



The 3-in-1 Horizon 2020 Financial Checkpoint Essentials

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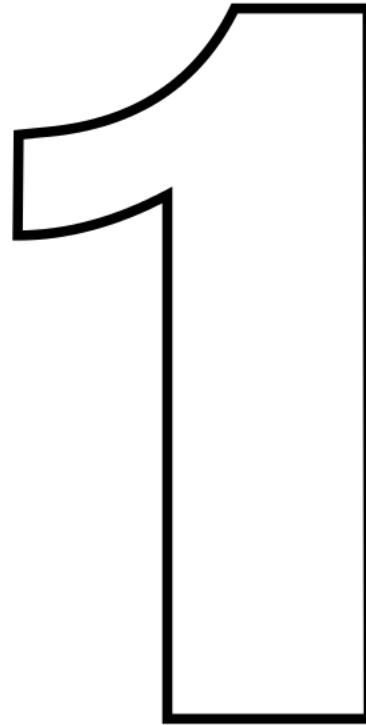
- #1: (Financial) Periodic Reporting
- #2: (Financial) Project Checks
- #3: (Financial) Checkpoints in a typical project lifecycle



RMA involvement is critical to project execution

RMA need better understanding of
the system, processes, and tools

Coordinator view



- Changes in reporting

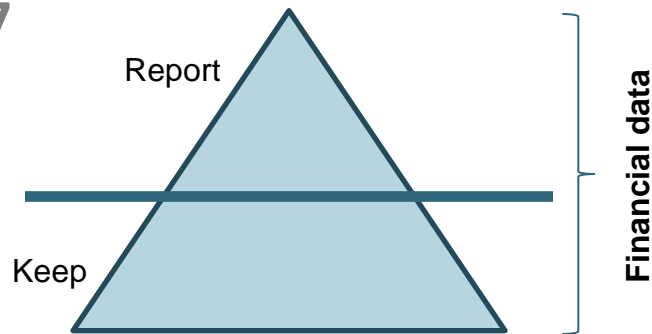
FP	Claim "Form C"	Use of Resources	PM Utilisation	Follow-up Budget vs. Plan
FP5	Manual	Manual	Manual	?
FP6	√ (simple)	Manual	Manual	Manual
FP7	√ (complex)		Manual	Manual
H2020	√ (simplified)		√ Included	X Internal



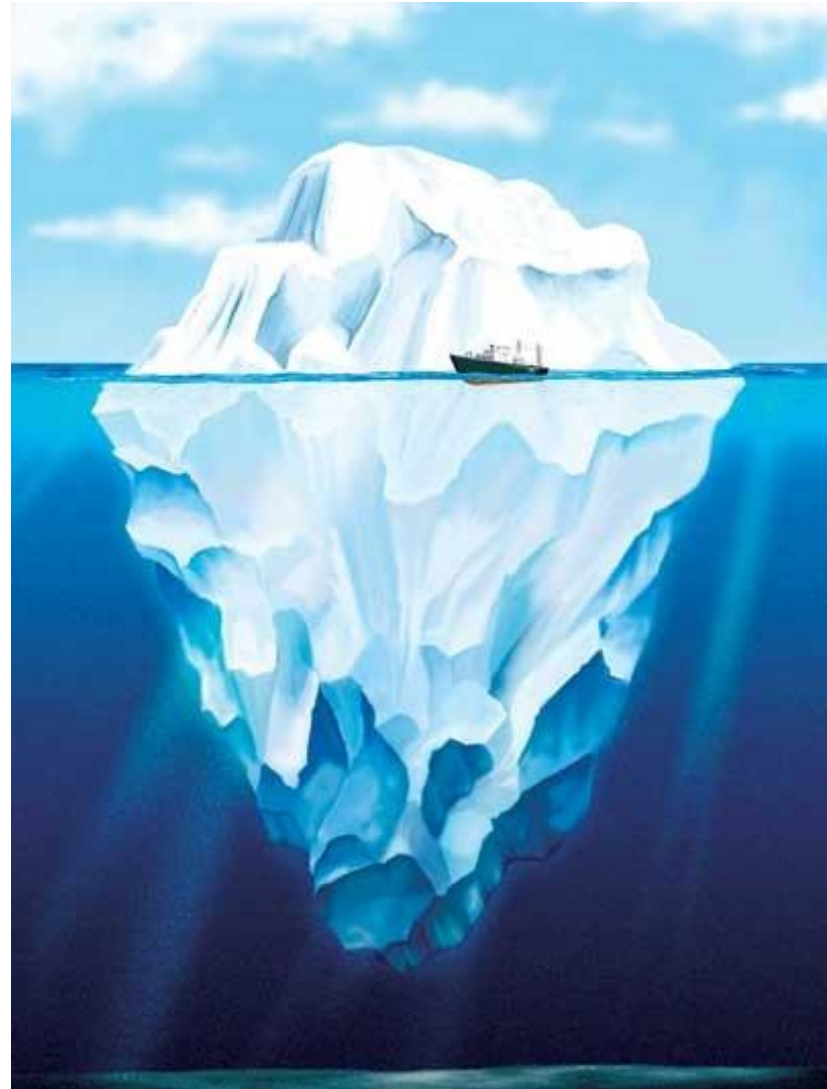
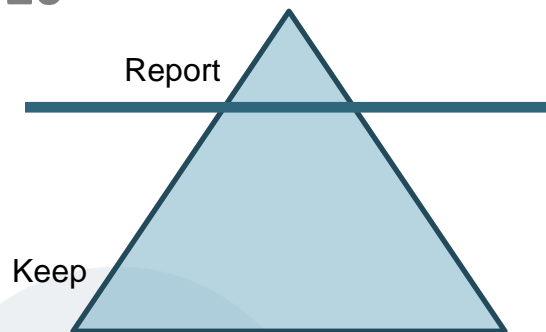
The basics remain. Rules are simplified. More components included in the system.

