



HORIZON 2020

Fit for Health 2.0

Brussels 13 September 2016

Avoiding Common Financial Errors
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What is this presentation about?

- **No repetition of the rules but**

Advices on How To Avoid Errors few, clear, simple words (three)



- Discipline (keep your files in order).



- Prudence (use the budget, do research, but do not drive at a speed of 131,9 km/h all the time).



- Perseverance (keep fighting for your rights, but choose the forum – rules must be adopted by way of legislation, not by way of audit approach).

- AND in case of doubt, consult the NCP, the PO/FO, the EC enquiry service, they are all for free.



I, the undersigned Director-General, declare that the information contained in this report gives a true and fair view [1].

I state that I have reasonable assurance [...] which is based on my own judgement and on the information at my disposal [...]

However the following reservation should be noted:

Reservation concerning the rate of residual errors with regard to the accuracy of financial statements in the Seventh Framework Programme (FP7) grants.

Brussels, 31 March 2014

"Signed"

The Director-General

[1] → True and fair in this context means a reliable, complete and correct view on the state of affairs in the service.

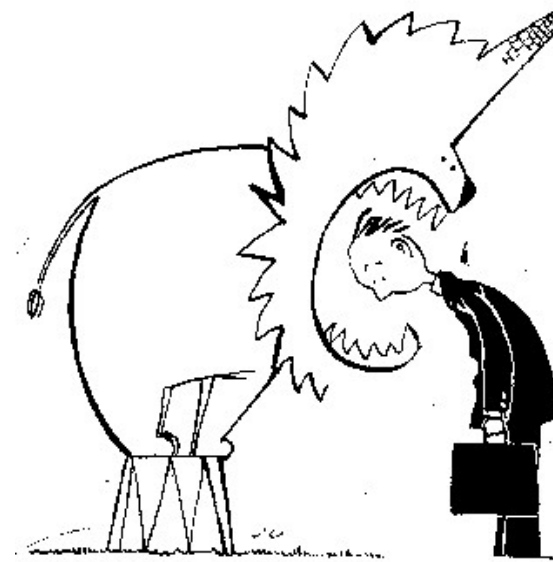
Financial issues – consequences of errors

- **Identified errors might lead to**
 - Recovery of the undue amount.
 - Penalties.
 - Suspension of payments or termination of the contract.
 - Reputational damage.
 - Financial losses.
 -
- **For sure**, it might lead to bad weekends with bad mood and horrible headaches.



Auditors vs beneficiaries: who does what?

Who is who in this picture?



- **The auditors:**
 - Don't invent evidence
 - Don't invent rules
 - Don't interpret rules
- **The beneficiaries:**
 - The same! But don't wait for an audit!!!



Main changes (1)

- **Single reimbursement rate**
- **More flexible rules for third parties and subcontracting costs**
- **Differentiation between contracts and subcontracts**
- **Single 25% flat rate for indirect costs**
- **3 options for productive hours**

Main changes (2)

- **Clearer and simpler obligations on time records**
- **More flexibility for average personnel costs**
- **Eligibility of non-deductible VAT**
- **Less audit burdens (2 years auditability)**
- **Common Support Centre (CSC)**

Why do errors still occur?

- **4 languages spoken**
 - Researchers
 - Accounting and financial people, including auditors
 - Lawyers
 - Policy makers
- **We all want simplification but do not want to pay for it**
 - Flat rate for indirect costs
 - Usual and unusual accounting principles
 - Legal certainty (both ways)
- **We are all human beings, and human beings do mistakes**
 - Because of lack of attention;
 - Because of lack of interest;
 - Because subject to temptations (or specific situations)

H2020 5 most common errors expected

1. Direct costs apportioned, not measured

2. Time sheets (we hope no more hourly rates)

3. Best value for money (subcontracting and purchase of goods)

4. Basic vs additional remuneration

5. In-house, near off-site, semi-permanent, teleworking consultants

5+. Same old friends: no papers, UAP, depreciation "in one shot"

• *Direct costs apportioned, not measured*

- In FP7, energy and power supply was an indirect cost:
-> *can I charge it as direct in H2020?*
 - **Yes, if** I can measure it...
- Administrative staff members doing project accounting:
-> *can I charge them to the project?*
 - **Yes,** with time sheets...

