CS2JU Financial Workshop 2021

20-21 October 2021
09.30 – 17.00
Online presentation (TEAMS)
Financial Management
Morning session: 9.30 – 13.00: Financial reporting

- Welcome
- GAM 2020-2021 reporting
- Audit certificates and adjustments
- GAM 2020 – 2021 extension
- Q&A session

Break 15 min

- Eligibility of costs; focus on specific items
- Eligibility of costs under COVID-19
- Q&A session

Lunch Break 1 hour
Financial Management
Afternoon session: 14.00 – 16.00: Other financial aspects

- Implementation of ex post audit results
- In-Kind contributions
- Contribution to the administrative costs of the CS2JU
- Clean Aviation partnership (main highlights)
- Anti-fraud aspects
- Q & A session

Closure day 1

- Bilateral meetings
Housekeeping rules

- If possible, use a headset or headphones with a microphone to reduce background noise.
- Please keep your computer microphones / telephones on "mute" until you want to ask a question to avoid background noise or conversions being heard by the entire audience.
- Raise your hand if you wish to take the floor.
- Questions can also be asked at any time via the chat function in TEAMS (not Slido).
- Please note that your camera will be turned off to avoid any performance issues when displaying the slides.
- There will be breaks throughout the day: please be back on time.
- For any further questions, please send an e-mail to: cs2finance@cleansky.eu
Quiz introduction
What is the deadline set in the grant agreement for members (GAMs) to report the costs 2021?

- **A** 01/01/2022
- **B** 60 days after the end of the reporting period, ie 01/03/2022
- **C** when I am ready to submit the reports
- **D** when the work has been achieved
Do I need to provide a CFS in 2022?

A. no, it is not a final period
B. yes, in any case
C. I do not know
D. yes, to cover the costs claims 2020+2021, and if the threshold of 325 K€ is reached. This will follow the 2 year approach agreed between the JU and the members.
Do I need to provide a CTPC (certificate on total project costs) in 2022?

A. no
B. yes, in any case
C. I do not know
D. yes, to cover the period 2020+2021, and if the threshold of 325 K€ is reached. This will follow the 2 year approach agreed between the JU and the members.
The reporting package for the costs claims 2021 will consist of:

A. the technical report

B. the financial report

C. the technical report and the financial report incl. CFS when needed

D. the technical report and the financial report incl. the detailed UoR, the CFS and CTPC when needed
The main errors in costs reporting occur in which costs category?

A. Personnel costs
B. Subcontracting
C. Other directs costs (travel and equipment)
D. Indirect costs
What will happen with the ongoing GAMs 2020-2021?

A. They will be closed after two years (2020-2021). New GAMs will be signed.
B. They will be extended to 2022
C. I do not know
D. They will be extended to 2022-2023 through an amendment. The GAM values will be increased and new activities 2022-2023 will be included. No additional pre-financing will be paid.
GAM 2020-2021 reporting
The reporting should be done via the H2020 IT tools SYGMA.

*Electronic submission only and following the single submission rule*

⇒ *All reports should be submitted via the Coordinator within 60 days after the end of the reporting period:*

- **Technical reports:**
  
  Final core report, Critical risks, Deliverables, Milestones, Publishable summary and Questionnaire.

- **Financial reports:**
  
  Financial statements (Form C and Adj. Form C if needed), Use of resources, CFS (if required), TPC (Total Project Costs) and CTPC (Certificate on TPC, if required).
Financial reports – Financial statements

- Financial statement for costs 2021 + TPC 2021 including IKOP
  If the TPC value declared in the 1st reporting period was not correct, **adjustment** should be issued.

- Adjustment on Financial statement 2020 (see further slides):
  - To resubmit the costs “temporary” rejected in previous Reporting session for missing deliverables.
  - To correct mistakes in claimed costs of Financial statement 2020
As the UoR in SYGMA does not provide the same level of information as the excel file used in GMT2 and in order to ensure a good level of analysis and control, it was agreed for the reporting 2018 that each beneficiary continues to provide the UoR in excel format in addition to the one of SYGMA. Same approach will be followed for the reporting 2021. Instructions will follow by email.

**Use of Resources (UoR) – 2 different documents:**

1. **SyGMA (summarized information)**
   - Personnel costs: provide PM per WP
   - Subcontracting & ODC: insert amount + make reference to details in Excel file
Financial Management - Reporting

Financial reports – UoR

2. **Excel file** *(exhaustive information)*: The JU needs adequate back-up and supporting info in particular to **deviations / variances** in order to process the cost claims expediently.

- Use the spreadsheet provided as a preferred and pre-agreed format. Fill in only the tab(s) applicable to the GAM

- All cost categories must be fully detailed (no limitation to 15% for ODC)

- Personnel costs: explanations in case of deviations / variances with respect to Annex I
Financial Management - Reporting

Financial reports – UoR

- WP aggregation level (WP L3 or WP L4...) selected by Coordinators based on their judgment and ‘at their own risk’ => prior check with PO is recommended

- Subcontracting / ODC: all costs should be explained; ODC travel costs can be aggregated (mentioning date & place)

- UoR for adjustments 2020 is also required (see next slides)

- File to be provided to the PO and FO by 01.03.2022; this file will be uploaded by the JU in SyGMa
<table>
<thead>
<tr>
<th><strong>Personnel costs (PC)</strong></th>
<th>Actual number of P/M + associated WP + explanation in case of deviation wrt Annex 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subcontracting costs</strong></td>
<td><strong>Clear description of each subcontracting cost (incl. name of subcontractor), associated WP and explanation if not foreseen in Annex 1</strong></td>
</tr>
<tr>
<td><strong>Other direct costs</strong></td>
<td><strong>Clear description of all costs incurred (date and place of meeting for travels, depreciation method for equipments,...), Category of costs (Travel, Other goods and services, Equipments, ...), associated WP and explanation if not foreseen in Annex 1</strong></td>
</tr>
</tbody>
</table>

**Financial reports – UoR**
Adjustments to previous period
Adjustments of financial statements

• **Adjustment in costs reporting 2021 can be linked to:**
  – Corrections of costs claims 2020 (CFS exceptions, mistakes, correction of TPC)
  – Re-submission of costs provisionally rejected in 2020 (missing deliverables) if work has been achieved in full

• **But only one adjustment can be made in SygMa**

• For clarity, please specify in the UoR which costs are linked to corrections and re-submission of costs rejected in 2020 (provisional)
Correction of costs claims 2020 (exceptional)

If the beneficiaries notice a mistake (e.g. incorrect accounting information; error in the calculation; etc), they can make an adjustment (positive or negative) in the following reporting period to the financial statements for any previous reporting period.

**Example:** An internal audit on the annual accounts of the beneficiary finds later errors in the accounting information used to calculate the hourly rates.

Otherwise, costs that have already been declared can normally NOT be adjusted/changed (e.g. to take into account of a different hourly rate after the closure of the financial year).
Resubmission via an adjustment if the work related to missing 2020 deliverable(s) has been achieved in full:

- The costs rejected for the reason of missing 2020 deliverable(s) could be resubmitted as adjustment of the previous period, provided those deliverable(s) are completed. The two “cases” where an adjustment could be accepted from a PO perspective relates to either costs put on-hold and or costs that were incurred in anticipation of 21-22-23 work.
- **Pay attention, only the project costs** and funding may be submitted and **not the TPC (Total Project costs)**. This is to avoid that TPC to be counted twice in both previously submitted and in the adjustment.
- **Ideally, such adjustment should be limited to the amount rejected in Reporting 2020.**
- **In case other costs have to be declared:**
  1. A clear explanation should be provided in the use of the resources confirming those costs are new ones;
  2. If you make use of the IKOP method A, the TPC should be equal to those (new) additional total Costs declared;
  3. If you make use of the IKOP method B, the TPC should be equal or higher to those (new) additional total Costs declared;

In any case, the total declared as an adjustment in addition to the previously accepted contribution should be limited to the budget 2020 of the beneficiary at the maximum.
# Adjustments of TPC (Total Project Costs)

<table>
<thead>
<tr>
<th>Type of adjustment and reason</th>
<th>TPC to be reported</th>
<th>Rule for reporting TPC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Positive Adjustment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Re-submission of costs</td>
<td>NO</td>
<td>Only re-submission of costs rejected in period 1</td>
</tr>
<tr>
<td>provisionally rejected</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correction of costs for other</td>
<td>YES</td>
<td>Minimum the same</td>
</tr>
<tr>
<td>reasons (mistakes, CFS findings)</td>
<td></td>
<td>positive amount claimed - method A or B</td>
</tr>
<tr>
<td>Correction of TPC only: for any reason</td>
<td>YES</td>
<td>In <strong>Method B only</strong>: If some TPC were not reported. NB: these additional TPC should be certified</td>
</tr>
<tr>
<td><strong>Negative Adjustment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correction of costs for other</td>
<td>YES</td>
<td>If <strong>method is A</strong>: the same negative amount (TEC = TPC!)</td>
</tr>
<tr>
<td>reasons (mistakes, CFS findings)</td>
<td></td>
<td>If <strong>method is B</strong>: only if the TPC is reduced as well</td>
</tr>
<tr>
<td>Negative adjustment of TPC only</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>(due to finding in CTPC)</td>
<td></td>
<td>In <strong>Method B only</strong>: If some TPC have not been certified by the auditor---&gt; negative adjustment</td>
</tr>
</tbody>
</table>
Audit certificates

CFS (certificate on financial statements)
CTPC (certificate on total project costs)
Based on which value do you calculate if there is a need for providing the CFS (threshold of 325,000 € over the 2 reporting periods)?

- A. Total costs
- B. Total contribution
- C. \((\text{Actual costs} + \text{unit costs calculated according to its usual accounting practices}) \times \text{Reimbursement rate}\)
- D. Total contribution - Indirect costs
The CFS consists of the following documents:

A. Signed Terms of Reference
B. Terms of Reference, Independent report and Table of Procedures
C. Signed Independent report and Table of Procedure
D. Answer A and Answer C together
What are the main errors identified in the CFS?

A. In case of exception, the Auditor did not quantify the ineligible costs

B. Discrepancy in the findings reported in the Independent report and in the Table of Procedures

C. Table of Procedure not correctly completed

D. All above answers
Financial Management - Reporting

**Financial reports – Certification CFS / CTPC**

The CFS is requested every 2 years IF the Beneficiary/linked third party requests a total JU contribution of EUR 325,000 (or more) as reimbursement of actual costs and unit costs calculated according to its usual accounting practices (average personnel costs and costs for internally invoiced goods and services).

By analogy with the certification thresholds for financial statements, the TPC will require certification for accumulated calculated IKOP values exceeding Euro 325,000 and at the same time when the CFS is due (Method B).
Financial Management - Reporting

**Financial reports – Certification CTPC & CFS**

The Certificate requirements are done on a 2 years basis to ensure a sound financial management and provide better assurance to members on the validated costs over the project period.

⇒ The CFS/CTPC are required in 2022 (for costs claimed in 2020 & 2021)

⇒ For those who submitted a CFS in 2022, a new CFS will be required in 2024 to certify costs claimed in 2022 and 2023 + adj. on previous periods

⇒ Members that do not have activities in 2022 and/or 2023 will have to submit/upload the CFS in 2024 with the Final reporting 2023.
# Financial reports – Certification CTPC & CFS

<table>
<thead>
<tr>
<th>Reporting period / Years</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RP1</strong></td>
<td>Form C 2020 + TPC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RP2</strong></td>
<td>Form C 2021 + TPC + Adj RP1 CFS/CTPC required if threshold (325k) is reached for cumulative costs 2020 and 2021</td>
<td>CFS / CTPC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RP3</strong></td>
<td>Form C 2022 + TPC + Adj on previous periods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>RP4</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CFS / CTPC</td>
</tr>
</tbody>
</table>

**3 scenario for Certifications**

* CFS required for costs 2022/2023 even if the requested contributions are below the threshold. This CFS will complement the first one of 2020/2021. The 2 CFS must be uploaded as a zip file in the final financial statement.

* CTPC required if threshold (325k) is reached

**For Beneficiaries that already submitted certificate for the costs 2020/2021 (in 2022)**

**For Beneficiaries that never submitted certificates**

Submit Form C 0 funding for 2022 and/or 2023 + Upload the CFS (2020/2021) in the dedicated section in SYGMA

**For Beneficiaries that already submitted certificate for the costs 2020/2021 (in 2022) but did not have further activities in 2022 and/or 2023**
### Scenarios

<table>
<thead>
<tr>
<th>Certificate Type</th>
<th>JU contribution*</th>
<th>JU contribution*</th>
<th>JU contribution*</th>
<th>JU contribution*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>less than 325k;</td>
<td>less than 325k;</td>
<td>more than 325k;</td>
<td>more than 325k;</td>
</tr>
<tr>
<td></td>
<td>IKOP less than 325k</td>
<td>IKOP more than 325k</td>
<td>IKOP less than 325k</td>
<td>IKOP more than 325k</td>
</tr>
<tr>
<td>CFS</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CTPC</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*: as reimbursement of direct costs, excl. any flat rate (SME owner, indirect costs)
Reporting in the H2020 tool SYGMA

*Financial reports – Certificate on Financial Statements (CFS)*

The field for the CFS will not be active before the Final reporting period.

*In 2022, the CFS and the CTPC (Zip file of signed scanned copies) should be uploaded under the CTPC field in the Financial Statement.*

*Original hardcopy should be kept by the Beneficiary/Linked third party*

The cost for the CFS / CTPC are eligible and should be claimed under “Other goods and services” at the final reporting period.
Reminder: CFS requirement in case of an ex-post audit – Revised

- Until 2020 - Costs covered by an ex-post audit were excluded from the date on which the audit was announced.

- From 2021, Costs covered by an ex-post audit are only excluded from the date on which the audit is closed (FAR/LOC sent).

- Therefore, concerned beneficiary must submit a CFS also for the audited period if the threshold is reached and the audit is still on-going (i.e. the letter of conclusion is not yet issued).
Financial Management - Reporting

Reporting in the H2020 tool SYGMA

**Financial reports – CFS**

The mandatory CFS template is composed of 3 documents (Annex 5 of GAM Model_v.5 or last available version)

1. **Terms of Reference** (signed by Auditor & Beneficiary)
2. **Independent Report of Factual Findings** (signed by Auditor)
3. **Table of Procedures** (67 procedures – signed by Auditor)

*Recommendation*: all original invoices, documents, evidence, ... relating to the project must be kept for audit purposes.
The FO will consider the Auditor’s findings for confirming the validation of costs => result “C”

In case of exceptions (result “E”), the relating costs will be considered as ineligible, unless the Auditor mentioned a valid reason for non-compliance with the relevant Procedure

=> each Procedure’s results will be assessed by the FO

➢ The Beneficiary is responsible for the completeness and accuracy of the information provided to enable the Auditor to carry out the Procedures => please be prepared and provide all documents, procedures and evidences that would allow the Auditor to confirm the Procedures and therefore to avoid any unduly rejection of costs.
Once the CFS report is finalised by the Auditor, the Beneficiary should read carefully the findings and exceptions before submitting the CFS to JU and ensure that all findings are relevant.

In few cases, the exceptions were due to missing evidence or documents => ensure with the Auditors that you provided them all available documents/evidence. If not, you still have the room to correct the situation before sending the final report to JU.
## CFS
**Beneficiary’s responsibilities**

**List of supporting documents to be provided to Auditor (non exhaustive)**

| Relevant internal rules, Procedures/Policies | • Summary of usual accounting principles and rules used by the beneficiary  
• Finance and Accounting Procedures  
• Human resources Procedures  
• Equipment Purchasing Procedures and Depreciation Policy  
• Procurement Procedures  
• Travel and Subsistence Procedures |
| --- | --- |
| All costs claimed | Purchase order, invoices, Proof of payments  
**!!! do not forget to mention the project reference on all relevant documents !!!** |
CFS
Beneficiary’s responsibilities

List of supporting documents to be provided to Auditor (non exhaustive)

| Personnel costs                                      | • List of personnel involved in the project  |
|                                                    | • Timesheets (authorized & signed), employment contracts, payroll records |
|                                                    | • Method of calculation of workable hours, productive hours calculation used for the calculation of hourly rates |
|                                                    | • Explanation on social costs and the relevant legislation/procedures |

| Subcontracting / Other Goods and Services          | • Original subcontracts, relating invoices and proof of payment (bank statement). |
|                                                    | • Evidences of respect of the procurement policies and rules (tendering/procurement procedures) |
|                                                    | => evidence of best value for money analysis (if required) |
### CFS
#### Beneficiary’s responsibilities

**List of supporting documents to be provided to Auditor (non exhaustive)**

| Travel and subsistence expenses | • Lists of trips with dates  
|                                | • Mission approval forms, original invoices and proof of payments, reports records, minutes, ... |
| Equipment                      | • Inventory lists of all equipment dedicated to the project  
|                                | • Original purchasing invoices and proof of payment  
|                                | • Rental contracts (if any)  
|                                | • Justification of the portion of costs allocated to the Project (in case of partly used equipment)  
|                                | • Depreciation policy applied and detailed calculation of depreciation |
Most common errors and best practices

All shaded fields must be completed

I. Terms of Reference

➢ The related covered period should be indicated
➢ Pay attention to the starting date

This document sets out the ‘Terms of Reference (ToR)’ under which

[OPTION 1: insert name of the beneficiary] (‘the Beneficiary’)
[OPTION 2: insert name of the linked third party] (‘the Linked Third Party’), third party linked to the Beneficiary [insert name of the beneficiary] (‘the Beneficiary’)

agrees to engage [insert legal name of the auditor] (‘the Auditor’)

to produce an independent report of factual findings (‘the Report’) concerning the Financial Statement(s) drawn up by the [Beneficiary] [Linked Third Party] for the Horizon 2020 grant agreement [insert number of the grant agreement; title of the action; acronym and duration from to] (‘the Agreement’), and
Most common errors and best practices

II. *Independent Report*

The auditor should report in the text of the independent report

- The « *total eligible costs* » and

- The total of actual costs and direct personnel costs declared as unit (if any)
  → this represents the « *total eligible direct costs* » of the Form C.
Most common errors and best practices

**Independent Report**

we

established at

represented by

have carried out the procedures agreed with you regarding the costs declared in the Financial Statement(s)³ of the [Beneficiary] [Linked Third Party] concerning the grant agreement [insert grant agreement reference: number, title of the action and acronym] (‘the Agreement’),

with a total cost declared of [total amount] EUR,

and a total of actual costs and unit costs calculated in accordance with the [Beneficiary’s] [Linked Third Party’s] usual cost accounting practices declared of

[sum of total actual costs and total direct personnel costs declared as unit costs calculated in accordance with the [Beneficiary’s] [Linked Third Party’s] usual cost accounting practices] EUR

and hereby provide our Independent Report of Factual Findings (‘the Report’) using the compulsory report format agreed with you.
II. Independent Report

- In case of Not Applicable findings, the Auditor should list all Findings considered not applicable for the present engagement and explain the reasons of the non-applicability.

