Managing a project: Finance & Payments, relation to national authorities

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• ECSEL (EU) payments vs national payments
• ECSEL Specificities (vs H2020)
• Best practices in financial reporting
• References
There are at least 2 funding sources in projects ECSEL projects

– EU funding managed by ECSEL JU

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– national funding (it can include also regional or ESI) all managed by the national funding authorities in the respective countries

**EU funding – eligible costs as per H2020 rules**

**National/regional/ESI Funding – eligible costs as per the specific rules in each country, eligibility rules can be different from the H2020 rules**
**ECSEL vs. National Payments**

- **EU funding** – managed through the coordinator and it is paid by ECSEL to the coordinator in several batches
  - prefinancing at the beginning of the project;
  - several interim payments (normally yearly connected with the reviews) and
  - final payment at the end of the project).

  The coordinator distributes the funding received from ECSEL to the beneficiaries (provisions on how to handle this are normally foreseen in the consortium agreement). *(H2020 eligibility rules!)*

- **National funding** – managed by the national authorities from the countries of the beneficiaries; each country has different rules and pace of payments. In some countries there is a country coordinator who manages the process for all the beneficiaries in that country in some countries each beneficiary handles this itself. Some countries pay prefinancing some countries only reimbursement of the costs incurred (beneficiary has first the costs then requests the funding)

**Coordinators:** advise the beneficiaries in their projects *(especially the new ones who do not have much experience with ECSEL project to CONTACT national funding authorities and inquire about the payment procedures)*
ECSEL Specificities in Payments (1/4)

• EU funding

  – **prefinancing at the beginning of the project** (160% of the EU funding /number of periods – 5% which is retained in the Guarantee Fund (same as H2020)

  – **several interim payments** (normally yearly connected with the reviews) main difference compare to H2020: in H2020 interim payments are capped at max 85% (without guarantee fund) or 90 (including the 5% retained for guarantee fund) at project level (this means that a beneficiary can receive more than 85% and even more than 100%). In ECSEL this is limited to 85% at beneficiary level (2 procedures to handle this – see next slide)

  – **final payment** at the end of the project (payment of balance). In H2020 a beneficiary can receive >100% of its funding if it incurred higher eligible costs. In ECSEL projects no beneficiary can receive more than 100% of its funding as in the grant agreement (GA) even if it has more eligible costs. To receive 100% of its funding it must incur all the eligible costs stated in the GA. Funding is paid using the contractual funding rate (as per the PAB decision) with respect to the costs incurred. If only half the costs it will be half the funding!

The coordinator distributes the funding received from ECSEL to the beneficiaries (provisions on how to handle this are normally foreseen in the consortium agreement) and according to the procedure chosen by the consortium.
Consortia must choose (before end of RP1) between Two Reporting and Payment Procedures for intermediate payments:

1. **Procedure 1:** Each beneficiary must limit the interim payments request to maximum 85% of their grant amount (cumulatively: prefinancing and all interim payments). The EU amount requested must follow the contractual funding rate from the PAB funding decision and not the funding rate from the call (it concerns beneficiaries which receive lower funding rate). If any of these rules is not complied to the Programme Officer will reject the payment request back to the consortium for corrections (wasted time, delayed payment, etc)

1. **Procedure 2:** Individual beneficiaries can request more than 85% of the maximum grant amount cumulatively (incl. prefinancing). In this care the Coordinator is responsible to limit the payments to individual beneficiaries accordingly to the two rules mentioned in the Procedure 1. It doesn’t mean that if a beneficiary is allowed to request more in the system it is entitled to receive more.
In both procedures:

- **at project level**, the total amounts paid (cumulative prefinancing & interim payments) are limited to **85%** of the maximum grant amount regardless if procedure 1 or procedure 2 is chosen. If procedure 1 is followed and each beneficiary limits its request to 85% then what is requested in the system by each beneficiary equals what is paid to each beneficiary. In procedure 2 when the 85% threshold at project level is reached whatever is requested above the threshold is automatically deducted by the system from the payment (at project).