• *Time sheets*

***I work 100% on the project
so I don't have to fill in TS, correct?***

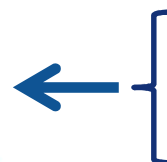
Correct, but pay attention:

- Did I spend a significant part of my time building up a network with other entities or even other laboratories of my company, for future projects?
- Did I spend time in writing proposals for the next calls?
- Did I give lectures for the University?
- Did I travel for other unforeseen activities?
- What do I have to indicate in the box of the self-declaration requesting an indication of the activities carried out, per work package?

Declaration for persons working exclusively on the action:

Model available in the AGA (version 19/12/2014)

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



Declaration on a person working exclusively on a H2020 action

Action			
Title of the action (acronym)		Grant Agreement number	
Beneficiary's/linked third party's name			
Reporting period covered by this declaration ¹			
Reporting period number	from (date)	to (date)	

This document certifies that² has worked for the beneficiary/linked third party exclusively on the above-mentioned H2020 action during (chose one below):

- the whole reporting period
- from³ until⁴
(This period must cover at least one full natural month)⁵

Short description of the activities carried out during the period covered by this declaration	
Reference (e.g. work package)	Activities

SIGNATURES

For the beneficiary/linked third party (supervisor)

Name:

Date:/...../.....

Signature:

For the person working exclusively on the action

Date:/...../.....

Signature:



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



¹ Only one declaration can be made per reporting period for each person working in the action.

² Insert name of the person.

³ Insert date.

⁴ Insert date.

⁵ The person must keep timesheets for any hours worked for the action outside the period indicated herein.

- ***Time sheets (continued)***



**Indicate nothing
but **The Reality****

• *Time sheets (continued)*

I don't keep TS, or they are so inaccurate that I am ashamed to show them.

I can always go for the 'alternative evidence option', correct?

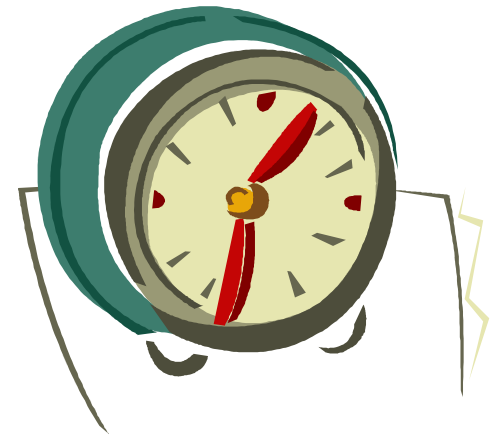
YES but NO

- First of all, why are your time sheets not in order ? IT solutions exist.
- Secondly, why don't you fill them in?
- Thirdly: TS? I don't use them because in my specific case I use...

What? How do you follow your projects?

Alternative evidence is not an option, but the thin border between

problems and big problems



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)



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

Best value for money (subcontracting AND purchase of goods)

- My subcontractor is a friend:
is it a problem?
 - As such **not. But** you must be in a position to prove that his offer represents the best price-quality ratio.
 - Conflict of interests rule requires you to adopt every measure to avoid it (including family and emotional ties).
- I have named my subcontractor in the Annexes to the G.A.: **is it enough?**
 - **No.** The EC does not check this ex-ante, so you are deemed to have respected the best value for money.
- I use the same IT provider since 20 years, with a written framework contract: **is it ok?**
 - **If** you use it for you and for us, then **ok.** However, maybe it is time to look for better prices...