- In case Exceptions, the Auditor should list any exceptions and add any information on the cause and possible consequences of each exception, if known. If the exception is quantifiable, include the corresponding amount and the related reporting period.
Best practices for presentation of findings in CFS - Examples:

- Example *N/A – Procedure 66:*
  “The procedure and finding relating to ‘beneficiaries with accounts established in euro’ do not apply to ‘beneficiaries with accounts established in a currency other than euro.”

- Example for *Exceptions:*
  “The beneficiary was not able to substantiate the Finding n°1 : 1 out the 10 employment contracts was not verified as the client was able to provide only unsigned copy of the employment contract. The personnel costs claimed for this employee totalled 10,669 € for 2018 and 12,790 for 2019.”
Some other examples of explanation for *Exceptions*:

<table>
<thead>
<tr>
<th>Procedure 38</th>
<th>In the case of 2 out of 10 sub-contract items sampled, there was no evidence of value-for-money analysis having been completed prior the selection of sub-contractor. This equates to 247,596 of costs included within the Financial Statement 2018.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure 46</td>
<td>The travel costs are overstated by 75,26 Euro due to ineligible costs, VAT misstatements and rounding errors</td>
</tr>
<tr>
<td>Procedure 57</td>
<td>According to Beneficiary Internal Procedures, different offers are collected exclusively for the purchasing of goods and services higher than 20,000 Euro. All items sampled for other goods and services are below this threshold</td>
</tr>
</tbody>
</table>
II. Independent Report

- The Auditor has also room to make general remarks (“Further remarks”): e.g. the Auditor has carried out some additional procedures

- The Auditor should also mention if (s)he had carried out additional procedures or if another audit of the Financial statements was performed in which other matters might have come to his attention and would have been included in the Report
Most common errors

III. Table of Procedures

• The Auditor should specify the selected sample when required

• In the table of Procedures, the wording of Standard Factual findings shall not be modified

• The Auditor should NOT include any comment in the table
  => Only “C” (confirm) “E” (Exception) or “NA” (Not applicable)

• The Auditor should avoid any contradiction between auditor’s findings in the Independent Report and the one in Table of Procedures.
## Table of Procedures

<table>
<thead>
<tr>
<th>Ref</th>
<th>Procedures</th>
<th>Standard factual finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>ACTUAL PERSONNEL COSTS AND UNIT COSTS CALCULATED BY THE BENEFICIARY IN ACCORDANCE WITH ITS USUAL COST ACCOUNTING PRACTICE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Auditor draws a sample of persons whose costs were declared in the Financial Statement(s) to carry out the procedures indicated in the consecutive points of this section A. (The sample should be selected randomly so that it is representative. Full coverage is required if there are fewer than 10 people (including employees, natural persons working under a direct contract and personnel recorded by a third party), otherwise the sample should have a minimum of 10 people, or 10% of the total, whichever number is the highest). The Auditor sampled ___ people out of the total of ___ people.</td>
<td></td>
</tr>
<tr>
<td>A.1</td>
<td>PERSONNEL COSTS</td>
<td>1) The employees were i) directly hired by the Beneficiary in accordance with its national legislation, ii) under the Beneficiary’s sole technical supervision and responsibility and iii) remunerated in accordance with the Beneficiary’s usual practices. 2) Personnel costs were recorded in the Beneficiary’s accounts/payroll system. 3) Costs were adequately supported and reconciled with the accounts and payroll records.</td>
</tr>
</tbody>
</table>
Most common errors

- Inconsistency in the result of the standard factual findings: e.g. Personnel actual costs declared in Form C but unit costs are confirmed by the Auditor in the CFS.

- The Auditor did not provide complete and clear information regarding the exceptions (reasons, possible impact, related amount, ...).

- The Auditor shall base his/her reports on the evidence collected and verified, and not on the sole basis of declarations/statements provided by the beneficiary.
“CS2JU IKOP Guidance” can be found in the CleanSky2 website: https://www.cleansky.eu/key-documents

The in-kind contribution for operational activities (IKOP) is calculated as follows (see also slides on In-Kind Contribution):

Total Project Costs (TPC) minus validated JU contribution (JUC)

\[ \text{IKOP} = \text{TPC} - \text{JUC} \]

By analogy with the certification thresholds for financial statements, the TPC will require certification for accumulated calculated IKOP values exceeding Euro 325,000 and at the same time when the CFS is due.

The Terms of References and the model certificate can be found in the CS2JU IKOP Guidance.
GAM 2020 – 2021 extension
### GAMs 2022-2023 – funding level

#### Table

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(2A)</th>
<th>(3)=(2)-(1)</th>
<th>(4)</th>
<th>(5)=(4)+(5)</th>
<th>(6)=(2)-(6)</th>
<th>(7)=(2)-(6)</th>
<th>(8)</th>
<th>(9)=(8)-(7)</th>
<th>(10)=(7)-(9)</th>
<th>(11)=(5)+(10)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in M€</td>
<td></td>
<td>%</td>
<td>Diff.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIR</td>
<td>223.94</td>
<td>221.92</td>
<td>18.8%</td>
<td>-2.02</td>
<td>145.07</td>
<td>54.40</td>
<td>199.48</td>
<td>22.44</td>
<td>-2.68</td>
<td>19.76</td>
<td>74.16</td>
<td></td>
</tr>
<tr>
<td>ECO</td>
<td>9.46</td>
<td>9.06</td>
<td>0.8%</td>
<td>-0.40</td>
<td>2.49</td>
<td>2.38</td>
<td>4.87</td>
<td>4.19</td>
<td>-0.11</td>
<td>4.08</td>
<td>6.46</td>
<td></td>
</tr>
<tr>
<td>ENG</td>
<td>225.43</td>
<td>225.43</td>
<td>19.1%</td>
<td>0.00</td>
<td>157.41</td>
<td>42.74</td>
<td>200.15</td>
<td>25.28</td>
<td>-2.73</td>
<td>22.55</td>
<td>65.29</td>
<td></td>
</tr>
<tr>
<td>FRC</td>
<td>128.29</td>
<td>128.29</td>
<td>10.9%</td>
<td>0.00</td>
<td>80.36</td>
<td>33.82</td>
<td>114.18</td>
<td>14.11</td>
<td>-1.55</td>
<td>12.56</td>
<td>46.37</td>
<td></td>
</tr>
<tr>
<td>LPA</td>
<td>339.46</td>
<td>339.29</td>
<td>28.8%</td>
<td>-0.17</td>
<td>165.57</td>
<td>106.69</td>
<td>272.26</td>
<td>67.03</td>
<td>-4.10</td>
<td>62.92</td>
<td>169.61</td>
<td></td>
</tr>
<tr>
<td>REG</td>
<td>74.69</td>
<td>77.79</td>
<td>6.6%</td>
<td>3.10</td>
<td>47.11</td>
<td>20.83</td>
<td>67.94</td>
<td>9.85</td>
<td>-0.94</td>
<td>8.91</td>
<td>29.74</td>
<td></td>
</tr>
<tr>
<td>SAT</td>
<td>3.00</td>
<td>3.00</td>
<td>0.3%</td>
<td>0.00</td>
<td>0.69</td>
<td>1.52</td>
<td>2.21</td>
<td>0.79</td>
<td>-0.04</td>
<td>0.76</td>
<td>2.28</td>
<td></td>
</tr>
<tr>
<td>SYS</td>
<td>174.05</td>
<td>168.19</td>
<td>14.3%</td>
<td>-5.86</td>
<td>103.57</td>
<td>48.03</td>
<td>151.60</td>
<td>16.59</td>
<td>0.00</td>
<td>16.59</td>
<td>64.62</td>
<td></td>
</tr>
<tr>
<td>TE</td>
<td>6.86</td>
<td>6.76</td>
<td>0.6%</td>
<td>-0.10</td>
<td>2.07</td>
<td>1.97</td>
<td>4.04</td>
<td>2.72</td>
<td>-0.08</td>
<td>2.64</td>
<td>4.61</td>
<td></td>
</tr>
<tr>
<td>ECOTA reserve</td>
<td>0.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,185.18</td>
<td>1,181.73</td>
<td>100.0%</td>
<td>-3.45</td>
<td>704.33</td>
<td>312.39</td>
<td>1,016.72</td>
<td>163.01</td>
<td>-10.24</td>
<td>150.78</td>
<td>463.16</td>
<td></td>
</tr>
<tr>
<td>TOTAL excl. reserve</td>
<td>1,179.73</td>
<td>-5.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 5 | 7 | 9 | 10 | 11 |

#### Notes
- **Q4 2021 => Amendment of GAM 2020-2021 to 2022-2023**
  - Activity plan until programme end will be included corresponding to Cost to completion 2022-2023 (column 7)
  - Funding budget (top up) is limited to available funding (column 10) while Total eligible costs are included in GAM Annexes
  - Specific note will accompany GAM amendment request to highlight M&D that are linked to the delta funding not yet included (column 9)
  - Total new GAM 2020-2023 value will correspond to current GAM value 2020-2021 + top-up 2022-2023 (column 11)
GAMs 2022-2023 Prep: Further explanation

- **GAM Annexes will consist of:**
  - Annex 1 (technical) will be complemented only with efforts not included before (2022-2023)
  - Annex 2 budget for total duration 2020-2023 (4 years)
  - Annual Annexes 2 budget:
    - 2020 and 2021 remain unchanged
    - 2022 and 2023 new budget per year related to newly added activities
  - Specific note highlighting M&D linked to the delta funding
Pre-requisites for a GAM Amendment  
*(slide extract from PCC 09 Sept 2020)*

For a GAM signature by 15th December, the following elements are required:

- Final updates to CS2DP (if any) → only when the CS2DP revision is agreed with PO
- GAM Annexes (final version) submitted by SPD Coord.
- **GAM Amendment** only (Work Plan unchanged) expected in the following cases:
  1. inclusion of additional tasks and/or deliverables in alignment with the revised CS2DP;
  2. transfers of tasks among beneficiaries;
  3. inclusion of new beneficiaries where required;
  4. inclusion of subcontracting activities/costs if necessary.
- The list of milestones and deliverables as defined shall remain unchanged
- All materials should be presented during the IPR
GAMs 2020-2021 amendment: Timeline

- **Nov-Dec 2021 => GAM 2022-23 Amendment Preparation**
  - 19/11: SPD Coord. to submit GAM + Annexes for JU review/comments
  - 07/12: GAM + Annexes validated by JU and formally submitted in SYGMA
  - 20/12: GAM Amendment Signature (w/o pre-financing)

- **2022 – mid 2023 => Amendment of GAM 2020-2023 only for admin / legal reasons**

- **Mid 2023 => Last amendment of GAM 2020-2023**
  - Top-up of GAM 2020-2023 values (new Annex 2 budget) to reinstate the delta funding (column 9) to the GAMs
  - JU considers that it has enough room to compensate for this amount in full using savings in the administrative budget and provided that the GAPs execution can be maintained on track (only limited amendment expected for projects expected to close by November 2022)
  - Remaining funding until Programme end highly conditioned by timely execution of GAPs (5.2 M€)
1. **GAM value 2020-2021 signed** is the reference budget currently allocated to SPD

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>Total signed</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAM initial</td>
<td>50</td>
<td>100</td>
<td>150</td>
</tr>
</tbody>
</table>

2. **CS2DP revision 2021**: SPDs have replanned activities and funding per year based on progress

<table>
<thead>
<tr>
<th></th>
<th>2020 version</th>
<th>2021 version</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 version</td>
<td>50</td>
<td>100</td>
<td>200</td>
</tr>
<tr>
<td>2021 version</td>
<td>50</td>
<td>75</td>
<td>200</td>
</tr>
<tr>
<td>cumul. Funding</td>
<td>50</td>
<td>125</td>
<td>200</td>
</tr>
</tbody>
</table>

3. **GAM amendment and extension 2022-2023**:  
   - To track the deviations while avoiding a full realignment of GAM 2020-2021 with progress and execution, JU proposed to complement the GAM only with the efforts and budget not included before  
   - GAM value will be increased by delta between GAM value 2020-2021 and Total funding 2020-2023 (200 – 150 = 50)  
   - Reference budget will be the cumulated funding (50 in 2020; 150 for 2020-2021; 175 for 2020-2022; 200 for 2023)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAM amendt 2020-2023</td>
<td>50</td>
<td>100</td>
<td>25</td>
<td>25</td>
<td>200</td>
</tr>
<tr>
<td>cumul. Budget</td>
<td>50</td>
<td>150</td>
<td>175</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

| GAM increase | 50 |
4. Reporting of costs:

- Costs claims will be validated on a **cumulative basis** compared to the **cumulated budget funding per year**
- Eligibility of costs is covered by the fact that activities and associated funding are **part of the action as described in Annex 1 (technical) and included in Annexe 2 (budget) for the full period 2020-2023**
- Reference budget is the Total Annex 2 for 2020-2023 (200 in this example), not the individual Annexe 2 per year
- **Reminder**: Steer Co should ensure that this approach is **well implemented by members** and that **submitted costs do not exceed the cumulated funding per year**

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAM amendt 2020-2023</td>
<td>50</td>
<td>100</td>
<td>25</td>
<td>25</td>
<td><strong>200</strong></td>
</tr>
<tr>
<td>cumul. Budget</td>
<td>50</td>
<td>150</td>
<td>175</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>submitted / validated</td>
<td>50</td>
<td>75</td>
<td>40</td>
<td>35</td>
<td><strong>200</strong></td>
</tr>
<tr>
<td>cumul. validated</td>
<td>50</td>
<td>125</td>
<td>165</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>diff. cumul budget</td>
<td>0</td>
<td>-25</td>
<td>-10</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>
Q&A session
Financial Management

Break 15 min!
Eligibility of costs - focus on specific items
Beneficiary FutureFly has a contract with company ABC to perform initial tests needed in support of task 5.4.3.

How does FutureFly report these costs?

A. Personnel

B. Other Direct Cost/Other Goods and Services

C. Subcontracting
Company SuperFly has 5 persons working on the project. One of them is an external engineer Mr. Rotor who signed a direct contract for working on the action for the beneficiary under conditions similar to those of an employee. How does SuperFly report his costs?

A. Personnel
B. Other Direct Cost/Other Goods and Services
C. Subcontracting
Company SuperFly has 5 persons working on the project. One of them is an external engineer Mrs. Blade who had won the tender to implement and deliver action task 6.2 web design.

How does SuperFly report her costs?

- A: Personnel
- B: Other Direct Costs
- C: Subcontracts
Financial Management - Eligibility of costs

General conditions for costs to be eligible – Art. 6.1 MGA

For actual costs

- Actually incurred by the beneficiary – NOT budgeted or estimated
- Incurred in the period set out in Article 3 of the GA
- Indicated in the estimated budget set out in Annex 2
- Incurred in connection with the action as described in Annex 1 and necessary for its implementation
General conditions for costs to be eligible - Art. 6.1 MGA

- **Identifiable and verifiable**, in particular recorded in the beneficiary’s accounts in accordance with the accounting standards of the country where the beneficiary is established and with the beneficiary’s usual cost accounting practices.

- **Comply with the applicable national law** on taxes, labour and social security.

- **Be reasonable, justified** and must comply with the principle of **sound financial management**, in particular regarding economy and efficiency.
Financial Management - Eligibility of costs

**General conditions for costs to be eligible – Art. 6.1 MGA**

*For unit costs*

- A fixed amount per unit determined by the Commission (e.g. SME owners' unit cost)

- For average personnel cost (A.1) or for costs of internally invoiced goods and services (D.5) - based on beneficiary’s usual accounting practices

*In order to be eligible, unit costs must be:*
  - calculated by multiplying the number of actual units used to carry out the work by the amount per unit
  - the number of units must be necessary for the action
  - the units must be used or produced during the action duration
  - the beneficiaries must be able to show the link between the number of units declared and the work on the action.
## General conditions for costs to be eligible – Art. 6.1 MGA

### Forms of costs

<table>
<thead>
<tr>
<th>BUDGET CATEGORIES</th>
<th>DIRECT COSTS</th>
<th>Indirect costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Subcontracting</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>✓</td>
<td>X</td>
</tr>
</tbody>
</table>

#### Actual costs

- Yes for:
  - Average personnel costs
  - SME owners & Natural person without salary

- Costs of internally invoiced goods and services

#### Unit costs

- Yes for:
  - Average personnel costs
  - SME owners & Natural person without salary

- Costs of internally invoiced goods and services

#### Flat-rate costs

- X
- X
- X
- ✓
Financial Management - Eligibility of costs

**Budget transfers – Amendment needed?**

The GA allows transfers of budget without amendment, but NOT transfer of **tasks**.

<table>
<thead>
<tr>
<th>Budget transfer and reallocation</th>
<th>Amendment needed?</th>
</tr>
</thead>
<tbody>
<tr>
<td>From one beneficiary to another</td>
<td><strong>NO</strong></td>
</tr>
<tr>
<td>From one budget category to another</td>
<td><strong>NO</strong></td>
</tr>
<tr>
<td>Reallocation of Annex 1 tasks</td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td>Transfers between forms of costs (actual costs, unit costs, etc...)</td>
<td><strong>NO</strong></td>
</tr>
<tr>
<td>New subcontracts</td>
<td><strong>YES</strong> (strongly advised)</td>
</tr>
</tbody>
</table>

However, if an amendment is planned before the end of a reporting period, please inform the PO in case of budget transfers to get feedback whether this would need to be included in the amendment.
### Financial Management - Eligibility of costs

**Cost categories - Overview**

<table>
<thead>
<tr>
<th>Eligible costs (per budget category)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Direct personnel costs</td>
</tr>
<tr>
<td>B. Direct costs of subcontracting</td>
</tr>
<tr>
<td>C. Direct costs of financial support</td>
</tr>
<tr>
<td>D. Other direct costs</td>
</tr>
<tr>
<td>E. Indirect costs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A.1 Employees (or equivalent)</th>
<th>A.2 Natural persons under direct contract</th>
<th>A.3 Seconded persons [A.6 Personnel for providing access to research infrastructure]</th>
<th>A.4 SME owners without salary</th>
<th>A.5 Beneficiaries that are natural persons without salary</th>
<th>D.1 Travel</th>
<th>D.2 Equipment</th>
<th>D.3 Other goods and services</th>
<th>D.4 Costs of large research infrastructure</th>
<th>D.5 Costs of internally invoiced goods and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Unit</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a</td>
<td>Total b</td>
<td>No hours</td>
<td>Total c</td>
<td>d</td>
<td>e</td>
<td>f</td>
<td>g</td>
<td>Total h</td>
<td></td>
</tr>
</tbody>
</table>

**Flat-rate**

\[ k = \frac{x+b+c+f+g+h+i}{x+b+c} \]

**Actual**

\[ i = 0.25x + \frac{c+f}{g+h} + \frac{p}{d} \]
PERSONNEL COSTS are eligible:

- If they are related to personnel working for the beneficiary under an employment contract. *(A.1)*

- for natural persons (e.g. consultants) working under a direct contract with the beneficiary. *(A.2)*

- for personnel seconded by a third party against payment. The beneficiaries must respect recruitment and working conditions (see Art.32). The third parties and their contributions must be set out in Annex 1. *(A.3)*
Personnel costs (A.4/A.5)

SME owner without salary / Natural person without salary

Hourly rate

• These costs must be declared on the basis of the unit cost (hourly rate) and set out in Annex 2 and 2a of the GA.