- **Coordinator is responsible** for all payments to individual beneficiaries (it includes recoveries from beneficiaries who receive excess payments – see next slide)
- both procedures lead to **identical financial results** with the final payment of the project.

*Detailed explanations about the two procedures will be sent to consortia/project Coordinators via Formal Notifications in the portal (letter signed by ECSEL JU executive director). The coordinators will confirm the procedure chosen by a letter uploaded in the portal using same Formal Notification*
From experience procedure 2 is chosen by coordinators/consortia who prefer to distribute to the individual beneficiaries less than the maximum 85% of the interim payments. This is mainly in order to avoid the risk of not being able to recover the excess payments from some beneficiaries. It can happen at the end of the project there are beneficiaries who receive more payments than entitled to (due to the prefinancing) and they need to return the excess to the coordinator in order for the coordinator to pay what is due to the other beneficiary. All the provisions on how the payments are distributed by the coordinator to the beneficiaries and how to recover excess payments shall be included in the consortium agreement.

**CAUTION:** the GF (guarantee fund) does not cover the case of beneficiaries who for whatever reasons do not return the excess payments received to the coordinators. It covers only the cases of bankruptcy (excess payments made to a beneficiary which cannot be recovered by the coordinator due to bankruptcy).
A beneficiary may not receive more than the individual maximum grant amount contracted! (e.g., when the declared costs are higher than contracted).

A beneficiary may not receive more than the individual funding rate contracted, applied to the declared costs! (e.g., when the final declared costs are lower than contracted or under procedure 1).

For certain beneficiaries, funding rates lower than the standard ones may apply. In such cases, the above rules as well as reporting and payment procedures apply for the specific funding rate and maximum grant amount contracted.
Best Practices in Financial Reporting

1. Other Direct Costs vs. Personnel Costs
2. Travel Costs
3. Adjustments for previous RP
4. Audit Results Implementation
5. Claim Costs in the Correct Categories
6. Industrial Associations (IA) Fees
7. Equipment Costs
8. Certificates on Financial Statement
9. Time Sheets/Declarations
10. Some Specific Cases
Other direct costs, which in total amount to less than 15% of the personnel costs do not need to be justified. However, if any justification is provided and ECSEL notices non-eligible costs they will be rejected.

If other direct costs, which in total amount to more of 15% of the personnel costs the excess amounts (over 15%) must be explained, starting from the largest expenses down. If the costs were foreseen in Annex 1 Part B (DoA – description of action) then indicate this and provide a short description so that ECSEL can identify the costs. If they are not foreseen indicate this and provide explanations.

**NOTE: All costs are auditable!**
1. The beneficiary shall provide the following info:

- **when** – the dates of travel,
- **where** – the destination,
- **purpose** - present results at a conference, consortium meeting, WP meeting, meeting at another beneficiary location, and
- **the number of persons** – no names required.
2. In case the travel costs fall over two adjacent periods claim the costs in the respective period (e.g. travel dates are in period 2, but some related costs incurred in period 1 (plane tickets, hotel bookings).

**Best practice**: report the costs in the period they incurred (e.g. plane tickets, hotel booking in period 1 and daily allowances in period 2) Otherwise, although eligible, costs can be rejected, because they were reported in the wrong period. Also if travel incurred in period 1 but all the costs incurred in period 2 then claim them in period 2 and add a short explanation that costs were in period 2 and travel dates in period 1.
Adjustments for previous RP (1/2)

The beneficiary shall use the “Adjust Reporting Period” function to introduce corrections (“Delta” only!) and shall provide some explanations.

Example 1: Explain the nature and reason for the adjusted direct costs.

Example 2: If personnel costs are adjusted, introduce the corrected PM (e.g. - 1.5 PM, or + 2.5 PM). If the PM does not change, explain why the costs are adjusted (use the Progress Report deviation section to explain).
Beneficiaries are advised to use the “Adjust Reporting Period” function to follow the 85% rule (if Payment Procedure 1 is chosen). E.g. if in RP2 Beneficiary X would claim the funding amount as per the costs incurred it would exceed the 85%. Therefore, it is advised that the beneficiary introduces all the costs incurred in RP2 but limits the amount of funding requested to the 85% and at the end of the project (generally RP3 – 3 year projects) will use the adjustment function to claim the rest of the due funding. It shall add a note in the deviations sections of the periodic report to explain this.
Consult the PO first!

