.000	0	106.250	0	0

## Amendments are necessary

- Adding a new beneficiary
- Terminating a beneficiary
- Change of beneficiary due to "partial takeover"
- Removal or addition of linked third party (Article 14)
- Change of coordinator or his bank account
- Change of duration
- Change of Annex 1 (description of the action)
- Change of Annex 2 (financial aspects)

**Our challenge is to reduce error rates  
in ex-post audits**

**How?**

**By avoiding poor practices leading to  
some recurrent errors**

## Most common mistakes detected during ex-post controls/audits (1)

- ❖ Amounts claimed in financial statements **do not match** with actual costs incurred.
- ❖ Declaration of estimated budgets, instead of **actual amounts** spent (be careful: budget is a maximum amount, not THE amount or a price!).
- ❖ Lack of **supporting documents** to substantiate costs incurred.
- ❖ Costs incurred outside of **eligibility period**.

## Most common mistakes detected during ex-post controls/audits (2)

- ❖ If a beneficiary participates at several funding schemes, there is a risk of **double funding**.
- ❖ Risk that a beneficiary declares part of their **indirect costs** under direct costs (flat rate 25% in H2020 vs different cost models in FP7).

## Errors related to personnel costs (1)

- ❖ Wrong calculation of **annual productive hours**.
- ❖ **Lack of timesheets** (or other evidence) to record the time worked on the project.
- ❖ Timesheets **do not comply** with the minimum requirements as set in Grant Agreement.
- ❖ Hours claimed cannot be **supported** / impossible number of hours claimed.
- ❖ Salary costs include ineligible elements of '**additional remuneration**' as extra bonuses...

## Errors related to procurement: purchase of goods, works and services, subcontracting

- ❖ Lack of evidence that **procurement procedure** was sound (**best value for money**, transparency and equal treatment).
- ❖ Where competitive tendering was **not used**, this was not sufficiently documented and justified.
- ❖ Participant's **own normal practice not applied**.
- ❖ Sub/contracting to **a related party** (conflict of interest).



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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
<b>Linked third party</b>	<b>YES</b>	<b>NO</b>	<b>Costs</b>	<b>YES</b>	<b>YES</b>	Must be affiliated or have a legal link	Article 14
<b>Subcontractors</b>	<b>YES</b>	<b>NO</b>	<b>Price</b>	<b>YES</b>	<b>NO</b>	Best value for money, avoid conflict of interest	Article 13
<b>International partners</b>	<b>YES</b>	<b>NO</b>	<b>No EU funding</b>	<b>YES</b>	<b>No EU funding</b>	Partner to one beneficiary	Article 14a
<b>In-kind contributions by third parties</b>	<b>NO</b>	<b>YES</b>	<b>Costs</b>	<b>YES</b>	<b>YES</b>	Not used to circumvent the rules	Articles 11 and 12
<b>Contractors</b>	<b>NO</b>	<b>YES</b>	<b>Price</b>	<b>NO</b>	<b>YES</b>	Best value for money, avoid conflict of interest	Article 10
<b>Financial support to third parties</b>	<b><u>Only if allowed in the call</u></b> The beneficiaries' activity consists in providing financial support to the target population			<b>YES</b>	<b>NO</b>	According to the conditions in Annex 1	Article 15

## Further information

### **Participant Portal – Horizon 2020 reference docs**

[http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference\\_docs.html](http://ec.europa.eu/research/participants/portal/desktop/en/funding/reference_docs.html)

### **Horizon 2020 - Annotated Model Grant Agreement**

[http://ec.europa.eu/research/participants/data/ref/h2020/grants\\_manual/amga/h2020-amga\\_en.pdf](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/portal/desktop/en/funding/guide.html#>

### **Questions? Research Enquiry Service**

<http://ec.europa.eu/research/enquiries>



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FOR YOUR ATTENTION**

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