• The hourly rate must be calculated for each individual — before signature of the GA — according to the following formula:

\[
\text{Amount per unit} = \text{EUR } 4,650/143 \text{ hours} \\
\times \\
\text{country-specific correction coefficient of the country where the beneficiary is established}
\]
Special case: students

Remuneration of students working for the beneficiary under a scholarship, internship or other similar agreement (not employees), is eligible as personnel costs provided that:

- this remuneration complies with the application national law on taxes, labor and social security
- the assignment of tasks respects the laws in force in the place of establishment of the beneficiary
- the students have the necessary qualifications for the performance of the tasks attributed to them in the context of the H2020 action.

Thus, if the agreement is training-oriented (i.e. aimed at helping the student to acquire professional skills) its cost can NOT be charged to the grant.
Contracts with temporary work agencies

Natural persons (e.g. consultants) not fulfilling the conditions (hierarchical dependence, premises, similar cost for similar tasks, ownership of results).

e.g. working autonomously on the tasks assigned to them

Natural persons (e.g. consultants) paid for deliverables rather than for working time
Personnel costs - What **CANNOT** be declared under personnel costs?

According to the Decision n°5 of the HAF, staff provided by temporary work agency may be eligible under *Other goods and services* or under *Subcontracting*:

- As *subcontracting cost* (the person is **responsible to deliver an action tasks**)

  **OR**

- As *purchase of services* in “Other Direct costs” (the person **only provides support to an action task**)

http://www.cleansky.eu/sites/default/files/inline-files/04-HAF%20Decision%20n%C2%B05%20eligibility%20of%20temporary%20workers%20agency%20costs.pdf

**In both cases** ➔ The beneficiary must award the contracts ensuring best value for money and avoiding any conflict of interests.
**Personnel costs - eligibility**

Extract of Decision HAF n°5:

<table>
<thead>
<tr>
<th>Cost category</th>
<th>costs for staff provided by a temporary work agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel costs</td>
<td>NO</td>
</tr>
<tr>
<td>Other Direct Costs Article 10 of MGA</td>
<td>YES (in general)</td>
</tr>
<tr>
<td></td>
<td>If the agency only provides services or staff resources expressed in the contract as number of man/ days put at the disposal of the beneficiary</td>
</tr>
<tr>
<td>Subcontracting Article 13 of MGA</td>
<td>YES (in specific cases)</td>
</tr>
<tr>
<td></td>
<td>If the temporary work agency directly supervises the outsourced staff executing part of the task of the action described in Annex 1 to the grant agreement and takes full responsibility for the execution of the specific work package</td>
</tr>
</tbody>
</table>
## Personnel Costs – *Time recording system (recommended)*

<table>
<thead>
<tr>
<th>Reference e.g. work package</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Hours</td>
<td>4</td>
</tr>
</tbody>
</table>

**Short description of the activities carried out in the month:**

<table>
<thead>
<tr>
<th>Signed (name of the person working for the action): Date: Signature:</th>
<th>3</th>
</tr>
</thead>
</table>

| Signed (name of the supervisor): Date: Signature: | 5 |
The JU recommends following details to be ensured in the time recording system:

1. the title and number of the project, as specified in the GA
2. the beneficiary’s full name, as specified in the GA
3. the full name, date and signature of the person working for the project
4. the total number of hours worked for the project in the period covered by the time record (i.e. hours worked in the month)
5. the supervisor’s full name and signature & date
6. a reference to the project tasks or work package described in the GAM
7. a brief description of the activities carried out, to understand and show what work was carried out (i.e. one sentence)

The time sheet is not required for person working exclusively on the action:
Where persons work exclusively on the action for an uninterrupted period, the declaration that the person concerned works exclusively on the action should be prepared at the time of reporting and should be signed by both the person and his/her supervisor in compliance with the annotations to Art. 18.1.2. Only one declaration per person should be prepared for each reporting period.
Personnel costs - Time recording

Personnel costs – compulsory Time recording System –

Minimum requirements: recording of time on a daily, weekly or monthly basis, paper or computer based, authorization at least monthly, hours declared fall into the project period, consistency with presences/absences records.

Reminder ! You cannot declare :

- 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)
1. Actual costs
   • 1A: beneficiaries (actual costs, not project-based remuneration)
   • 1B: beneficiaries (actual costs, project-based remuneration)

2. Unit costs
Actual Personnel costs – Hourly rate: How?

Two ways to calculate:

- **Per full financial year**: hourly rate is calculated based on the last closed financial year (or fiscal year, if it is different from the financial year)
  
  Actual annual personnel costs for the person
  
  Number of annual productive hours

OR

- **Per month**: for each person for each month:
  
  actual monthly personnel costs
  
  Number of annual productive hours/12
Personnel Costs – Hourly rates

**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
Personnel costs – Unit costs

Unit personnel costs
(in accordance with the usual cost accounting practices)

In order to be eligible:

• the hourly rate is calculated based on **average actual personnel costs** recorded in the beneficiary’s account (excluding any ineligible element)

• hourly rate is calculated using one of the three options for the number of annual productive hours.

• The unit costs must be calculated by multiplying the number of units (number of hours) used by the amount per unit (hourly rate).

**NB.** Costs for persons seconded by a third party may be declared **ONLY** as actual costs.
**Personnel Costs – Hourly rates**

**Annual Personnel Costs**

\[
\text{Annual Personnel costs} = \text{Hourly rate} \times \text{Annual Productive Hours}
\]

**Basic salary**

- Fixed by law or by contract to remunerate main activity of employee
- Payment not subject to discretion by the employer
- Not linked to a specific project

*Examples: 13\textsuperscript{th} month, hazardous work allowance, etc.*

**Mandatory extras**

- Social Contributions & Taxes by Employers
Personnel costs – hourly rates

Payments of dividends to employees (profit distribution) are NOT eligible under Article 6.5(a)(i).

However, bonuses based on the overall financial performance of the organization (e.g., profitability or surplus) may be accepted, if they are part of the usual remuneration practices for national projects and thus eligible as basic remuneration and if they are based on objective conditions.

**Examples (positive):**
If the profit of the company at the end of the year is more that $x$ € (or more than $x\%$), each employee will receive a bonus of $z\%$ of his/her basic remuneration (or a fixed bonus of $x$ € more as part of the gross salary).

**Examples (negative):**
If the profit of the company at the end of the year is more that $X$ € (or more than $X\%$), $z\%$ of that profit will be distributed to employees through extra remuneration.

Any part of the remuneration which is based on commercial targets or fund-raising targets is NOT eligible (because neither incurred in connection with the work described in Annex 1 of the action nor necessary for its implementation).

**Examples:** € for reaching a sales target; $x\%$ on sales; $x$ € premium per externally funded project gained; $x\%$ of the external funding gained
Eligibility conditions *(in addition to the conditions for basic remuneration)*:

- be a **non-profit legal entity**
- be paid for the performance of **additional work or different expertise** than his/her usual tasks
- be consistently applied whenever the same kind of work or expertise is required and regardless of the source of funding used
Eligible additional remuneration is subject to a eligibility ceiling fixed at EUR 8 000 for a full-time employee working exclusively for the action during the entire year.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>hired full time during the entire year</td>
</tr>
<tr>
<td>working exclusively for the EU action during the entire year</td>
<td>EUR 8 000</td>
</tr>
<tr>
<td>NOT working exclusively for the EU action during the entire year</td>
<td>{8 000 / annual productive hours FTE} * hours worked for the action over the year</td>
</tr>
</tbody>
</table>

The ceiling covers the additional salary + all additional taxes, costs and social security contributions triggered by the additional salary.
Personnel costs – annual productive hours

**Personnel Costs – Hourly rates**

Annual productive hours (3 options)

- **Hourly rate** = **Annual Personnel Costs**
- **Annual Productive Hours**

**Option 1**
- Fixed 1720 hours
  - Use Option 1 if employment contract doesn’t specify working time or “workable hours” - Default option which won’t be questioned

**Option 2**
- Individual annual productive hours
  - Annual workable hours + overtime - absences

**Option 3**
- Standard annual productive hours
  - Minimum threshold ≥ 90% of Standard annual WORKABLE time.
OPTION 1: Fixed 1720 hours

The number of hours is fixed for full-time employees, and it is pro-rata for employees working part-time or working only part of the year for the beneficiary.

A pro-rata of 1720 hours can be used if:

• the employee has not worked the full year for the beneficiary
  Example: Researcher worked 3 full months
  \[ \frac{1720}{12} \text{ (months)} \times 3 \text{ (January, February, March)} = 430 \text{ productive hours} \]

• the employee’s contract explicitly states (or allows to determine) a precise percentage of a full time equivalent (FTE) covered by such contract.
  Example: Researcher worked part-time (50%)
  \[ 1720 \times 50\% \text{ (part-time percentage)} = 860 \text{ productive hours} \]
## Personnel costs – annual productive hours

### OPTION 2: Individual annual productive hours*

**Conditions**: Existence of workable hours in:
- either the employment contract, the applicable collective labor agreement or by national law.

---

**Annual Workable hours**

(working days - Annual leave - Public holidays - hours per day)

---

**Individual annual productive hours**:  
Annual Workable hours + individual overtime  
- individual annual sick leave

---

* Additional conditions may be applied – see annotated Grant

### OPTION 3: Standard annual productive hours*

**Conditions**: Existence of workable hours in:
- either the employment contract, the applicable collective labor agreement or by national law.

---

**Annual Workable hours**

(working days - Annual leave - Public holidays - hours per day)

---

**Standard annual productive hours**: compliant to the usual cost accounting practices.

**Example**: Annual workable hours
- days for general training
- average annual sick leave
- other unproductive activities

⚠️ Total = or > 90% of annual workable hours
Standard annual productive hours - example

- Employment contract that states that they must work eight hours per day, from Monday to Friday. National legislation provides for 22 working days of annual leave, plus eight days of public holidays. The applicable collective labour agreement adds three extra days of annual leave.

- The standard annual workable hours would therefore be:
  - 365 days — 104 days (Saturdays and Sundays) — 22 days (annual leave) — 8 days (public holidays) — 3 days (collective agreement) = 228 days * 8 hours per day = 1824 hours

- Standard annual productive hours:

- Beneficiary would like to use its usual cost accounting practices to calculate the hourly rates. It calculates the number of standard annual productive hours as follows:
  - Annual working days = 228
    - average annual sick leave (days) = 3
    - days of general training = 4
    - other unproductive activities (days) = 9
  - Nb of Productive days = 212
  - Multiplied by 8 working hours per day → standard annual productive hours = 1696

Standard annual productive hours should be at least 90% of the standard annual workable hours:

Standard annual productive hours 1696 hours (usual cost accounting practice) > 1642 hours (90% annual workable hours)

→ 1696 hours can be applied.
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 beneficiary must use the hourly rate of the last closed financial year available.

**Last closed financial year** available refers to the most recent full financial year for which all information necessary to calculate the hourly rates in accordance with the GA is available at the end of the reporting period. Therefore, it is NOT necessary to wait until the annual accounts have been audited.
Personnel costs - adjustments

**Principle:** direct costs have to be stated on the basis of the best available accounting information at the time of the due date of the financial statement.

- **No adjustments of financial statements** — Adjustments are normally allowed **ONLY for mistakes** (e.g. incorrect accounting information; error in the calculation; etc).

  ➢ **Example:** An internal audit on the annual accounts of the beneficiary finds later **errors in the accounting information** used to calculate the hourly rates. Adjustment can be done.
### Cost categories - Overview

<table>
<thead>
<tr>
<th>Eligible costs (per budget category)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Direct personnel costs</td>
</tr>
<tr>
<td>A.1 Employees (or equivalent)</td>
</tr>
<tr>
<td>A.2 Natural persons under direct contract</td>
</tr>
<tr>
<td>A.3 Seconded persons</td>
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<tr>
<td>A.6 Personnel for providing access to research infrastructure</td>
</tr>
<tr>
<td>A.4 SME owners without salary</td>
</tr>
<tr>
<td>A.5 Beneficiaries that are natural persons without salary</td>
</tr>
<tr>
<td>B. Direct costs of subcontracting</td>
</tr>
<tr>
<td>C. Direct costs of fin. support</td>
</tr>
<tr>
<td>D. Other direct costs</td>
</tr>
<tr>
<td>D.1 Travel</td>
</tr>
<tr>
<td>D.2 Equipment</td>
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<tr>
<td>D.3 Other goods and services</td>
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<td>D.4 Costs of large research infrastructure</td>
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<tr>
<td>D.5 Costs of internally invoiced goods and services</td>
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</tbody>
</table>

| Actual | Unit | Unit | Actual | Actual | Actual | Actual | Unit | Flat-rate
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</table>

\[
\text{i} = 0.25 \times \left( \frac{a+b+c}{d+e+f} + \left( \frac{g}{h-i} \right) \right)
\]

\[
k = \frac{x}{a+b+c} + \frac{d}{e} + \frac{f}{g} + \frac{h}{i}
\]
Financial Management - Eligibility of costs

**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

   *Subcontractors or Linked third parties*

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

   *Contracts (for purchase of goods and services) or In-kind contribution*
If necessary to implement the action, the beneficiaries may award subcontracts covering the implementation of certain action tasks described in Annex 1 (see Article 13 of MGA).

Subcontracting may cover only a limited part of the action.

Eligibility conditions:
- Must be planned in Annex 1 & 2
- Best value for money and no conflict of interest
- Subcontracting must be declared as actual costs
- Indirect costs are not applicable
- NOT allowed: Subcontracting between beneficiaries/ to affiliates / Coordination tasks
# Third parties: summary

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

You must **demonstrate "best value"** in purchasing (MGA Article 10) and sub-contracting (MGA Article 13):

⇒ **Sufficient level of tendering** to demonstrate "best value" – e.g. tender, three offers, market survey ....

⇒ We will normally accept your **standard practices**, when properly used (to be substantiated)

⇒ We will normally accept commercial agreements **already in place** (to be substantiated)

⇒ Naming the supplier in the contract does not mean that you do not have to demonstrate best value
Subcontracting – Best value for money

Regular errors:

⇒ "best value" not demonstrated – no tender, no offers, no market survey

⇒ Participants own normal practices not applied

⇒ No documentation kept or not available during audits

⇒ CFS: in case of exception raised on Best value (E), lack of details provided by auditors to explain and quantify the finding
Subcontracting to another member of the same GAM

Not allowed!

⇒ If a beneficiary needs supplies from another beneficiary of the same GA, it is the latter beneficiary that should charge them to the action

⇒ Only in exceptional and properly justified cases

⇒ Prior approval of the JU

CS2JU exception: wind-tunnel testing
Subcontracting to affiliates

Not allowed!

As general principle since affiliated entities can accede the GAM

⇒ Exceptional case subject to prior JU approval (mainly when their participation can’t be avoided & remains marginal and very limited in time & happens only few times along CS2 duration)

Conditions to be applied:
1. the affiliate entity is the usual supplier or there is an existing framework contract
   AND
2. the subcontracting is carried out at market conditions to be substantiated (other offers for instance) + no financial markup
Subcontracting of support to administrative tasks in CS2 GAMs

• **Reminder:** Article 41.2 (b) of Grant agreement lists the tasks that the coordinator must carry out and cannot delegate or subcontract to any other beneficiary or third party (including linked third parties):
  – (i) monitor that the action is implemented properly (see Article 7);
  – (ii) act as the intermediary for all communications between the beneficiaries, and the JU (in particular, providing the JU with the information described in Article 17), unless the Agreement specifies otherwise;
  – (iii) request and review any documents or information required by the JU and verify their completeness and correctness before passing them on to the JU;
  – (iv) submit the deliverables and reports to the JU (see Articles 19 and 20);
  – (v) ensure that all payments are made to the other beneficiaries without unjustified delay (see Article 21);
  – (vi) inform the JU of the amounts paid to each beneficiary, when required under the Agreement (see Articles 44 and 50) or requested by the JU

• However, a **third party may assist/support the coordinator** in carrying out the coordination tasks, in so far as the coordinator keeps the leadership of the coordination
Subcontracting of support to administrative tasks in CS2 GAMs

Reminder

• Following an ex post audit where the eligibility of the support to the management tasks of the coordinator has been challenged, the JU strongly recommended the following approach with a view to be aligned with the conclusion raised by the Common Audit Service / Common Legal service of the EC:

• The support to the management tasks of the coordinator should be claimed in the costs category Subcontracting and the following elements should be ensured:
  – the tasks outsourced are linked to action tasks mentioned in the Annex 1 (like in a WP.0 Coordination)
  – the leading role of the coordinator must be maintained with respect to the tasks of the coordinator’s listed in Article 41.2(b) which cannot be subcontracted or delegated
  – the content of the contract should be carefully drafted / reviewed to show that the final check, and the leadership for the task, remains with the coordinator and that the tasks is “only” a support
  – all eligibility conditions of article 6.1 and 6.2 are fulfilled
Subcontracting of support to administrative tasks in CS2 GAMs

The Annex 1 should include additional explanation with regard to the tasks subcontracted highlighting the following elements:

– all subcontracts related to “management support” are administrative enablers for the GAM Coordinator to perform his role effectively
– these services are directly linked with WP0 / coordination tasks and provide support to the comprehensive coordination & contract management of the GAM project, including some administrative tasks
– the need of a coordination team is justified by the complexity of the project that require coordination tasks further down in the WBS
– responsibility and accountability for the work performed remain clearly under the GAM Coordinator remit. In particular, all coordination tasks listed in Article 41.2 are carried out by the GAM Coordinator

Reminder: The administrative tasks of a beneficiary are generally covered by the 25 % flat rate for indirect costs, unless the beneficiary can demonstrate that it is its usual cost accounting practice to measure the costs of the administrative tasks and record them as direct costs in each project
Other Direct Costs (ODC)

Financial Statement Column “D”

<table>
<thead>
<tr>
<th>D. Other direct costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.1 Travel</td>
</tr>
<tr>
<td>D.2 Equipment</td>
</tr>
<tr>
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</tr>
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<td>D.4 Costs of large research infrastructure</td>
</tr>
<tr>
<td>D.5 Costs of internally invoiced goods and services</td>
</tr>
</tbody>
</table>

- 5 cost categories (but 3 reporting sub-columns)
- 2 forms of costs
- D.4 LRI: GA option needed (article.6.2.D.4) and positive ex-ante assessment required
Other direct costs (ODC) – Travel (D.1)

What:
• travel costs and related subsistence allowances e.g. tickets, accommodation etc related to action task

When:
• during project period

Who:
• personnel of beneficiary or external experts participating on ad hoc basis (e.g. attending specific meetings, speakers, etc)

How:
• no specific calculation method; the costs must correspond to the eligible costs actually incurred and in line with beneficiary’s usual practices on travel

Where:
• no distinction between travelling in - or outside of Europe
Other Direct Costs (ODC) – Equipment (D.2)

**Calculation:**  
Depreciation = \( \frac{A}{B} \times (C \times D) \)

- **A** = the actual cost of the durable equipment
- **B** = the depreciation period for the durable equipment
- **C** = the period in months during which the durable equipment is used for the project after invoicing
- **D** = the percentage of usage of the durable equipment for the project

Example: equipment purchased for 10,000 € depreciated over 5 years (60 months); used during the full reporting period (12 months) only at 50% for the CS2 project

\[
(10,000 / 60) \times 12 \times 50%
\]

*Written off* in accordance with the **accounting principles** of beneficiary and international accounting standards
The full cost of a low value asset may be eligible in the year when it is purchased if:

- **the full cost is recorded** in the accounts of the entity as expenditure of that year (i.e. NOT recorded as an asset subject to depreciation) and

- the cost of the asset is **below the low value** ceiling as defined under national law (e.g. national tax legislation) or other objective reference compatible with the materiality principle and

- the item is used **exclusively** for the action in the year of purchase.