Establishing systems from the start

You must demonstrate 'best value for money' and take measures to avoid 'conflict of interests' in sub-contracting **and in Purchase of Goods**

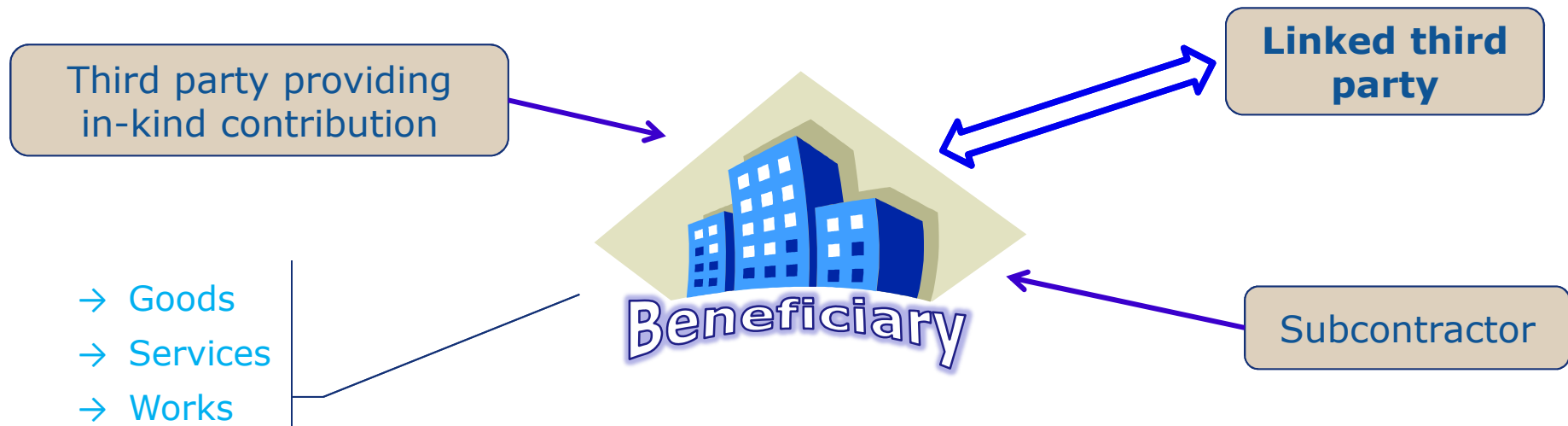
Regular errors

- *'Best value' not demonstrated – no tender, no counter-offers, no market survey.*
- *Participants' own normal practices not applied.*
- *No documentation kept.*
- *Conflict of interests overriding any competition.*

***You may not,
under any circumstances,
sub-contract to a project partner
(MGA Article 13)***

Please!

Third parties: Warnings !



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

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

• *Basic vs additional remuneration*

- I pay a bonus to my staff when a baby is born:
is this eligible as basic remuneration?
 - **Yes**, it is.

- I am the boss and I decide who gets the bonus and who don't:
is this considered as ineligible?
 - A bonus scheme can be discretionary, yet based on objective conditions (merit, performance, potential – no matter how assessed by the boss - but as part of the usual remuneration policies, and documented). The scheme cannot be arbitrary or discriminatory, i.e. a bonus paid only if and when a researcher works on a H2020 project.

- ***In-house, near off-site, semi-permanent, teleworking consultants***

- During the project it appeared that some personnel of the University, partner in the same project, were familiar with the issue and did the work, partly in my premises:
is it ok?
- **I don't know.** But the advice is: inform and consult the PO/FO in advance.

What contract under what budget category

What you can **NOT** declare under personnel costs?

- ❌ Contracts with companies (e.g. temporary work agencies) to provide staff.
- ❌ 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*



In the cases above the costs may be eligible under 'Other goods and services' or under 'Subcontracting' but never as personnel costs

Conclusions

Few, simple, clear words



Discipline



Prudence



Perseverance



Reality



Headache during the weekend



In case of doubt, consult: NCP, EC PO/FO, enquiry service

Participant Portal

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



Horizon 2020 Annotated Grant Agreement

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



Horizon 2020 On-line Manual

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



Questions? *Research Enquiry Service*

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



HORIZON 2020

**Thank you
for your attention!**

Find out more:

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

*Research and
Innovation*