AURI as Adjustment of previous reporting periods: if audit results are implemented as Adjustments of previous reporting periods, the beneficiary shall indicate in the progress report the audit reference number. This will prevent duplicated implementations of the same results in the AURI workflow.

NOTE: Audit results must be implemented as adjustments entirely, NOT partially.
Claim Costs in the Correct Categories

Example: Subcontracting costs shall be filled in column B (subcontracting), not in column D “other direct costs”.

If costs are filled in the wrong category, the PO must return the financial statement back to the Consortium for corrections, because subcontracting costs are excluded from the indirect costs calculation (25% flat rate). This would delay the entire payment to the Consortium.
IA (AENEAS, ARTEMIS-IA, EPOSS) fees are not eligible. Do not claim them!

- If identified by ECSEL, these costs will be rejected and if the beneficiary has a different funding rate than in the system the entire report will be returned to the Consortium for corrections.

- If identified by Auditors, these costs will be rejected with the audit report.
Only equipment depreciation costs are eligible! Mention explicitly that these are depreciation costs for the period.

• If not foreseen in the DoA, Part B, explain for what equipment the costs have been incurred and why.

• If the costs are foreseen in the DoA add a short description to allow the PO/financial team to identify them.
If such a certificate is required, beneficiaries are advised to organize the process with the external auditors that issue the certificate **well in advance** (few months before the end of the project).

Do not start looking for an auditor after the project finishes, because this will delay the submission of the financial reports for the entire Consortium!

!**missing CFS will automatically flag the beneficiaries’ costs as not eligible and funding is automatically cut**
Keep them strictly! Otherwise, an audit may deem personnel costs ineligible (it happened!). The time records must be in writing and approved by the persons working on the action as well as by their supervisors, at least monthly.

As an exception, for persons working exclusively on the action, there is no need to keep time records, if the beneficiary signs an explicit declaration.
For costs declared by linked third parties (see Article 14 of the GA), it is the main beneficiary that must keep the originals of the financial statements and the certificates on the financial statements of the linked third parties.

A template for the time sheets is available here: (https://ec.europa.eu/research/participants/data/ref/h2020/other/legal/templ/tmpl_time-records_en.docx)
Some Specific Cases

• Capital costs are not eligible!

• Sending samples between beneficiaries for measurements/processing is part of the normal workflow and does not constitute in kind contribution from third parties.

• If any costs are higher than foreseen in Annex 2 (financial annex), provide explanations why, either in the financial statement or in the Progress Report/Technical Report Part B.
The ECSEL Office (Programme Officers) may not be able to advise you on specific questions on costs eligibility or interpretations of legal texts.

In such cases, Coordinators are referred to:

1. The applicable (Annotated) Grant Agreement
2. The Research Enquiry Service – on-line, choose subject item "10 – Legal and financial issues"

For further detailed directions see next slide.
Guidance and manuals

https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/manuals

The above main link gives you information on:

• **Reference documents** (select H2020). The most important one is the H2020 Annotated Model Grant Agreement (AMGA – version 5.1)

• **Online Manual** (step by step online guide)

• **IT How to?** (IT support guide)
  [https://webgate.ec.europa.eu/ffpis/wikis/display/ECResearchGMS/IT+How+To](https://webgate.ec.europa.eu/ffpis/wikis/display/ECResearchGMS/IT+How+To)

For legal questions:

Please use the Research Enquiry Service (https://ec.europa.eu/info/research-and-innovation/contact/research-enquiry-service-and-participant-validation_en), choosing the subject item "10 – Legal and financial issues" from the drop-down list in the Web form.

For IPR questions:

[https://www.iprhelpdesk.eu/](https://www.iprhelpdesk.eu/)
Questions?