If the item is not used exclusively for the action in the year of purchase, only the **portion used** on the action may be charged.
Other Direct Costs (ODC) – Purchase of goods, works and services (D.3)

What:
- **Purchase contract** = ordinary contract for services, works (i.e. buildings) or goods (e.g. equipment), needed to carry out the action, including the purchase of consumables and supplies
- usually limited in cost and scope

Principles (art. 10.1):
- General cost eligibility conditions (art. 6)
- Must be based either on the **Best Value for Money** (best price-quality ratio) principle or the **lowest price**
- Any conflict of interest should be avoided
3. Ex-ante assessment

Only beneficiaries that have obtained a positive ex-ante assessment of their costing methodology may declare capitalised and operating costs for large research infrastructure under this budget category.

⚠️ Recalculations & adjustments of financial statements (exceptional) — Costs can be declared under this budget category ONLY after having obtained the positive ex-ante assessment from the Commission. Once obtained, the beneficiaries may, however, exceptionally adjust previous financial statements.

⚠️ Costs declared in accordance with a positive ex-ante assessment will not be challenged during audits, except in case of irregularity or fraud. The auditors will only:

- ensure that the methodology used is the one that was submitted for ex-ante assessment and
- verify that the calculations (applying the methodology) are correct.
Costs of internally invoiced goods and services directly used for the action are eligible, if:

- (a) they are declared on the basis of a unit cost calculated in accordance with the beneficiary’s usual cost accounting practices;

- (b) the cost accounting practices used are applied in a consistent manner, based on objective criteria, regardless of the source of funding;

- (c) the unit cost is calculated using the actual costs for the good or service recorded in the beneficiary’s accounts, excluding any ineligible cost or costs included in other budget categories.

- (d) the unit cost excludes any costs of items which are not directly linked to the production of the invoiced goods or service.

‘Internally invoiced goods and services’ means goods or services which are provided by the beneficiary directly for the action and which the beneficiary values on the basis of its usual cost accounting practices.
Eligibility of costs – specific cases (actual costs)

- **Depreciation costs for equipment used for the action, but bought before the action’s start** - If the equipment has not yet been fully depreciated according to the beneficiary’s usual cost accounting practices, the remaining depreciation costs may be eligible (only for the portion corresponding to the action duration and for the rate of actual use for the action; see Article 6.2.D.2).

- **Travel costs for the kick-off meeting** — Even if the first leg of the journey takes place before the action starting date (e.g. the day before the kick-off meeting), the costs may be eligible, if the meeting is held during the action duration.

- **Costs for reporting at end of the action** — Costs related to drafting and submitting the periodic report for the last reporting period and the final report are eligible even if they are incurred after the action duration. Those costs include the cost of certificates on the financial statements (CFS) required by the GA and the cost of participating in a final review carried out by the JU before the submission of the final reports. They may also include the cost of personnel necessary to prepare the periodic report for the last reporting period and the final report. However, they do NOT include research or innovation activities undertaken after the end date of the action.
Eligibility of costs under COVID-19
Eligibility of costs under COVID-19
Horizon 2020 Grant Management under COVID-19:

General principle

Maximum flexibility possible under H2020 MGA rules

Disclaimer: Information not legally binding
Force majeure’ relates to an extraordinary and unforeseeable event or situation that is beyond the beneficiaries control and that prevents them from fulfilling their obligations under the action (Article 51 H2020 MGA).

Are costs incurred eligible? (case-by-case assessment)

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

Disclaimer: Information not legally binding

Beneficiaries must immediately inform the Commission/Agency/Funding Body

Travel cancelled?

Meeting cancelled?

Hotel booking cancelled?

Covid-19 situation
Eligibility of actual costs – flexibility due to COVID-19 impact

- **Personnel costs**
  - Teleworking hours actually worked in the project are eligible even if not the usual practices of the beneficiary
  - If teleworking not possible, the mandatory confinement period set out by national or regional authorities qualifies as special absence

- **Travel costs**
  - Eligible even if temporarily not in line with usual travel costs practices if needed for exceptional individual situations (e.g. to immediately book return flight tickets for its staff working abroad on the action)

- **Equipment costs**
  - Period when the equipment is unused due to confinement is not taken into account for calculating depreciation period
  - For equipment exclusively used for the action - full corresponding depreciation costs are eligible even if the equipment is not being actually used by researchers due to confinement measures
  - New equipment – costs eligible from the day on which its depreciation starts
Who

- Beneficiaries applying option 2 – individual annual productive hours
- What about beneficiaries applying Option 1 or 3
  - They may change to Option 2 in this year to benefit from this possibility and
  - They may only choose to do so for the types of personnel subject to confinement that cannot telework and keep Option (1 or 3) for the rest of the staff (e.g. employees who could telework)

How:

- Remove the absence due to the period of confinement from the calculation of the annual productive hours (=> decrease annual productive hours but increase hourly rate)

Beneficiaries using monthly hourly rates can benefit from the measure ONLY if they change to annual hourly rates for financial year 2021 (i.e. for all personnel working in 2021 in all their ongoing GAs)
Eligible personnel costs

- **Include:**
  - General and specific eligibility conditions set out under Article 6(2) of the Model grant agreement, including that they must be actual (e.g. salaries, social security contributions etc.)
  - => costs paid by beneficiary from its own resources, even if unworked time

- **Do not include:**
  - Any amount (partially or totally) reimbursed from other sources (e.g. short-time work scheme, social security or public schemes)
  - => costs (total or partial) not paid by beneficiary from its own resources but by national social security or public system for instance (furlough scheme, job support scheme, chomâge technique, ERTE etc...)
Who and when?

- Beneficiaries encountering difficulties in obtaining the monthly signature of their timesheet or if electronic signature is not possible

How:

- Two options are possible:
  - The signature of the timesheets can be delayed until the confinement is lifted, or
  - An electronic version of the timesheet (scan or photo) can be sent by e-mail to the supervisor who approves it by replying by e-mail to the person.

⚠️ Beneficiaries must keep the original timesheet with the signature of the person plus the acceptance e-mail of the supervisor.
FAQ (frequently asked questions) – H2020 portal

https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/faq;type=1;categories=;programme=H2020;actions=;keyword=COVID-19%20outbreak
Funding & tender opportunities Portal
At: https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/home

H2020 COVID – 19 FAQs

Horizon 2020 Annotated Grant Agreement

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
Q&A session
Questions received
**Questions received**

**Question 1:** When is an audit certificate necessary? is it after the project extension in 2022 (instead of 2020/2021)?

*Reply:* The audit certificates CFS/CTPC are required in 2022 (for costs claimed in 2020 & 2021). Please refer to the specific slides on audit certificates.

**Question 2:** Eligibility costs - Calculation of personnel costs.

*Reply:* the question is covered by the slides on cost eligibility (personnel costs).

**Question 3:** What are the differences to "normal" H2020-Projects? Will the projects take place under HEU? Please show an organigram of the whole project structure.

*Reply:* there are no specific differences between a normal H2020 project and CS2 project with regard to the financial aspects of the project. The eligibility rules defined under H2020 are applicable. The CS2 projects under H2020 will remain separate from the new programme Horizon Europe. More information on the whole CS2 programme structure can be found on the CS2 website: [https://www.cleansky.eu/](https://www.cleansky.eu/)

**Question 4:** Eligible costs, subcontracting, hourly rates.

*Reply:* the question is covered by the slides on cost eligibility.

**Question 5:** Is there a requirement to provide a CFS certificate when submitting the 2021 Form C if the total spent for the 2020/21 GAM exceeds €325k ?

*Reply:* see question 1.
Questions received

**Question 6:** Eligibility of costs for research organisations.

**Reply:** The funding rate for non profit research organization is 100%. All other eligibility rules are similar to the eligibility rules defined in the H2020 annotated grant agreement.

**Question 7:** Will the bonus paid in April 2020 (an eligible one, but belonging to 2019 year) be an eligible cost to be included in the CFS (audit for the GAM to be performed next February 2022)? Taking into account that this bonus was not included in 2019 Form C, as it was not paid by the moment that the 2019 CFS was performed.

**Reply:** the eligible personnel costs for the period 2020 will include all eligible remuneration costs incurred and booked in the 2020 accounts of the beneficiary. Depending on your accounting rules and practices, the payment in one year does not always correspond to the costs incurred and booked in the same year (accrual basis accounting).
If a bonus was paid in 2020 and booked in the 2020 accounts as an expenditure (considering that the costs have been incurred in 2020 according to the accounting rules and practices of the beneficiary), these costs would only be eligible in the 2020 cost claim. Similarly, if a bonus has been paid in 2020 but booked in the 2019 accounts; the costs would be eligible in the 2019 cost claim.

**Reminder!** In compliance with art. 6.2.A.1.b of the grant Agreement, the beneficiary should use objective criteria when granting a bonus included in the remuneration for the calculation of the hourly rate.
Questions received

**Question 8:** When is the contract amendment due for extending into 2022?

*Reply:* see specific slides on GAM amendment 2020-2021 extension to 2022-2023.

**Question 9:** It would be helpful to have access to all project financial transactions in one view on the EU portal

*Reply:* Normally the system (and particularly Continuous Reporting module) remains open for 3 years after the end date of the project.
**Question 10:** Eligibility of non-payroll employees: employees working for our entity on European Research projects, but via an external agency (due to Covid-19 situation and impact on headcount). This is not subcontracting, but really employees working for our company but being employed by a temporary employment agency.

**Reply:** we recommend to assess the eligibility of the staff provided by temporary work agency on the basis of the CSJU HAF decision n°5. See CS2 website:
http://www.cleansky.eu/sites/default/files/inline-files/04-HAF%20Decision%20n%C2%B05%20eligibility%20of%20temporary%20workers%20agency%20costs.pdf

In particular: staff provided by temporary work agency may be eligible under 'Other goods and services' or under 'Subcontracting:

➢ As ‘subcontracting cost’ (the person is responsible to deliver an action tasks)

OR

➢ As ‘purchase of services’ in “Other Direct costs” (the person only provides support to an action task)

In both cases ➔ The beneficiary must award the contracts ensuring best value for money and avoiding any conflict of interest.
Questions received

**Question 11: Several questions**

1. Please can you define all the amendments planned to programme end and approx. dates (will it be annual or different)?
   
   *Reply:* please refer to specific slides on GAM amendment.

2. CS2JU requirements do not call out an Audit if costs <€325K. Is this a fixed statement, or will an audit be called out at programme end regardless of final programme costs in 2022-2023?
   
   *Reply:* H2020 rules on CFS requirements will apply at the final reporting period to cover period 2022-2023, ie CFS requested if threshold of 325 K€ is reached. In addition, if the threshold will be reached for the cumulated costs 2020-2023 a CFS will be requested as well.

3. Can you confirm if it is correct that where parties have selected a specific personnel costs calculation method in 2020 which may have suited COVID working practices, that this method (1,2,3) cannot be changed for all later years in the same GAM?
   
   *Reply:* the flexibility under Covid-19 for calculating the annual productive hours is only given for beneficiaries using or changing Method 2 (individual annual productive hours) and allow to remove absences during the period of confinement. In the following years, beneficiary can apply again their previous method (if different from Method 2).
Questions received

**Question 12: Several questions (next)**

4. Will there be any mechanisms of funding support to allow Coordinators to claim in 2024 for actions required to close the GAMs and final period reporting?

**Reply:** Yes, according to the grant agreement, costs related to drafting and submitting the periodic report for the last reporting period and the final report are eligible even if they are incurred after the action duration. Those costs include the cost of certificates on the financial statements (CFS) required by the GA and the cost of participating in a final review carried out by the Commission/Agency before the submission of the final reports. They may also include the cost of personnel necessary to prepare the periodic report for the last reporting period and the final report. However, they do NOT include research or innovation activities undertaken after the end date of the action.

5. It has been proposed that a cumulative maximum approach will be applied to GAM claim validation going forward. Is this approach at individual Beneficiary level or ITD level?

**Reply:** Costs claims per beneficiary will be validated on a cumulative basis compared to the cumulated budget funding per year. See specific slides on GAM 2020-2021 amendment at individual beneficiary level.
Question 13: Several questions

1. When is a CFS required, and in what reporting period of a project?

   **Reply:** See specific slides on CFS + previous question.

2. What is the recommended format for time sheets?

   **Reply:** See specific slides on timesheets.

The JU recommends the following details to be ensured in the time recording system:

1. the title and number of the project, as specified in the GA
2. the beneficiary’s full name, as specified in the GA
3. the full name, date and signature of the person working for the project
4. the total number of hours worked for the project in the period covered by the time record (i.e. hours worked in the month)
5. the supervisor’s full name and signature & date
6. a reference to the project tasks or work package described in the GAM
7. a brief description of the activities carried out, to understand and show what work was carried out (i.e. one sentence)
Questions received

**Question 14: Several questions**

1. **COVID-19 declaration:** During 2020 cost statement, the beneficiaries have been asked to remove the absence due to the period of confinement from the calculation of the annual productive hours (with the side-effect of decreasing the annual productive hours but increasing the hourly rate), is that still valid for 2021 cost declaration?

   **Reply:** the flexibility given by the H2020 is valid only during a period of confinement occurred in 2021.

2. **GAM2020-21 extension to 2022-23:**

   Is it possible to have a confirmation (or not) that a prefinancing will be released in 2022?

   **Reply:** no additional pre financing will be released when amending / extending the GAMs.

3. **Contradictory procedure:**

   Will there be a contradictory procedure in 2022 for the costs rejected costs in 2020-21?

   **Reply:** the contradictory procedure is part of the validation process and beneficiary have a period of 30 days after the payment letter has been sent to request a payment review procedure. Costs rejected in 2020 are definitive, except those provisionally rejected (missing deliverables).
Questions received

Question 14: Several questions (suite)

4. CFS & CTPC:
Will the CS2JU provide the templates of certificate? What would be their recommendations? Is there any evolution compared to previous template?

Reply: There is no change compared to the templates currently applicable (see CS2 website / key documents)

5. Sygma:
Is it technically possible to upload the CFS & CTPC in the Financial Statement page when the contract is not finished? If not, what is the process to follow?

Reply: In 2022, the CFS and the CTPC (signed scanned copy) should be uploaded under the CTPC field in the Financial Statement. See specific slides on certificates (CFS / CTPC).
Question 15: Several questions

1. Is a GAM always for 2 years? We now have 2020-2021 GAM, so next is 2022-2023 GAM?
   
   **Reply:** no, the ongoing GAM 2020-2021 will be amended and extended to 2022-2023 (except TE). The new GAM will be for the period 2020-2023 with four annual reporting periods.

2. Is it not always clear which budget is used to define the GAM prefinancing, although amendments are submitted?
   
   **Reply:** The GAM prefinancing is a percentage of the total GAM value. Current PF amounts to 80% of GAM value 2020-2021.

3. We would like to better understand the payment schedule by Clean Sky during the GAM: some years it is one payment, others it is two payments per year, for clarity of our finance dept.

   **Reply:** for the ongoing GAMs 2020-2021 which will be extended to 2022-2023, the payment schedule is as follows:
   
   - 2019-2020: payment of pre financing (80%) in two tranches
   - 2021: reporting of costs claims 2020 (interim period 1) => interim payment
   - 2022: reporting of costs claims 2021 (interim period 2) => interim payment
   - 2023: reporting of costs claims 2022 (interim period 3) => interim payment
   - 2024: reporting of costs claims 2023 (final period 4) => payment of the balance
Question 15: Several questions (suite)

4. Prefinancing is computed based on interim payment ceiling + guarantee fund. When is the remaining 15% of the funding paid? Is this after the GAM is closed or when project is closed?
   
   **Reply:** for GAMs 2020-2021 pre financing has been paid after the grant signature with a level of 80% (incl. 5% to the Guarantee fund). During the project duration, costs claimed at each interim period will be reimbursed up to 90% of the total grant value. The payment of the balance will be made by the JU.