- Another view on reporting:

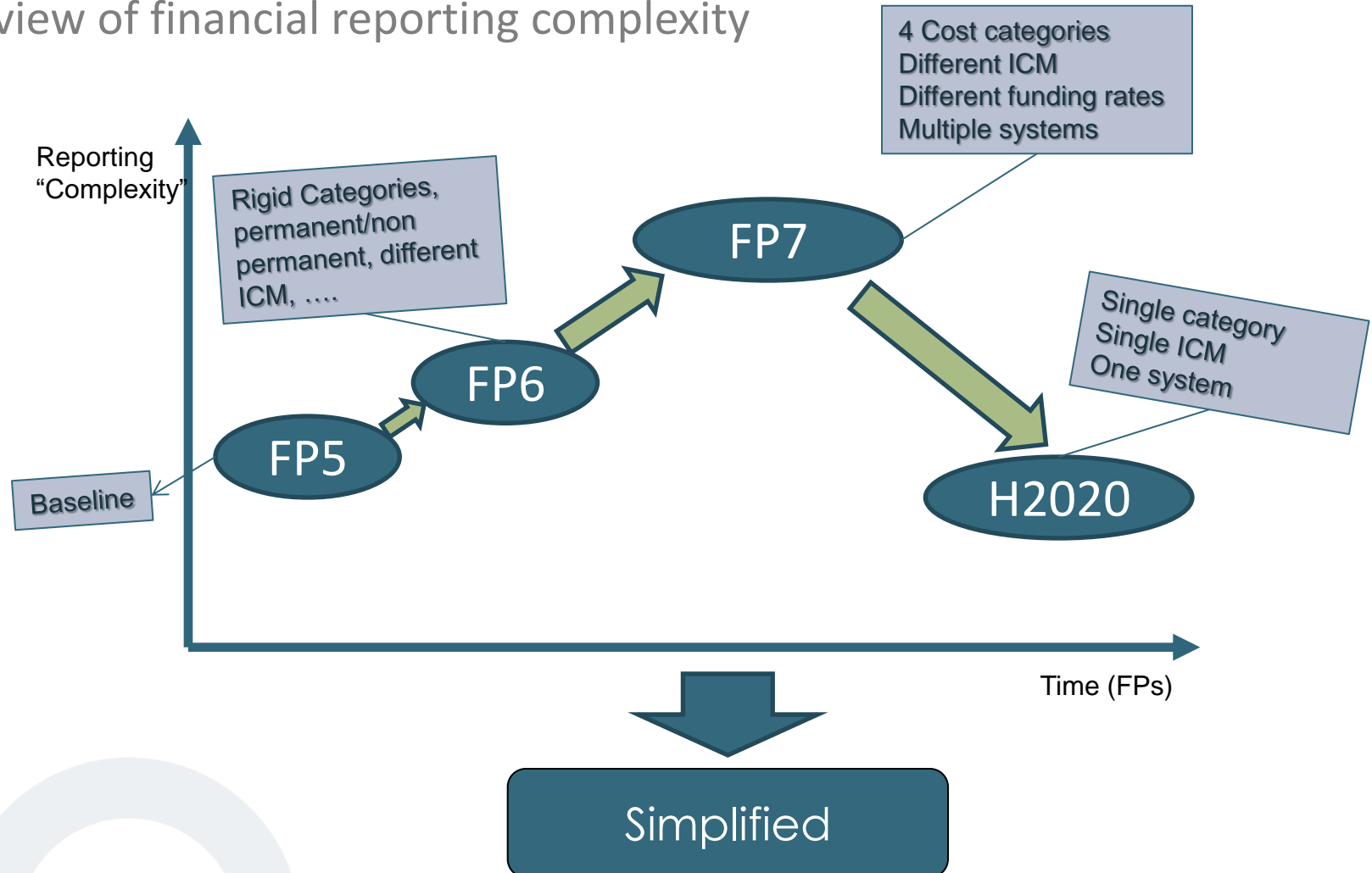
- **FP7**



- **H2020**



- A view of financial reporting complexity



- The two parts: scientific & financial:

Part	Portal Financial (Form C)	Portal Periodic (Tabs)	External Annex (Word doc template)
Scientific	X	√	√
Financial	√	√	√



Financial reporting is fragmented

- Form C:
 - Simplified version

RIA
THE FRAMEWORK PROGRAMME FOR RESEARCH AND INNOVATION
HORIZON 2020
Period No: 1 Duration (months): 18
Reporting Period : [01 Aug 2015 - 31 Jan 2017]

Beneficiary 4:
Legal Name:
PIC:
Legal Address:
Status: VALIDATED

Financial Statement

- Additional

Direct personnel costs declared as actual costs

Other direct costs

Explanation of major cost items if the amount exceeds 15% of personnel costs

Please note that the declared Other direct costs do not exceed the 15% of the declared personnel costs, therefore no explanation is required

There are no Use of Resources provided

Use of in kind contribution from third party

There are no Use of Resources provided

d) Direct costs of subcontracting	0.00 €
e) Direct costs of providing financial support to third parties	0.00 €
f) Other direct costs	7,495.19 €
h) Indirect costs (= 0.25 * (a + b + c + f - o))	20,525.47 €
j) Total costs (= a + b + c + d + e + f + h)	102,627.34 €
m) Maximum EU contribution (100%)	102,627.34 €
n) Requested EU contribution	102,627.34 €

Additional Information for indirect costs:

Use of 'costs of in-kind contributions not used on premises?' (o) ☐ Yes ☒ No

- Recommendations:
 - Coordinators:
 - Respect H2020 simplification (no need for “over-info”)
 - Use SYGMA (no need for “over-templating”)
 - (!) No access to partners financials
 - Perform follow-up with own tables
 - Beneficiaries:
 - Perform own follow-up



- Called “reviews” in FP7 and now – “checks”
- Reviews and audits exist as well
- Purpose
 - Progress check (on track, science, defaulting partners)
- Timing
 - Usually after periodic reporting (note 1st one!)
- Financial check included
 - One of the external reviewers responsibility



Your organisation repr. needs to be ready to answer questions on financials

— From the EC instructions to external experts:

- Your task implies to carry out an **in-depth assessment** of the progress of the project, and in particular:
 - The degree to which the **work planned has been carried** out and whether all deliverables were completed as described in DoA;
 - Whether the **objectives are still relevant** and provide scientific or technological breakthrough potential;
 - How the planned **resources** were used in relation to the achieved progress, and if their use respected the principles of economy, efficiency and effectiveness;
 - The **management** procedures and methods of the project;

- From the Expert Report:

- Section 5: Resources

Are the resources used in the relevant period connected with the project as described in the DoA and are necessary to achieve its objectives? Have been they used in a manner consistent with the principle of sound financial management, in particular regarding economy, efficiency and effectiveness?