5. When will a potential balance of a GAM (positive or negative) be executed?

   **Reply:** see previous question.

6. When does the RfC process start?

   **Reply:** Request for change can be submitted to the JU (Project Officer) in case of minor changes not requiring a GAM amendment. It is recommended to group several RfC at the same time.
Questions received

Question 16: Single invoice covering a two year performance
Let’s assume a beneficiary acquires a two year duration software license (e.g. validity period 1/1/2021 through 31/12/2022). The Supplier issues a single €10.000 invoice for it dated 2021 and covering both years. In/for which year/s shall I claim the related costs? Which one is the correct option between a) and b)?

a) Half of the costs (€5.000) claimed in 2021 financial statement and half of the costs (€5.000 euro) claimed in 2022 financial statement;
b) All costs shall be claimed in 2021 because the invoice is issued in 2021 and enters the beneficiary accounting system in that year.

Reply: this will depend upon how the beneficiary booked the costs related to this invoice according to its accounting practices (full costs booked in 2021 or split over 2021 and 2022). The eligible costs (in 2021 and/or 2022) will be the cost incurred and booked in the accounts of the beneficiary.
Lunch break

Back at 14.00!
Reminder: CFS requirement in case of an ex-post audit – Revised

• Until 2020 - Costs covered by an ex post audit were excluded from the date on which the audit was announced

• From 2021, Costs covered by an ex-post audit are only excluded from the date on which the audit is closed (FAR/LOC sent)

• Therefore, concerned beneficiary must submit a CFS also for the audited period if the threshold is reached and the audit is still on-going (i.e. the letter of conclusion is not yet issued)
**Ex-post implementation for GAMs**

**H2020 GAMs 2014-2017 projects** are closed, the results from ex-post audits (detected error / extrapolation) are implemented in **GMT2** and recovered directly from the beneficiary*

**All GAMs 2018-2019 projects**, are also closed, the results from ex-post audits will be implemented in **Sygma** and recovered directly from the beneficiary*

**All GAMs 2020-2021 projects**, still ongoing, the results from ex-post audits will be implemented in **Sygma** via adjustments to previous period in the next REPA until the Final REPA (To be extended until end 2023)
Article 44: beneficiaries remains financially responsible towards the Clean Sky 2 Joint Undertaking for the projects in which they are involved. Therefore, in case a linked third party (LTP) is involved in a project, the beneficiary is liable for settling the debts of it’s linked third party.

Therefore, when the project is closed, the debit note pertaining to the implementation of ex post audit results against a LTP is adressed to the beneficiary responsible to whom he is linked in the project.

*Beneficiaries responsibles toward CS2JU*
IMPLEMENTATION EX-POST – HOW IT WORKS

AUDIT CLOSURE
Letter of Conclusion (LoC) and Final Audit Report (FAR) sent to beneficiary

EXTENSION OF AUDIT FINDINGS CLOSURE (EXTRAPOLATION)

Proceed with adjustment

In favour of beneficiary

In favour of JU

Ongoing project
Request via coord (next REPA)
Payment to coord

Closed project
Request via coord (compl. payment)
Restrictions apply

Complementary payment (only if total paid < Max Grant Amount)

Audit implementation/Extension of findings

Ongoing project
Cost adjustments
Offset at payment calculation

Closed project
Cost adjustments
Calculation amount to recover

Payment letter to coordinator

Pre-info letter to beneficiary
Please make sure that the information concerning the appointed representative of the entity (LEAR) is still valid and, when required, updated without delays

⚠️ According to Article 17.2 of the Grant agreement, the beneficiaries (via their legal entity appointed representative (LEAR)) must keep their data in the Funding & Tenders Portal up-to-date at all times including after the end of the grant
No action is required from the beneficiary during the implementation phase:

- **On-going projects:** The PO/FO implements the audit adjustments in SyGMA and prepares the information letter and annexes to the audited beneficiary. Negative adjustments are taken into account at the next REPA and clearly indicated in the Interim payment letter.

- **Closed projects:** The PO/FO implements the audit adjustments in SyGMA and prepares the pre-information and confirmation letter and enclosures with debit note to **recover from beneficiary**. Amounts <200€ are not recovered.
No action is required from the beneficiary during the implementation phase:

- The FO will create all needed adjustments in GMT2 and save them as Draft and added to pre-information letter as supporting document.
- A contradictory period of 30 days starts when the pre-information letter is sent to allow the beneficiary to make observations.
- At the end of the contradictory phase, the adjustments are approved in GMT2 and attached to the Confirmation letter with the debit note.
- The documents are sent to the LEAR of the audited company and a copy is sent by email.
Positive audits (adjustments in favour of the audited beneficiary)

- **On-going projects:** the positive adjustment itself must be proactively claimed by the beneficiary. For ongoing projects, this must be done through an adjustment financial statement in the next REPA.

- **Closed projects:** the audit results must be requested as complementary payment **through the coordinator** within 60 days from the receipt of the audit letter of conclusions (LoC)

⚠️ Payment limited to the Max Grant amount of the project
1. Declaration of the positive adjustment(s) in GMT2 within 60 days
2. Create an adjustment for the corresponding reporting period/project:
3. In the field Reason of the adjustment’, please indicate ‘implementation ex post audit XAIA XXXXX’:

![Error identified during Ex Post audit.
Others
Please further clarify the reasons why all costs are not fully actual and the amounts concerned
Implementation ex post audit + reference]

4. Enter all the adjusted costs in the ‘reporting of costs’ for all concerned categories and when completed submit the adjustment for approval to the coordinator via GMT2;
5. Please note that you must also inform the Coordinator as soon as possible because he has to check that the Max Grant Amount for the project was not reached and include the request in the agenda of the next Steering Committee (SC) meeting in order to assess the impact of the Costs to Completion (CTC) of the concerned beneficiary until the end of the programme (indeed, this could be very tricky at the end of the H2020 programme in case almost all the funds have been used);

6. Finally, when approved and supported by a SC decision, the adjustment will be validated in GMT2 by the Coordinator.

7. Please print the ‘Validated by SPD Co’ adjustment Form C from GMT2 and return the original signed document to the CS2JU

8. When submitted to the JU, the PO will then also approve the adjusted costs.

9. After reception of the originals, the FO will ‘approve’ the adjustment, launch the additional payment workflow and make the transfer to the Coordinator’s bank account.
1. **For on-going projects**, the beneficiary has to declare the positive adjustment in the next REPA.

2. **For closed projects**, the request must be done via the Coordinator within 60 days after notification of the LOC.

3. The Coordinator will check that the Max Grant Amount for the project was not reached and include the request in the agenda of the next steering Committee (SC) meeting in order to assess the impact of the Costs to Completion (CTC) of the concerned beneficiary until the end of the programme (indeed, this could be very tricky at the end of the H2020 programme in case almost all the funds have been used);

4. Finally, when approved and supported by a SC decision, the request will be claimed by the Coordinator via Sygma as a ‘formal notification’ in order to launch a complementary payment (COPA).
Complementary Payment (COPA) in a nutshell:

The COPA workflow facilitates a stand-alone payment or recovery order (or just the cost claim adjustments) to make final financial corrections for a project, with only manual payment calculation and manual encoding in ABAC.

During the contradictory procedure with accepted observations on the Payment Letter in the final REPA, the PO/FO might decided to launch a COPA workflow if there is a need to implement further costs or payment adjustments in SYGMA.

The COPA during final REPA is the last part of a contradictory procedure if observations imply cost adjustments, and sends out the Payment Confirmation Letter as formal notification at the end. For a COPA after the final REPA this will be a Complementary Payment Letter (also as formal notification but without contradictory procedure).
In-kind Contributions
IKC
**Private members’ contributions – CSJU regulation**

<table>
<thead>
<tr>
<th>Form of contribution</th>
<th>Area of contribution</th>
<th>Amount (K€)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash contribution</strong></td>
<td>Contribution to 50% running cost of the JU (administrative expenditure)</td>
<td>maximum of 39 M€</td>
</tr>
</tbody>
</table>

**Total In Kind Contribution (IKC)**

<table>
<thead>
<tr>
<th>In-kind contribution (IKC); in-kind contribution to the operational cost (IKOP)</th>
<th>Contribution to the cost related to the JU work plan (operational expenditure)</th>
<th>minimum of 2,154.750 M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-kind contribution (IKC); additional activities (IKAA)</td>
<td>Contributions incurred by implementing additional activities outside the work plan of the JU contributing to the objectives of the broader Clean Sky Joint Technology Initiative.</td>
<td>minimum of 965.250 M€</td>
</tr>
</tbody>
</table>

*: calculated as difference between minimum objectives for Total IKC and IKAA set in the CS2 regulation
IKC status vs objective

- Total progress of IKC is on track versus objective, but mainly due to good progress on IKAA while IKOP is behind objective

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>IKOP</td>
<td>581.3</td>
<td>136.3</td>
<td>717.6</td>
<td>1,189.5</td>
<td>60.3%</td>
</tr>
<tr>
<td>IKAA</td>
<td>838.1</td>
<td>105.9</td>
<td>944.1</td>
<td>965.3</td>
<td>97.8%</td>
</tr>
<tr>
<td>Total IKC</td>
<td>1,419.5</td>
<td>242.2</td>
<td>1,661.7</td>
<td>2,154.8</td>
<td>77.1%</td>
</tr>
</tbody>
</table>

IKOP: 2014-2019 figures are certified
2020 figures under validation (to be certified)

IKAA: total IKAA 2014-2020 correspond to validated figures (certified)
total objective of 965.3 M€ as per CS2 regulation is a minimum of
In-Kind contributions (IKC) – IKOP & IKAA
Objective for JU members

IKOP is behind objective

linked to progress of GAM activities (around 72% of total CS2 GAMs envelope claimed during 2014-2020)

IKOP ratio reported 2014-2020 (83%) < CS2 regulation (1:1 or 100%)
  - Non profit entities not foreseen in CS2 regulation (100% funding rate => less IKOP)
  - Several entities choose Method A (30%) without certificate

- **Collective responsibility** for the members to bring the required level of in-kind contributions (as per CS2JU regulation)
- However, level of IKC shows the **level of involvement** of JU members in CS2 programme and is an important message for the **budgetary authorities**
- Therefore, JU **strongly encourages** each member to provide **sufficient** in-kind contributions to ensure that the **overall target** is met
IKOP

in-kind contribution to the operational cost
• IKOP reporting: in **SyGMA** together with the reporting of GAMs (since 2018 reporting period)

• Based on **Total Project Costs (TPC)**

• IKOP = TPC – JUC (validated JU contribution)

• Calculation methods remains the same:
  – Method A:
    • TPC = TEC (Total Eligible costs) => based on **H2020 eligibility criteria** (unfunded 30%)
  – Method B:
    • Actual TPC => based on usual cost accounting practices

• **IKOP guidance updated** (incl. certificates) – May 2019 to be found on CSJU website: [https://www.cleansky.eu/key-documents](https://www.cleansky.eu/key-documents)
Certification

Certification scope: it certifies the value of the Total Project Costs (TPC), and not the value of IKOP. No major changes were applied compared to the templates used before, only the necessary changes were introduced (total project costs replacing the IKOP).

Certificates on Total Project Costs (CTPC) take different approach than CFS:
No agreed upon procedures are defined, no standard findings, no exception reporting.
Instead of a detailed description of indicative procedures, the JU provides guidance for the auditors, how the certificate shall be established.

The auditors issue a conclusion, which is based on their professional judgment and is carried out according to the International Standards as promulgated by the IFAC; and in compliance with the Code of Ethics for Professional Accountants issued by the IFAC.
Similarly to the previous guidance the CS2JU also provides the Terms of Reference (TORs) and model certificates based on the standards ISA805 and ISAE 3000.

Certification for TPC follows same timing as certification requested for cost claims: at the final reporting period of the GAM (together with CFS).

Certificate required in 2022 to cover TPC reported in 2020 and 2021, together with the CFS (2 year approach)

If the TPC value declared in the 1st reporting period (2020) was not correct, adjustment should be submitted in 2021.
Most frequent errors – Reporting GAM 2018-2019

- **Certificate template:**
  - Wrong certificate template used (old template used before 2018)
  - Terms of reference not signed

- **Certified amount (Total Project Costs) not correct**
  - No TPC reported or TPC below Total eligible costs (TEC)
  - Adjustment not included in the certified amount
  - No TPC reported in Adjustment Form C
  - CTPC certified IKOP instead of TPC (including IKOP)
  - CTPC certified the TPC of only one reporting period
  - Method A: TPC not equal to TEC, leading to rejected TPC to adjust the amount
  - Method B: TPC not always higher than TEC
  - Change of method from B to A between RP1, adjustment and RP2 leading to rejected TPC
Timetable

- **15 Jan n+1**: estimates for IKOP (together with estimates for eligible costs) => Excel
- **1 March n+1**: declarations of TPC (together with cost claims) => SyGMa
- **Q3 n+1**: GB opinion on IKOP
<table>
<thead>
<tr>
<th></th>
<th>Method A</th>
<th>Method B</th>
</tr>
</thead>
<tbody>
<tr>
<td>IKOP calculated</td>
<td>TPC - JUC</td>
<td></td>
</tr>
<tr>
<td>Reporting SyGMA</td>
<td>TPC = TEC</td>
<td>TPC &gt; TEC</td>
</tr>
<tr>
<td>Calculation basis</td>
<td>eligibility criteria h2020</td>
<td>usual accounting practices</td>
</tr>
<tr>
<td>Certification</td>
<td>CFS</td>
<td>CTPC</td>
</tr>
</tbody>
</table>

TEC: Total Eligible Costs H2020 project
CTPC: Certificate on Total Project Costs (see template on CSJU website)
CFS: Certificates on Financial Statements
JUC: validated JU Contribution (funding)
IKOP reporting

- **Method A**: the TPC is equal to the total eligible costs as reported in the Form C and therefore, the unfunded part (up to 30%) of the total eligible H2020 project cost declared constitutes the IKOP. Hence, IKOP established according to this method is valued according to the eligibility criteria of the H2020 programme. The In-Kind contribution is certified through the Certificate on Financial Statements (CFS) covering the total eligible project cost.

- **Method B**: the member declares the TPC of the project calculated according to its usual accounting practice and as far as applicable in line with national and international standards on accounting and financial reporting. Therefore, the TPC need to be certified by an external auditor according to the specific methodology and terms of reference (ToR) provided by the JU, independently from the H2020 eligibility criteria.
IKOP reporting is done in **SyGMA**: dedicated field (t):

(t) “**Total project cost including IKOP**”

Always declare your calculated total project cost (TPC)!

Possibility to upload certificate (CTPC):
Total Eligible Costs declared in the GAM:

<p>| | |</p>
<table>
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<tbody>
<tr>
<td>k) Total Costs (incl. Indirect costs 25%)</td>
<td>250.000</td>
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</table>

if IKOP method A => Repeat the same amount

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<tbody>
<tr>
<td>t) Total project cost including IKOP</td>
<td>250.000</td>
</tr>
</tbody>
</table>

IKOP will be calculated by CSJU as follows:

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<table>
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<tbody>
<tr>
<td>o) Validated JU contribution (70% of Total Eligible Costs)</td>
<td>175.000</td>
</tr>
</tbody>
</table>

IKOP = Total Project Costs - JU contribution  

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<tbody>
<tr>
<td></td>
<td>75.000</td>
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</tbody>
</table>
Total Eligible Costs declared in the GAM:

| k) Total Costs (incl. Indirect costs 25%) | 250.000 |

if IKOP method B => Total Project Costs calculated according to usual cost accounting

| t) Total project cost including IKOP | 450.000 |

IKOP will be calculated by CSJU as follows:

| o) Validated JU contribution (70% of Total Eligible Costs) | 175.000 |
| IKOP = Total Project Costs - JU contribution | 275.000 |

Can only be higher than Total eligible costs (k)!

Report ALL project Costs!
When is a CFS or CTPC needed?

<table>
<thead>
<tr>
<th>Certificate Type</th>
<th>JU contribution*</th>
<th>JU contribution*</th>
<th>JU contribution*</th>
<th>JU contribution*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>less than 325k;</td>
<td>less than 325k;</td>
<td>more than 325k;</td>
<td>more than 325k;</td>
</tr>
<tr>
<td></td>
<td>IKOP less than</td>
<td>IKOP more than</td>
<td>IKOP less than</td>
<td>IKOP more than</td>
</tr>
<tr>
<td></td>
<td>325k</td>
<td>325k</td>
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<td>325k</td>
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<tr>
<td>CFS</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CTPC</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*: as reimbursement of direct costs, excl. any flat rate (SME owner, indirect costs)
IKAA

in-kind contribution on additional activities
Relevant documents => NO change

Document set dated 22 Dec 2016 – includes:

1. In-kind contribution procedure - for Additional Activities (IKAA)
2. Guidance for the implementation of the in-kind contribution procedure - for Additional Activities
3. Guidance for members and auditors: Certification of the declaration of IKAA (IKC related to additional activities) for the purpose of valuing the in-kind-contribution
IKAA management remains in GMT2 tool!

Planning in GMT2 for AA Plan 2022

- **15 October 2021**: planned activities submitted by Members to JU
- **Before 31 December 2021**: approval of AA plan by GB (written procedure)

Reporting in GMT2 for 2021

- **15 January 2022**: declaration of estimates => to be reported as DRAFT
- **1 March 2022**: declarations of AA and certificates => to be SUBMITTED TO JU in GMT2 only with certificate and signed declaration (including signed originals by post)
- **June 2022**: GB opinion on IKAA
GMT 2 – IKAA Planning and Reporting

Member

IKAA Plan

SUBMIT

IKAA Reporting Estimates in DRAFT

DRAFT

Update IKAA Reporting & upload:
- CIKAA
- Signed declaration
  => SUBMIT TO JU + send the documents in original

SUBMIT

CSJU

Approve AAs Planning

Decision on Planning approval

Inform GB

GB

Approve IKAA report

GB IKAA Opinion

Signed
IKAA reporting 2020 – most frequent errors

• Declaration not signed / stamped by the auditors
• Terms of reference missing or not signed
• Original documents (certificates) not provided
• Wrong certificate template used not accepted by JU, for instance:
  – Report on factual findings (based on CFS template)
  – Agreed upon procedures under ISRS 4400
  – Estimated values accepted on provisional basis by national granting authorities

Reminder!
• IKAA reported value need to be **certified by an independent auditor (CS2 regulation)**
• Model certificates developed by the CSJU refers to either an **independent audit opinion (ISA 805)** or a **independent reasonable assurance (ISAE 3000)**
IKAA - Reminders

• **15/10/2021**: IKAA Planning 2022 to be submitted in GMT2

• **01/03/2022**:
  • IKAA reporting 2021 to be submitted in GMT2
  • Certification on IKAA to be submitted covering 2020 and 2021 (and any other years not yet certified)

• Report IKAA:
  • Use and fill in the report directly available in GMT2

• Certification IKAA:
  • Use the **template** previously submitted by CSJU and available on JU website (no change)
  • Check that the **value certified** matches the value reported in GMT2
Contribution to the administrative costs of the CS2JU
Quiz – Running costs contribution

How often do Private Members contribute to the administrative costs of the JU?

A. Every year
B. Every 2 years
C. At the beginning and at the end of the CS2 programme
D. Private Members don’t contribute to the administrative costs of the JU
Quiz – Running costs contribution

How much do Private Members contribute to the administrative costs of the JU?

A. The contribution is a fixed amount
B. The contribution is calculated proportionally to the Member’s GAM budget
C. The contribution is calculated proportionally to the Member’s GAM budget and adjusted later on according to the total validated costs
D. I do not know
Art. 15(2) of the CS2JU Council Regulation:

“The administrative costs of the Clean Sky 2 Joint Undertaking shall not exceed EUR 78 000 000 and shall be covered through financial contributions divided equally on an annual basis between the Union and the private members of the Clean Sky 2 Joint Undertaking.”
The **Funding Agreement** determines the modalities and conditions applicable to the payment of the running costs contribution (*article 4*):

- Each private Member's contribution to the CS2JU administrative costs is **proportional** to that private Member's participation in the CS2 Programme.

- The requested contribution is calculated **annually** *including the Core Partners who have joined the CS2JU and have acceded to the GAM(s)] on the basis of the private Members’ participation in the signed GAMs for each year, expressed in percentage of the budget allocated to the Leaders and to the Core Partners compared to the total allocated GAM budget for the current year.*
CS2 running costs contribution

• **Annual** invoicing in one instalment.

• The JU sent **pre-information letters** about the calculated annual contributions – the Members were asked to provide **purchase order (PO)** numbers until the end of August (if needed for their own accounting).

• The JU had to cancel and re-issue several debit notes, because the POs were generated afterwards, and the Finance teams refused to pay the debit notes if PO number was not mentioned -> try to avoid unnecessary extra work by **providing PO numbers in time**

• Keep your **contact details** updated (portal / e-mail)

• **Running costs contributions are not eligible under the GAM.**
### Calculation Method

1. **Contribution from Members: GB adopted budget for the financial year**

<table>
<thead>
<tr>
<th>Title Chapter</th>
<th>Heading</th>
<th>Financial year 2020</th>
<th>Financial year 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Payment Appropriations</td>
<td>Payment Appropriations</td>
</tr>
<tr>
<td>1 0</td>
<td>SUBSIDY FROM THE COMMISSION</td>
<td>311,377,988</td>
<td>84,966,465</td>
</tr>
<tr>
<td>2 0</td>
<td>CONTRIBUTION FROM MEMBERS (NON-EC)</td>
<td>4,261,950</td>
<td>4,333,484</td>
</tr>
<tr>
<td>3 0</td>
<td>CARRY OVER FROM PREVIOUS YEAR (executed and estimated)</td>
<td>18,138,514</td>
<td>92,748,780</td>
</tr>
<tr>
<td>5 0</td>
<td>FINANCIAL REVENUES (BANK INTEREST)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>333,778,452</strong></td>
<td><strong>182,048,728</strong></td>
</tr>
</tbody>
</table>

**Amount to be paid by the private Members to the JU for the given year (50% of the administrative costs)**
Calculation Method

2. **Annex 2 Funding Agreement**: «The participation rate of the private Members will be identified based on the state of play at the end of March of the current year.»

- **Participation rate** = Leaders’ / Core Partners’ share expressed in % of the budget

- **State of play** = total Max JU Contribution allocated to each private Member in the GAM 2020-2021
## Calculation Method

### 3. Calculation of the annual contribution: example

<table>
<thead>
<tr>
<th>SPD</th>
<th>n°</th>
<th>Short Name</th>
<th>Organisation</th>
<th>Max JU contribution Annex II 2020-2021</th>
<th>Proportion</th>
<th>Calculated contribution 2020-2021</th>
<th>Contribution already paid in 2020</th>
<th>CSJU Running costs contribution 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIR</td>
<td>5</td>
<td>SPFLY</td>
<td>SUPERFLY</td>
<td>300,000.00</td>
<td>0.10%</td>
<td>8.595,43</td>
<td>-</td>
<td>4.200,00</td>
</tr>
<tr>
<td>LPA</td>
<td>12</td>
<td>SPFLY</td>
<td>SUPERFLY</td>
<td>3,000,000.00</td>
<td>1.00%</td>
<td>85.954,34</td>
<td>-</td>
<td>42.000,00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>1.10%</strong></td>
<td><strong>94.549,77</strong></td>
<td>-</td>
<td><strong>46.200,00</strong></td>
</tr>
</tbody>
</table>

**TOTAL JU CONTRIBUTION 2020-2021**: 300.000.000,00

**CS2 MEMBERS CONTRIBUTION TO 2020-2021 BUDGET**: 8.595.434,00

- **Total year Maximum JU Contribution (A2) private Members and their affiliates**
- **Annual private Members’ contribution to the JU’s administrative budget**
### Which Private Members are contributing to CS2JU running costs?

<table>
<thead>
<tr>
<th>Organisation</th>
<th>CS2 private Member (Leader / Core Partner)</th>
<th>Participating affiliates of Leaders/CP whose administrative costs to the CS2JU are paid by the respective Leader/CP organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dassault Aviation SA</td>
<td>Leader</td>
<td>----</td>
</tr>
</tbody>
</table>
| Airbus Helicopters    | Leader                                    | • Airbus Helicopters España SA  
• Airbus Helicopters Deutschland GmbH  
• Airbus Helicopters Polska sp.z.o.o. |
| Politecnico di Milano | Core Partner                               | ----                                                                                                                     |
| ITP SAU               | Core Partner                               | • ITP Next Generation Turbines SLU  
• ITP Externals SL                                                                                     |
CS2 running costs contribution

• **Reviews**
  
  Two reviews of the actual participation performed by the JU based on the actual validated costs (Mid-term in 2019 / Final after 2024)

• **Terminations**
  
  Any terminated private member shall remain liable to pay its contributions to the administrative costs of the CS2 JU under the funding agreement for the rest of the financial year in which it is contractually terminated.
Clean Aviation partnership
(main highlights)
Timeline (tentative):

- Single Basic Act (SBA) adoption foreseen by **End of November 2021** will set up new Clean Aviation JU (CAJU)
- First CAJU Work Plan 2022-2023 for adoption by new CAJU GB in **December 2021 / January 2022**
- First calls for proposals will be launched during **Q1-Q2 2022** for possible grants signatures end of 2022 / beginning of 2023
- Specific financial workshop will be organized in 2022 after the launch of the calls and until grant preparation
Main changes under Horizon Europe

- **Eligibility of costs:**
  - **Personnel costs:** introduction of fixed daily rate per calendar year and of days worked instead of hours worked
  - **Internal invoicing:** wider reliance on beneficiary’s usual cost accounting practices for the unit cost calculation
  - **Optional provisions** addressing the specific case of assets under construction (e.g. prototype) and their related capitalised costs
  - **Certificates on financial statement (CFS):** higher threshold (430 K€ instead of 325 K€), simpler calculation base, less CFS for low-risk beneficiaries with SPA (Systems and Processes audit)
  - **Wider use of lump-sums and unit costs**

- **IKOP** based on total eligible costs, not total project costs
- **IKAA:** enlarged definition of additional activities
Main changes at a glance

- **Certificate**
  - Systems and Process Audit (NEW)

- **Affiliated Entity**
  - Change of terminology

- **Associated Partner**
  - Third party specific status

- **Open Science**
  - Enhanced practices

- **IPR & Exploitation**
  - Horizon Results Platform

- **Personnel costs**
  - Corporate daily rate

- **Internal Invoicing**
  - Actual indirect costs

- **In-kind contributions against payment**
  - No more specific Article

- **Indirect costs**
  - Overall continuity with 25% flat-rate (with exceptions)

- **CFS Thresholds**
  - Higher thresholds

**Corporate MGA**

Terminology, Data Sheet & Annex 5
THIRD PARTIES

Horizon Europe Model Grant Agreement
Affiliated entities

Article 187 (1)(b) of the EU Financial Regulation:

Entities ‘that have a link with the beneficiary, in particular a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation’.

Affiliated entities in Horizon Europe = Linked third parties in Horizon 2020

(alignement of labelling/definition in the corporate context)

Disclaimer: Information not legally binding
Associated Partner (AP)

- Inherited and derived from the ‘International partner’ status in H2020 MGA

- **Corporate terminology** and status with the following features:
  - AP does work but cannot declare costs
  - AP can be linked:
    - either to one or more beneficiaries
    - or with the whole consortium

- The beneficiaries must ensure that some of MGA obligations also applied to AP (i.e. Articles 11 (proper implementation), 12 (conflict of interests), 13 (confidentiality and security), 14 (ethics), 17.2 (visibility), 18 (specific rules for carrying out action), 19 (information) and 20 (record-keeping))
PERSONNEL COSTS

General case – Corporate daily rate provisions
Horizon 2020: a snapshot of the situation

In principle, same option must be applied to all personnel working in H2020 actions.

However, possibility to use different options for different types of personnel (at least per group of personnel employed under similar conditions)

The same option(s) must be kept for the full financial year. It can only change its option(s) for the next financial year.

Possibility to change option:
- for the next financial year
- for all personnel in all its H2020 grants.

One hourly rate per each month the person works in the action

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. However, personnel costs incurred during parental leave may be charged in proportion to the time the person worked for the action.
Personnel costs – new calculation

- Discontinuation of the different formulas (annual and monthly) and options for productive hours (entailing difficult and error-prone calculations)
- No more ‘last closed financial year’ rule
- Instead, use of a single corporate daily rate and calendar year approach

\[
\text{Personnel costs} = \text{Daily rate} \times \text{Days worked in the project}
\]
Daily rate calculation

\[
\text{Daily rate} = \frac{\text{actual annual personnel costs for the person}}{215^*}
\]

* For Horizon Europe: Still possible to deduct actual working days spent on parental leave from the fixed number of 215 days

Disclaimer: Information not legally binding
Daily rate calculation

When?

- **per calendar year** (from January to December)
- except for the months running from the end of the last calendar year until the end of the reporting period. For those months, you must calculate a separate partial daily rate as follows:

\[
\frac{\text{actual personnel costs of the person incurred over those months}}{\frac{215}{12} \times \text{number of months from the January until the end of the reporting period}}
\]
Example

Costs for Researcher Y in reporting period 1. Reporting period 1 runs from 1/09/2021 until 31/03/2023:

2021
actual personnel costs incurred for that person in 2021

215
X
days worked by that person on the action from 1/09/2021

2022
actual personnel costs incurred for that person in 2022

215
X
days worked by that person on the action in 2022

2023
actual personnel costs incurred for that person until 31/03/2023

(215 / 12 x 3)
X
days worked by that person on the action until 31/03/2023

= Personnel Costs RP1
Days worked – record keeping

- use reliable time records (i.e. time-sheets) either on paper or in a computer-based time recording system.
- Or
- sign a monthly declaration on days spent for the action (template under development).

Disclaimer: Information not legally binding
Time recording system in hours

‘Day-equivalent’ → 3 conversion rules at hand

1. A conversion based on the average number of hours that the person must work per working day according to her/his contract.

   Example: if the contract says that the person must work 37.5 hours per week distributed in 5 working days, a day-equivalent for the person is 7.5 hours (37.5 / 5). In the same example, if the person works 50% part-time, the day-equivalent would be 3.75 hours (18.75 / 5).

2. A conversion based on the usual standard annual productive hours of the beneficiary, if it is at least 90% of the workable time (i.e. continuity with H2020)

   Example:
   Standard annual productive hours of the beneficiary = 1600
   Standard annual workable hours of the beneficiary = 1720
   1720 x 90% = 1548 < 1600
   1600/215 => 7.44 hours = 1 day-equivalent

3. A conversion based on a fixed number of hours (e.g. for beneficiaries with no reference in their contracts nor standard annual productive hours):
   1 day-equivalent = 8 hours

Disclaimer: Information not legally binding
Time recording system in hours

‘Day-equivalent’: When to do the conversion?

Each time that you have to calculate a daily rate → per calendar year

For example at the time of a reporting period:

If a daily rate is calculated for year 2021, the beneficiary must convert into day-equivalents the total number of hours worked by the person on the action during 2021 altogether.

Disclaimer: Information not legally binding
Main differences with Horizon 2020

• Discontinuation of the different formulas (annual and monthly) and options for productive hours (entailing difficult and error-prone calculations)

• No more ‘last closed financial year’ rule

• Instead, use of a single corporate daily rate and calendar year approach
Horizon Europe specific provisions
Project-based remuneration at a glance

**WHAT IS IT?**

- Usual remuneration practices of a legal entity under which a personnel receives supplementary payments for work in projects

**HOW MUCH CAN BE DECLARED?**

- Actual remuneration costs paid by the legal entity for the time worked by the personnel in the action (‘action daily rate’) up to the remuneration that the person would be paid for work in R&I projects funded by national schemes (‘national projects daily rate’)

**METHODOLOGY?**

- Compare
  - Action daily rate
  - National Projects daily rate

- Take the lower of the two.

*Usually based on:*

- either regulatory requirements (such as national law or collective labour agreements)
- or your written internal remuneration rules

Example:
an employee who gets a bonus or a new contract with a higher salary level for working in a project.
INTERNALLY INVOICED GOODS & SERVICES

Horizon Europe specific provisions
Costs for goods and services which are produced or provided within the beneficiary’s organisation directly for the action and the beneficiary values on the basis of its usual cost accounting practices.

**Examples:**
- self-produced consumables (e.g. electronic wafers, chemicals)
- specialised premises for hosting the research specimens used for the action (e.g. animal house, greenhouse, aquarium)
- standardised testing or research processes (e.g. genomic test, mass spectrometry analysis)
- use of specific research devices or research facilities (e.g. clean room, wind tunnel, supercomputer facilities, electronic microscope)

**NEW**
Wider reliance on beneficiary’s usual cost accounting practices for the unit cost calculation with:
- No application of the 25% flat-rate on top of the unit cost (*H2020 rules*)
- Instead, possibility to accept actual indirect costs allocated via beneficiary’s usual key drivers in the unit cost calculation
IN-KIND CONTRIBUTIONS

Horizon Europe specific provisions
In-kind contributions – both still eligible under HE

IN-KIND CONTRIBUTIONS AGAINST PAYMENT

- No more special Article (corporate approach):
  - But **they can still be declared** as:
    - Seconded persons under Personnel costs provisions
    - Other types as purchase of goods, works or services
  - Indirect costs calculated on top via the 25% flat-rate

IN-KIND CONTRIBUTIONS FREE OF CHARGE

- Specific provisions (Art 6(1) & Art 9(2)) HE MGA (stemming from Horizon Europe specific legal base)
  - They must be declared under the relevant cost category (i.e. as if they were costs incurred by the beneficiary).
  - Only **direct costs** must be reported
  - Indirect costs calculated on top via the 25% flat-rate (with exceptions, like for internal invoicing)
Horizon Europe specific provisions
Receipts under Horizon Europe

**Corporate approach** → Alignment with the revised Financial Regulation (FR 2018)

**Article 192(2) FR**

 [...] receipts are limited to the Union grant and the revenue generated by that action or work programme.

**Article 192(3)(c) FR**

 → non-profit organisations are **NOT** concerned by receipts.

**Horizon Europe derogation** → Income generated by the exploitation of the results shall **NOT** be considered as receipts of the action (Art 36(2) HE RfP → continuity with H2020)
Horizon Europe specific provisions
Equipment costs

Depreciation costs are by default eligible.

By exception, full costs may be eligible.

Optional provisions addressing the specific case of assets under construction (e.g. prototype) and their related capitalised costs:

- The full construction costs (typically the costs of the personnel involved in the construction of the prototype)

- The full purchase costs (typically any component, pieces of equipment bought for the prototype)
INDIRECT COSTS

Horizon Europe specific provisions
Indirect costs

**What?** Costs that are only indirectly linked to the action implementation (Art. 6(1) General eligibility conditions of the Horizon Europe MGA)

**Flat-rate of 25% of the eligible direct costs**, except subcontracting costs, financial support to third parties and exempted specific cost categories, if any. (Art. 6(2)(E) Indirect costs of the Horizon Europe MGA)

**NEW** Possibility to accept actual indirect costs allocated via beneficiary’s usual key drivers in the unit cost calculation for **internally invoiced goods and services**
CERTIFICATE ON FINANCIAL STATEMENTS (CFS)

Horizon Europe specific provisions
Certificate on financial statements (CFS)

ALIGNMENT WITH CORPORATE APPROACH

HIGHER THRESHOLD
- EUR 430 000 (increased from EUR 325 000 in H2020)
- CFS to be submitted at payment of the balance

SIMPLER CALCULATION BASE
- Requested EU contribution calculated on all costs (not only actual costs and unit costs calculated in accordance with usual costs accounting practices as in H2020)

LESS CFS FOR LOW-RISK BENEFICIARIES WITH SPA
- For beneficiaries with a low-risk classification after a SPA the threshold will increase to EUR 725 000 (from EUR 430 000)
SYSTEMS AND PROCESSES AUDITS (SPA)

Horizon Europe specific provisions
**What is a SPA ?**

**A risk assessment & an audit opinion**

**in 2 steps:**
- Test of the systems / Tests of controls
- Substantive testings / Tests of Transactions

**assessing 3 types of risks:**
- Inherent Risk at the level of the entity
- Control Risk at the entity level
- Budget Category Specific Control Risk and their project based accounting

**providing 1 Output:**
- One single report in two parts
- Combined review result ➤ flag as Low, Medium or High
Horizon Europe: System and Process Audit (SPA)

Who can apply?

Any beneficiary that:
- uses unit, flat rate or lump sum costs or contributions according to documented (i.e. formally approved and in writing) usual costs accounting practices (if any)

OR

- has formalised documentation on the systems and processes for calculating their costs and contributions (i.e. formally approved and in writing),
- has participated in at least 150 actions under H2020 or Euratom and,
- participates in at least 3 ongoing actions under HE or Euratom.

How?

Step 1 — The beneficiary submits the application in the system which will be assessed by the EC auditors

Step 2 — If application accepted, the EC auditors (directly or indirectly) will carry out the SPA

Step 3 — The audit result will take the form of a risk assessment classification

What benefits for beneficiaries classified as ‘low-risk’?

- less (or less in-depth) ex-post audits AND,
- a higher threshold for submitting CFS (i.e. 725,000 EUR instead of 430,000 EUR) statements
Thank you!

# HorizonEU

http://ec.europa.eu/horizon-europe
CSJU Anti-fraud measures and awareness
CSJU Anti-fraud measures and AWARENESS

- Introduction to fraud in the EC
- the specific fraud exposure of research grants
- the means of Commission and JU to combat fraud
- support expected from them as Members
- the obligation to report potential fraud – whistleblowing
Introduction: What is fraud?

- The act is intentional
- There is an element of deception
- The act leads to unauthorised or illegal gain/loss

FRAUD
Introduction: Why does fraud occur?

**Opportunity**
- Opportunity through the organisation:
  - Weak/deficient internal policy/control system
  - No clear rules/boundaries
  - Distance
- Individual opportunity:
  - Good operational knowledge
  - “Key to the organisation”
  - Exercising a management function

**Rationalisation**
- “Everybody does it”
- “I’ve been doing overtime unpaid”
- “I was doing it as a favour to show the internal control weaknesses”
- “We use funds to help people”
- “I was passed for promotion”
- “Our company has financial difficulties…”
- “Nobody got hurt”...

**Pressure / Motive**
- Personal financial pressure
- Addition / emotional force to commit fraud
Guiding Principles for combatting fraud in the European Commission

• zero tolerance for fraud;
• cost-effectiveness of controls;
• professional integrity and competence of EU staff;
• fraud prevention, notably fraud-proofing of spending programmes;
• effective investigation capacity;
• swift correction (including recovery of defrauded funds and judicial/administrative sanctions);
• effective internal and external communication on the fight against fraud.
Most common risks of fraud in grant management:

- ID fraud (fake projects, applicants, scientists)
- Cost inflation
- Double funding
- Plagiarism
- Data falsification and fabrication
- Using grant funding for activities not covered by grant agreement
- Fraudulent bankruptcies
- Embezzlement
- Collusion - Conflicts of interest – e.g. in Experts management
Actions of the EU in the field of fraud prevention:

- **cost-effective automated controls** on legal entities (e.g. for insolvency cases, for participants having identical addresses)

- **audits and OLAF investigations**

- **antifraud provisions** in model GAs, IT systems, and business processes for HE

- **Awareness building actions for staff**, like staff surveys, on-line assessment tools for further learning, trainings with new case studies, guidance on “reinforced monitoring”

- **Awareness building actions for beneficiaries** through communications on EC antifraud measures for instance regarding avoid double funding and plagiarism.

- **Reinforced monitoring** module in Sygma/Compass and Simple checks.
Acts of the EU in the field of fraud detection

- **Enhanced data analysis** followed by risk based audits

- Perform pro-active, **targeted data analysis** to identify specific risks (double funding, operational capacity, ...), with input from available EC databases (CORDA, ARIS, DAISY, ... but also from public databases (ORBIS, URKUND)

- Align **risk based audits** selection with identified fraud risk schemes (including also risks of irregularities) => fraud risk based audits (forensic)

- **Plagiarism/double funding tools** to be applied on proposals and on deliverables
Consequences when suspicion on fraud is confirmed:

- consortium to replace the participant
- beneficiary flagged for reinforced monitoring in the SYGMA Risk Management Module
- EDES registration of exclusion of entity
- OLAF investigation
- beneficiary termination or payment suspension (if Coordinator is concerned, GA suspension/termination)
Your role as JU member (coordinator and beneficiary)

• You are closer to the members and partners than us
• Economic crisis has increased risk of bankruptcy and potential fraud (in particular for small companies)

**Some actions:**
• Being vigilant and looking for fraud indicators/red flags (behavior, documentation, results and relationships)
• Questioning anomalies and/or patterns
• Encouraging whistleblowing/raising of concerns
• Having a robust anti-fraud culture
Whistleblowing

- A whistleblower is someone, acting in good faith, who is reporting issues identified in the course of their duties which indicate serious irregularities.

- Irregularities may be activities deemed as fraud, bribery, corruption or serious professional misconduct.

- Whistleblowing procedures are not a channel to report a personal grievance or harassment.

- Individuals reporting their concerns in good faith and in compliance with the guidelines, will be protected against any retaliation.

- Protection shall continue to apply when the issues are reported via external channels.
Whistleblowing

- Whistleblowing from outside of the JU, e.g. from the public, from a beneficiary

- There may be occasions where someone (potentially a grantee or anonymously) will report concerns of an illegal act or serious breach of the rules.

- In principle, same aspects to be considered and actions to be taken as described before.

- Main message: Advise external whistle blowers to report directly on OLAF website (notification system)
New section on CS Website on Values and Ethics which provides all relevant reference documents on antifraud measures in the Commission and in CS2 JU

For questions:
- Contact the CSJU anti-fraud correspondent:
  - Bettina.Dittmann@cleansky.eu
Q&A session
End of the Workshop – Day 1

Thank you for your participation!
CS2JU Financial Workshop 2021

Day 2

20-21 October 2021
09.30 – 13.00
Online presentation (TEAMS)
Financial Workshop

Session

Ex-post audits

Bettina.dittmann@cleansky.eu

Yolanda.garcia-castillo@cleansky.eu
Ex-post audits objectives & results

How do we avoid errors and mistakes?

Ex-post audit process: Practical aspects
Part 1: Ex-post audit objectives and results
Ex-post audit Objectives

OBJECTIVES

Provide ASSURANCE on legality of JU payments for grants as required for the JU annual reporting

TARGET: Coverage of expenditure (value) 10-15%

Minimize audit BURDEN

LIMIT: Coverage of beneficiaries (numbers) approx. 7%

Not legally binding
Provide assurance on the legality of the payments according to the H2020 rules and grant agreements

What does this mean?

- Detect potential errors in JU payments to our beneficiaries
- Correct the audited financial statements
- Extend the correction to unaudited cost claims of audited beneficiaries in case of systematic errors
- Provide advice for system improvements through recommendations
Ex-post audit Objectives – more details 2/2–

As a result of the ex-post audits carried out in the year:

• The JU reports an error rate

The error rate is one of the most important KPIs for the Court of Auditors in its annual opinion on the JU’s accounts.

Max. threshold of the ECA for the JU error rate is below 2%.
The level of assurance provided through these audit results was sufficient as reflected also in the annual reports of the Court of Auditors.

2021 audits are expected to be finalized until the year-end. Results will be reported in May 2022.

More information is available in the annual Ex-post audit report and AAR published on CS website.

Accumulated Residual Error Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>-0.91%</td>
</tr>
</tbody>
</table>

Total audited value of the years 2016 to 2020 (a) 205 Mill Euro
Total audit population (b) 1,212 Mill Euro
Coverage (a) / (b) 17%

Achieved RESULTS of H2020 audits in CS2JU projects

https://www.cleansky.eu/key-documents
Any questions on **Part 1**?

Ex-post audits objectives & results
Part 2: How do we avoid errors and mistakes?

Auditor’s advice
Overview of initial results H2020 AUDITS (2021 Q3)

Percentage of errors identified in H2020 ex-post audits leading to adjustments in favour of the EU budget: individual cost categories

- Personnel costs: 67%
- Other direct costs: 23%
- Subcontracting: 10%

Source: Dashboard - European Commission – Common Audit Service

Not legally binding
Question 1: Which type of error accounts for the highest share of the negative adjustments detected by auditors:

- Incorrect productive hours calculation
- Incorrect remuneration costs - e.g. estimated, not based on appropriate financial year
- Lack of supporting documents
- Inacceptable time sheets
- Subcontracting not foreseen in GA Annex 1
- No direct measurement of the costs
1. Personnel costs: The most frequent errors

- Incorrect productive hours calculation *(highest share)*
- Incorrect remuneration costs - e.g. estimates, not based on last closed financial year
- Incorrect working time claimed
- Unreliable/missing timesheets
- Non respect of ceilings for hours claimed

The above errors account for more than 40% of total errors identified leading to adjustments in H2020 audits!!
1.1 Auditor's advice for **Personnel costs**

Hours worked for the action

- Only the hours **actually worked** on the action can be charged.

**You cannot declare:**

- Budgeted/estimated time (e.g.: forecast figure, fix percentage)

- Inconsistencies: time records **vs.** HR absence records

- Time in excess of staff full employment

- Hours registered under internal project codes, different from the audited action (attention to timesheet requirements)

- Hours incurred outside the project period (even if paid during the period)

**Hours declared to the action must be supported by reliable records and documentation!**

*Not legally binding*
Question 2: For being accepted as eligible, remuneration must be:

- Incurred during the project period but could be paid in a different period (e.g. current year incentives paid next year)

- Paid during the project period but could be incurred in a different period (e.g. previous year incentives paid this year)
1.2 Auditor's advice for **Personnel costs**
Make sure that the numerator is correct

- **Eligible personnel costs**
  
  ACTUAL COSTS *incurred in the LAST CLOSED FINANCIAL YEAR* matching with payroll/HR records

  - **Include (from your G/L)**
    - Salaries & Social security contributions (employers' and employees')
    - Taxes and costs included in the remuneration if they arise from national law or the employment contract

  - **Do not include:**
    - Any ineligible item (article 6.5), e.g. estimates, unsupported items
    - Costs not based on a completed financial year
    - Bonus not meeting eligibility criteria (not all bonuses are eligible!!)

  - **Reminder:**
    There is no conflict between the GA obligation to provide the auditor with documents for the audit potentially containing personal data and your obligations under the GDPR
1.2 a) Bonus – some audit checks

- Incurred in the last closed financial year
- Bonus is covered by national law (similar act.) or employment contract
- Conditions to determine amount are established in the internal regulations of the beneficiary
- Conditions are "objective", based on predefined criteria (different from commercial targets), merits, seniority levels, or other objectively defined conditions
- Usual remuneration practices are based on objective criteria regardless of the source of funding (not linked to a project)
- Bonus is calculated in accordance with the usual remuneration practice
- Social charges and other taxes for bonus payments were correctly calculated, incurred and paid in accordance with national law
Question 3: Option for calculating the productive hours (denominator of hourly rate formula for personnel costs) recommended by auditors for simplification:

- Option 1: 1720 hours
- Option 2: Individual annual productive hours
- Option 3: Standard annual productive hours
1.3 Auditor's advice: **Personnel costs**
Make sure denominator is correct (1/3)

**✓ Advice: recommended**

**1720 hours – option 1**
- If in doubt, use this option → SIMPLE, NOT CHALLENGED!
- Adjust if: part-time, hired in the current period, parental leave

**Individual annual productive hours – option 2**
- Formula: annual workable hours + overtime – absences
- Attention: inconsistencies with HR files/time recording

**Standard annual productive hours – option 3**
- According to the beneficiary's usual accounting practices.
- Annual productive hours ≥ 90% of the standard annual workable hours

- **Always use option 1, 2 or 3**
- **Do not mix the options**
Question 4: After an ex-post audit performed on project “X” in July 2021, beneficiary “ABC” would like to change the option used for calculating annual productive hours in future for project “X” since it is more favorable for the beneficiary.

- “ABC” immediately can change the option used for calculating the productive hours in project “X” from July onwards and prepares the next calculations on that basis.

- “ABC” cannot apply the new option to the EU projects. The methodology needs to be decided at the beginning of the action, applied consistently on all EU projects and cannot be changed in the middle of the project implementation.

“ABC” will need to apply the new option consistently to all the EU projects during a full fiscal year. The methodology cannot be changed in the middle of the fiscal year.
If you decide to change the calculation option, make sure:

- It is applied consistently for all the actions belonging to the Beneficiary during a full fiscal year
- If Option 3 chosen – Standard annual productive hours need to be beneficiary usual practice

- Productive hours ≠ hours dedicated to productive activities
- Productive hours ≠ workable hours

Productive hours options: Annual

- Same option to be applied to all personnel working in H2020 actions;
- Do not include estimates

Not legally binding
1.3 Auditor's advice: **Personnel costs**
Make sure denominator is correct (3/3)

**Productive hours options: Monthly**

One hourly rate *for each month, in which the person works in the action*

**Monthly productive hours = 1/12 of the annual productive hours**

Only options 1 (1720) and 3 (standard) are allowed. **Option 2 (individual prod. hours) is NOT allowed for monthly hourly rates.**

→ Auditor will recalculate in case of lack of reference (e.g: collective agreement) of workable hours based on the basis of 1720 hours (option 1)
Beneficiaries must ensure that:

- **Total number of hours declared** in EU grants for a person for a year is:
  - NOT higher than the number of **annual productive hours** used for the calculation of the hourly rate

- **Total amount of personnel costs declared** (as actual costs) in EU grants for a person for a year is:
  - NOT higher than the total **personnel costs** recorded in the **beneficiary’s accounts** (for that person for that year).
2. Subcontracting costs: The most frequent errors

- Lack of adequate supporting documents
- Not foreseen in Annex I nor agreed by JU services (periodic report)
- The link to the action is not properly documented and/or action code not indicated
- Insufficient descriptions in technical specifications and contracts
- Not applying best value for money principle

Source: Workshop IAS-RTD prepared by CAS, May 2021
Question 5: A beneficiary would like to select a subcontractor for a project task. Which of the below options would you consider correct:

• A framework contract signed 20 years ago with a usual supplier from the beneficiary commercial activities can be used since that supplier is a very well-known company in the market with specific technical knowledge in the field

• A new tender always needs to be launched for a new subcontractor selection regardless the price of the service

• The beneficiary needs to always request 3 quotations and then select the cheapest

The beneficiary needs to apply its procurement policy and document any exception (e.g. “unique” supplier in a niche market), including market price analysis, technical elements and all available arguments to demonstrate that Best Value for Money principle was applied
2.1 Auditor's advice: **Subcontracting costs**

**Best practices**

- The beneficiary needs to apply its procurement policy and document any exception
- Demonstrate *best value*
  
  e.g. tender, three offers, market survey, technical reports with reference to the technical specifications, justification for “unique” suppliers etc.
- Use only valid framework contracts (updated, selected according to company procurement procedure)
- Naming the supplier in the grant does not mean that you do not have to demonstrate best value or link to action
- **Do not wait for an audit to look for the evidence:** create a file with the explanations and supporting evidence of the selection of supplier & procurement process in advance
- In doubt? Ask Clean Sky JU for advice

Not legally binding
Question 6: A Microsoft Office (MS Word, PowerPoint, etc.) license used exclusively by an employee who allocated 80% of her working time to an EU project

- Can be declared as direct costs, in the budget category of “Other direct costs” but limiting the costs claimed to 80% of the cost of the license

Cannot be claimed as direct costs since generic administrative software is not directly attributable to the EU project. These costs are assumed to be included in the indirect costs flat-rate
3. Other goods and services costs: The most frequent errors

Other goods and services errors:

- Lack of adequate supporting documents
- Cost not related to the action (e.g.: use of internal project codes)
- Depreciation not calculated on the basis of their useful life
- No direct measurement of the cost (e.g.: general maintenance fees)
- Other errors – e.g. double funding, indirect costs claimed as direct costs (MS office cannot be claimed as direct costs), no best value for money

Source: Workshop IAS-RTD prepared by CAS, May 2021
Any questions on Part 2?

How to avoid mistakes?
Auditor’s advice

Would you like to know more?
Useful guidance: Avoiding errors in declaring personnel costs:
https://www.youtube.com/watch?v=ulRy9P8jxl0
Part 3: Ex-post audit process
Practical aspects
Ex-post audits performed by CAS on behalf of CS2JU

Audits performed by CAS on behalf of the JU as part of H2020 ex-post audit strategy

Audits contributing to:

• JU’s individual error rate (JU representative audits)

• Research Family (corporate) error rate

Not legally binding
Audit PROCESS - carried out by the CAS (with support of the JU)

1. Letter of Announcement
2. Preparation of the audit
3. Mission on site (or remote field-work) - Exit meeting
4. Preliminary Audit Report
5. CAS Quality Control - incl. CS2JU comments
6. Contradictory Procedure - Beneficiary comments + evidence
7. Draft Audit Report - revised report
8. Final CAS Quality Control
9. Stakeholders meeting, if:
   a) Systemic findings
   b) Sensitive case (e.g.: > 10% error)
10. Final Audit Report & Letter of Conclusion sent
    a) Extension of systemic findings
11. Implementation by CS2JU

Not legally binding
BEFORE the audit: Letter of Announcement (LOA)

• **Timing: WHEN**
  Date for fieldwork proposal is requested in LOA. Alternatively, the audit can be performed remotely.

Reminder: Lack of cooperation may lead to cost rejections and/or grant reductions.

• **Audit scope: WHAT**
  project & period indicated in LOA

<table>
<thead>
<tr>
<th>Action number</th>
<th>Action acronym</th>
<th>Granting</th>
<th>Reporting period(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>72-046</td>
<td>SUCCESS</td>
<td>ERCEA/C</td>
<td>1</td>
</tr>
<tr>
<td>CS2-AIR-GAM-2014-2015-01</td>
<td>AIR</td>
<td>CS2</td>
<td>4</td>
</tr>
</tbody>
</table>

• **Required information** for preparation of audit:
  — Annex I Supporting documents before and during the audit
  — Annex II Internal Control Questionnaire.
  — Annex III Detailed Cost Breakdown

• **No CFS needed for cost claims in scope of a ex-post audit with a Final Audit Report issued.**

Not legally binding
DURING the audit Contradictory procedure

Contradictory procedure → Controversial Findings?

*Do you agree* with the preliminary auditor’s conclusion?

*Provide feedback to the auditors during closing meeting and afterwards!*

- Audits are centrally managed by DG RTD CAS
- If you need a mediator: [Contact the JU](#) for advice
- Provide a *justified reply* to the findings and its systematic nature
- Provide *additional solid evidence*

Not legally binding
Audit CLOSURE: Letter of Conclusion (LOC)

**Positive** adjustment:
Proactively claim before **60d**
(Then, wait for JU reply)

**Negative** adjustment:
Wait: The JU will inform you in detail about implementation steps after the LOC.

Systematic findings? **YES**
Extension of audit findings will be launched (in LOC)
**90 days** to reply
Assessment is done by the CAS

Systematic findings? **NO**
Extension of audit findings not launched

Further details on audit results implementation process in the Financial part of the presentation (Day 1)

Not legally binding
Assess flat rates for systematic errors

**Step 1:** Choose the **most favorable** correction method:

- **Two systematic flat rates are communicated in the LOC (overall costs and per cost category)**

- **An individual correction of all unaudited projects is possible (no flat rate); justification needs to be provided**

**Step 2:** Assess & justify whether the **systematic errors were present** in all my unaudited cost claims (all H2020 projects, also other than CS2JU projects)
Other considerations

1) What if I choose to use a **different rate** for recalculations?
   
   • *A separated audit is needed—guidance and template in LOC-*

2) When do I need to **reply**?
   
   • *Within 90 days*

3) What happens **if I do not reply** on time?
   
   • *Overall flat-rate may be applied by the JU*
Letter of Conclusion - Standard Annex – Extension of audit findings request

ANNEX III: Statement on implementation of audit findings

[available electronically on: Not yet available]

[to be printed on Beneficiary's letterhead]

TO THE [EUROPEAN COMMISSION][AGENCY][JOINT UNDERTAKING]

[BENEFICIARY'S NAME],
established [ADDRESS],
represented by [FIRST AUTHORISED REPRESENTATIVE], [QUALITY] and [SECOND AUTHORISED REPRESENTATIVE], [QUALITY], or their authorised representative

Hereby acknowledges having received a letter dated [DATE OF LETTER OF CONCLUSION FROM EC] from the Common Audit Service (CAS) for the H2020 Research expenditure and Euratom at the European Commission regarding the conclusions of the audit [AUDIT REFERENCE] requesting implementation of the audit findings;
**Letter of Conclusion - Standard Annex – Extension of audit findings request**

**ANNEX III, table I: Grants not concerned by extension of audit findings**

The Beneficiary declares that the following grants were not affected in any way by the systemic or recurrent error identified in the audit BAEA and that no action is thus required in that respect for these grants:

<table>
<thead>
<tr>
<th>Grant</th>
<th>Period</th>
<th>Reasons why not affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAME 234567</td>
<td>1.1.2009 - 31.12.2009</td>
<td>No goods or services were purchased that included deductible VAT</td>
</tr>
<tr>
<td>NAME 123456</td>
<td>1.1.2010 - 31.12.2010</td>
<td>No travel or subsistence costs were incurred in this period</td>
</tr>
</tbody>
</table>

Not legally binding
### ANNEX III, table IIIa: Revised financial statements for extension of audit findings concerning the eligibility of costs

The Beneficiary declares that the systemic or recurrent error identified in the audit BAEE D affected the following grants. The Beneficiary declares that the initial and revised budget categories by activity are as specified below and that adequate supporting documentation regarding the adjustments is provided.

<table>
<thead>
<tr>
<th>Action (Name, number and period)</th>
<th>Cost Category</th>
<th>Initial</th>
<th>Revised</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAME 012345 (1.1.2009 - 30.6.2010)</td>
<td>Direct personnel costs declared as actual costs</td>
<td>10 000.00</td>
<td>9 000.00</td>
<td>1 000.00</td>
</tr>
<tr>
<td></td>
<td>Direct personnel costs declared as unit costs (average costs)</td>
<td>5 000.00</td>
<td>5 000.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Direct costs of subcontracting</td>
<td>1 000.00</td>
<td>1 000.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Direct costs of providing financial support to third parties</td>
<td>3 250.00</td>
<td>3 250.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Other direct costs declared as actual costs</td>
<td>2 000.00</td>
<td>1 800.00</td>
<td>200.00</td>
</tr>
<tr>
<td></td>
<td>Other direct costs for internally invoiced goods and services declared as unit costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost of in-kind contributions not used on premises</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Indirect costs</td>
<td>4 250.00</td>
<td>3 950.00</td>
<td>300.00</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>21 450.00</td>
<td>20 200.00</td>
<td>1 250.00</td>
</tr>
</tbody>
</table>

1 Specification per period: only for ongoing grants

- Expand as necessary
- Details in blue: example

*Not legally binding*
ANNEX III, table IIb: Extrapolation rate adjustments for findings concerning the eligibility of costs

We agree explicitly on the following extrapolation adjustments as proposed by the CAS:

<table>
<thead>
<tr>
<th>Correction rates proposed by the Granting Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct personnel costs declared as actual costs</td>
</tr>
<tr>
<td>Direct personnel costs declared as unit costs</td>
</tr>
<tr>
<td>(average costs)</td>
</tr>
<tr>
<td>Direct costs of subcontracting</td>
</tr>
<tr>
<td>Direct costs of providing financial support to third parties</td>
</tr>
<tr>
<td>Other direct costs declared as actual costs</td>
</tr>
<tr>
<td>Other direct costs for internally invoiced goods and services declared as unit costs</td>
</tr>
<tr>
<td>Cost of in-kind contributions not used on premises</td>
</tr>
<tr>
<td>Receipts (for closed projects)</td>
</tr>
</tbody>
</table>

or

<table>
<thead>
<tr>
<th>Correction rate proposed by the Granting Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Costs</td>
</tr>
</tbody>
</table>
ANNEX III, table IV: Declaration on application of audit findings

The Beneficiary declares to be aware:

- that the compliance of costs declared in ongoing and future grant agreements with the results of the audit may be monitored by the Granting Authority services and may further be subject to a follow-up audit.

- that, should any overstatement of expenditure of the same nature as the systemic or recurrent errors of the audit BAEE found by the CAS during a follow-up audit, the Granting Authority services will be entitled to impose administrative sanctions in accordance with Article 45 of the H2020 Grant agreement and the provisions of the Financial Regulation.

Done in ...................... on ........................

[SIGNATURE – QUALITY]
Audits selected and performed by ECA

These audits performed on randomly (not risk-based) selected transactions contribute to the ECA’s annual assurance on CS2JU
Ex-post audits performed by European Court of Auditors (ECA)

- Very **limited transactions** are audited by ECA

<table>
<thead>
<tr>
<th>Number of Items (DAS 2020)</th>
<th>Audited value (DAS 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 audits</td>
<td>3,075 M Eur (JU cont)</td>
</tr>
</tbody>
</table>

- These audits do not qualify for a CFS exemption since they are not performed in full scope
- A formal contradictory does not take place (contact CSJU if you do not agree with preliminary conclusions)
- A Letter of Conclusion is not sent at the end of the audit, instead CS will send you a communication
- In case of negative systemic errors, **CS will ask you to confirm that audit conclusions and recommendations have been implemented before the next payment**
Covid-19 crisis

Ex-post audits will still take place

- Part of the audit work might be done remotely by the auditors depending on travel restrictions
- Audit obligations remain for H2020 participants
- Audit program does not change
- If you encounter issues during the audit, contact the JU

Auditors will consider COVID-19 flexibility under H2020 MGA rules regarding:

- **Key topics**: Teleworking, confinement (deduction of absences), change in working hours, short-time work scheme, delays in the action
- **More details?** Consult Financial part of the presentation for compliance and flexibility on rules under COVID-19

Not legally binding
Any questions on **Part 3**?

Ex-post audit process: practical aspects
Obligations for Suppliers

Q: EC recommends in the Audit Report that Beneficiary includes in all contracts with suppliers clauses to ensure that the JU, Court of Auditors and OLAF their rights to carry out checks, reviews, audits and investigations, according to H2020 Grant Agreement Articles 22 and 23. To what extent shall this be applied?

A: This is a general right over suppliers that beneficiaries must ensure. In practice, cases were the actual checks are carried out on suppliers are very limited and exceptional. This option becomes especially relevant and necessary in the very unusual scenario of potential fraud or suspected irregularities.
Q&A
Ex-post audits

www.cleansky.eu
Audit planning

Q: Are any more ex-post audits planned between now and the programme end?

A: Yes, ex-post audits can be initiated up to 2 years after the final payment of the project. Audit activity related to H2020 projects will continue but it will be reduced in the next years until the closure of the program.
Implementation timeframe

Q: Is there an expiration date when a beneficiary can apply (implement) the findings of any ex post audit? Can they be applied until the end of the programme?

A:

- **Negative audit adjustments** are implemented immediately after FAR and LOC are issued and sent, even after the end of the program. Depending on whether the action is still on-going (deduction in next payment to coordinator) or the project is closed (recovery order), the recovery steps are different.

- **For positive adjustments**, they must be claimed in the system within 60 days after LOC is received. Then, there are several steps to assess whether the adjustment can be implemented. This process includes a Steering Committee decision following an assessment of the budget limitations and considering the SPD budget which has been already allocated.
Q: How is personal private data, like salaries, benefits, etc... kept in confidentiality by the auditors?

• **A:** The European Commission is committed to **ensuring high standards in personal data protection and all personal information** processed by it is treated in strict compliance with the data protection principles, enshrined in the Regulation No 2018/1725

• All data in electronic format (e-mails, documents, uploaded batches of data etc.) are **stored either on the servers of the European Commission or of its contractors**;

• **Access rights and controls are secured** via the ECAS (European Commission Authentication Service) granted to persons authorize to get access to specific documents.

• **The Commission’s contractors established in the EU are bound by a specific contractual clause** for any processing operations of your data on behalf of the Commission, and by the confidentiality obligations deriving from the transposition of Directive EC/95/4611 as repealed by Regulation (EU) 2016/67912
Financial Workshop – Day 2

Break 15 min!
Financial Workshop

Thematic Workshop – Legal aspects

21 October 2021

Not legally binding
Most recurrent issues

1. Modifications requiring amendments
2. Contractual obligation to inform
3. Formal notifications
4. Termination of membership
5. Closure of the CS2 programme
6. GAPs-GAMs legal framework
7. Grant reduction
# 1. Modifications requiring amendments

<table>
<thead>
<tr>
<th>Modification</th>
<th>Amendment necessary to implement the modification?</th>
<th>Part of GAM affected by the modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minor budget transfer between beneficiaries or from one budget category to another</td>
<td>No</td>
<td>NA</td>
</tr>
<tr>
<td>Transfer of tasks</td>
<td>Yes</td>
<td>Annex 1, Annex 2</td>
</tr>
<tr>
<td>UTRO</td>
<td>Coordinator- Yes</td>
<td>Bank account, Annex 1, Annex 2</td>
</tr>
<tr>
<td></td>
<td>Beneficiary- No</td>
<td>Annex 1</td>
</tr>
<tr>
<td>PTRO</td>
<td>Yes</td>
<td>GAM data, Annex 1, Annex 2, Accession Form (Annex 3), LoE of the JU status</td>
</tr>
<tr>
<td>Addition of a linked third party (LTP) or a new participant affiliate (to be reflected in the CS2JU WP and JU’s membership list)</td>
<td>Yes</td>
<td>Article 14 GAM, Annex 1, Annex 2</td>
</tr>
<tr>
<td>Addition of a subcontractor</td>
<td>Yes</td>
<td>Annex 1, Annex 2</td>
</tr>
<tr>
<td>Addition of a third party bringing in kind contributions</td>
<td>Yes</td>
<td>Annex 1, Annex 2</td>
</tr>
<tr>
<td>Termination following a bankruptcy of a beneficiary or LTP</td>
<td>Yes</td>
<td>GAM data, Annex 1, Annex 2</td>
</tr>
</tbody>
</table>
2. Contractual obligation to inform

Article 17 GA

- Change in legal status
- Change in financial status and pre-bankruptcy
- LEAR
- Etc.

It is necessary to keep all company information up to date, to ensure the smooth implementation of the Grant Agreement.
3. Formal notifications

The formal notification channel can be used ONLY for correspondence requiring acknowledgement of receipt, i.e.

to dispatch replies to formal notifications received from the JU

for communications under Article 17 of the GAM

(Article 17.1 - obligation to provide information upon request and Article 17.2 - obligation to inform)

whenever it is clearly stipulated, e.g. termination of the grant agreement (Article 50.1 GAM).
Termination workflow can be initiated by:

- Coordinator (article 50.1 of the GA)
- Beneficiary (article 50.2 of the GA)
- CS2JU (article 50.3 of the GA)

The formal notification of termination is by design integrated into an amendment request, but:

-> **Cannot be retroactive**

“The ‘termination date’ must be a fixed date in the future or ‘the day after notification of termination’.

-> **Cannot be withdrawn**

The notified termination remains valid and effective even if the amendment request is withdrawn or rejected.

-> **Reporting obligations of the terminated beneficiary do not terminate**
4.2 Termination of Core Partner membership

Membership to the CS2JU is a long term commitment that goes beyond the implementation of the action under the GAM as beneficiary (see Article 3, 4, 15, 16 of the Statutes of the CS2 JU – Annex I to the Council Regulation no 558/2014).

Members signed the Statutes of CS2JU.

According to the CS2JU Statutes, to terminate the membership, the Member concerned must notify in written.

Termination will become effective after 9 months from the date of notification to the JU.

Impact on the JU administrative cost contribution: the terminated Member will remain liable to pay administrative costs under the funding agreement, based on its share in the annual program budget. It will be required to pay such contributions for the rest of the financial year in which it is terminated.

To note: If terminated after the 30th September in any year, the terminated Member must also pay administrative costs of the CSJU required to be paid by it under the funding agreement on or before 31 March in the Budget established for the next following year.
4.3 Membership list

List of Members and participating affiliates is published on:

- [CS2JU website](#);
- Annexed to the CS2JU Work Plan;

Reminder:

**Not possible to add in the GAM any new legal entity with status of beneficiary**, unless selected via call for core partners and approved by the Governing Board.

**Possible to add participating affiliates to a Member to the GAM under article 14 of the GAM.**

The concerned legal entity should be first included in the Members table annexed to the CS2JU Work Plan or added with the next amendment to the Work Plan.
5. Closure of the CS2 Programme

CS2 programme closure: end of 2024

Final GAM duration: 2022-2023

GAPs duration: No AMD past March 2023*

2023-2024

Finalisation of reporting obligations

*Unless absolutely necessary and justified, to be assessed on a case by case basis at JU discretion.
6. GAPs-GAMs legal framework

- **ITD /IADP Leaders**
- **Core Partners**

**ITD/IADP Consortium Agreement (CA)**

- **Clean Sky 2 JU**

**1 Grant Agreement for Members by ITD/IADP (GAM)**

**Call for Proposals**

- **Partner**

**Implementation Agreement with TM or accession to ITD/IADP CA**

(Where applicable)

**Applicant**

*Not legally binding*
7. Grant reduction

Grounds for reduction in H2020 (art. 43 Grant Agreement)

- Substantial errors, irregularities, fraud;
- Serious breach of GA obligations (including ethical principles);
- Systematic errors, irregularities, fraud, breaches that have material impact on the grant;

When can the reduction be applied?

- After termination;
- Payment of the balance or afterwards;

A what level?

- At defaulting beneficiary level -> reduction based on amount set out in Annex 2 for the beneficiary;
- At action level (if the fault is not attributable) -> reduction based on max GA amount (art 5.1 of the Grant Agreement);

How?

Grant reductions are subject to a contradictory procedure.
Thank you for your attention!

CS2Finance@cleansky.eu
Engage with us!

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AAR</td>
<td>Annual Activity Report</td>
</tr>
<tr>
<td>ABAC</td>
<td>EC Accounting system</td>
</tr>
<tr>
<td>CAS</td>
<td>Common Audit Service (RTD)</td>
</tr>
<tr>
<td>CFS</td>
<td>Certificate on Financial Statements</td>
</tr>
<tr>
<td>CIKAA</td>
<td>Certificate on In-kind contribution from additional activities</td>
</tr>
<tr>
<td>CoMUC</td>
<td>Certificate on the methodology for unit cost</td>
</tr>
<tr>
<td>COO</td>
<td>Coordinator</td>
</tr>
<tr>
<td>COPA</td>
<td>Complementary payment in case of contradictory procedure after the payment</td>
</tr>
<tr>
<td>CS2JU</td>
<td>Clean Sky 2 Joint Undertaking</td>
</tr>
<tr>
<td>CTPC</td>
<td>Certificate on Total Project Costs</td>
</tr>
<tr>
<td>H2020</td>
<td>Horizon 2020 EU Framework Programme for Research and Innovation</td>
</tr>
<tr>
<td>DoH</td>
<td>Declaration of Honor</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ECA</td>
<td>European Court of Auditors</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FAR</td>
<td>Final Audit Report (ex-post audit)</td>
</tr>
<tr>
<td>FO</td>
<td>Finance Officer</td>
</tr>
<tr>
<td>FP7</td>
<td>7th Framework Programme for Research and Technological Development</td>
</tr>
<tr>
<td>GA</td>
<td>Grant Agreement</td>
</tr>
<tr>
<td>GAM</td>
<td>Grant Agreement for Members</td>
</tr>
<tr>
<td>GAP</td>
<td>Grant Agreement for Partners</td>
</tr>
<tr>
<td>GB</td>
<td>Governing Board</td>
</tr>
<tr>
<td>GF</td>
<td>Guarantee Fund</td>
</tr>
<tr>
<td>GMT2</td>
<td>Grant Management Tool (in use only for IKAA)</td>
</tr>
<tr>
<td>H2020</td>
<td>Horizon 2020 EU Framework Programme for Research and Innovation</td>
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## Financial Workshop
### Index of abbreviations

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<tr>
<th>Abbreviation</th>
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<tr>
<td>IAPD</td>
<td>Innovative Aircraft Demonstrator Platform</td>
</tr>
<tr>
<td>IKAA</td>
<td>In-kind contribution from additional activities</td>
</tr>
<tr>
<td>IKC</td>
<td>In-kind contributions</td>
</tr>
<tr>
<td>IKOP</td>
<td>In-kind contribution from operational activities</td>
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<tr>
<td>ITD</td>
<td>Integrated Technology Demonstrator</td>
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<tr>
<td>JU</td>
<td>Joint Undertaking</td>
</tr>
<tr>
<td>LEAR</td>
<td>Legal Entity Appointed Representative</td>
</tr>
<tr>
<td>LOA</td>
<td>Letter of Announcement (ex-post audit)</td>
</tr>
<tr>
<td>LOC</td>
<td>Letter of Conclusion (ex-post audit)</td>
</tr>
<tr>
<td>LRI</td>
<td>Large Research Infrastructure</td>
</tr>
<tr>
<td>MGA</td>
<td>Model Grant Agreement</td>
</tr>
<tr>
<td>ODC</td>
<td>Other Direct Costs</td>
</tr>
<tr>
<td>PCC</td>
<td>Programme Coordination Committee</td>
</tr>
<tr>
<td>PFSIGN</td>
<td>Project Financial Signatory</td>
</tr>
<tr>
<td>PM</td>
<td>Person/Month</td>
</tr>
<tr>
<td>PO</td>
<td>Project Officer</td>
</tr>
<tr>
<td>PTRO</td>
<td>Partial transfer of rights and obligations</td>
</tr>
<tr>
<td>REPA</td>
<td>Reporting Period</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SPD</td>
<td>System &amp; Platform Demonstrator</td>
</tr>
<tr>
<td>SYGMA</td>
<td>System for Grant Management</td>
</tr>
<tr>
<td>ToR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>TPC</td>
<td>Total Project Costs</td>
</tr>
<tr>
<td>UoR</td>
<td>Use of Resources</td>
</tr>
<tr>
<td>UTRO</td>
<td>Universal transfer of rights and obligations</td>
</tr>
<tr>
<td>WP</td>
<td>Work Package</td>
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</table>