Expect questions on the UoR

- Typical issues to prepare for:
 - Financials/PMs are not in-line with plan (scientific/financial)
 - Too many efforts registered/money spent for results achieved
 - No efforts registered in contrast to the plan
 - Outstanding figures
 - Suspected for “Defaulting”? needs special treatments



Prepare ahead. Equip the repr. with sound explanations and justifications, were possible

(The art of matching the report (reality) to the plan)

- Examples to guidance:
 - Financials/PMs are not in-line with plan (scientific/financial)
 - Changes in work load required by the project
 - Real needs are different than planned
 - Work that was not foreseen in the plan (on the account of other)
 - Too many efforts registered/money spent for results achieved
 - The avg cost of people is lower than in the plan
 - Problems/hurdles not foreseen in plan
 - No efforts registered in contrast to the plan
 - Task has not yet started
 - No longer needed
 - Focus on other tasks

- Examples to guidance (cont.):
 - Outstanding figures
 - More work was needed in this period (on the account of other)
 - Task required more effort (why)
 - “Defaulting”?
 - Prepare justification to claim vis-à-vis the budget at a task level
 - Be able to explain each PM for each WP/Deliverable
 - Prepare to negotiate a budget cut

3

- Common situations in projects' lifecycle
- Besides the contractual reporting
- No clear or written guidance
- Room for own interpretation
- Most of us already experienced
- Some may be seen trivial
- Focus on when the financial manager should get involved
- And how to act

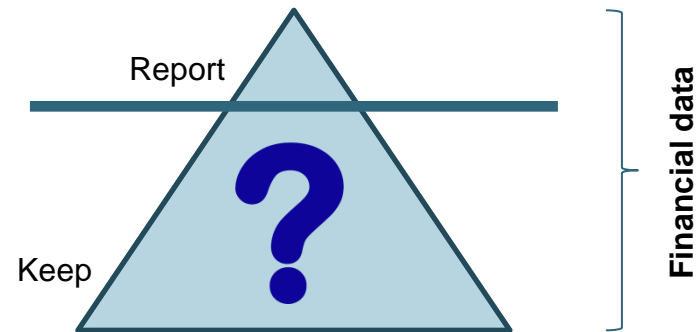


In the absence of best practice and rules
experience plays a big role

- The following “points of involvement”:
 - Budget planning
 - Distribution of funds
 - Over-utilisation of budget
 - Under-utilisation
 - Defaulting partner
 - “Free budget”
 - Unforeseen budget needs
 - A word on external audit
 - Any other

- **Budget planning**

- Needed at beneficiary level



Have detailed budget realisation plan,
ideally broken down per period (per WP?)

- Personnel (names, position, cost), timesheets
- ODC (travel, equipment, materials, publications, ...)
- Other (CFS, checks/reviews, spare/unexpected)
- ! OH (institute/PI)

- **Distribution of funds**

- 1st pre-financing
 - Dist according to partners' (net) share in the project
 - !CO: consider RSF deduction
- Additional financing/advances
 - Dist according to EC summary tables (approved claim)
 - !CO: check 90% (100%?) limit per partner and adjust accordingly
- Final payment
 - Dist according to cumulative EC summary (approved cumulative claims)
 - !CO: consider RSF payment as an addition to the funds
 - !CO: check that net fund not > than claim
 - !CO: check 100% contract limit per partner
 - !CO: "free budget" distribution and other considerations



Always check that contractual limits are respected

- **Over-utilisation of budget**

- Monitored

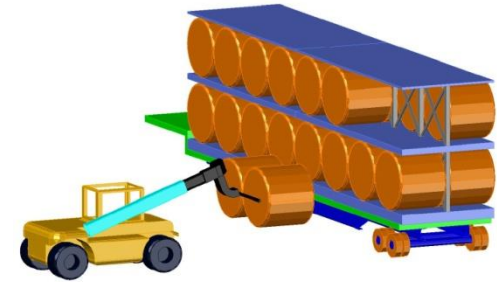
- Follow-up (plan vs. util.)
- !CO: check if partner is aware

- Explained

- Projects are not linear
- !CO: check if justified

- Needed

- !Ben: In order to get quickly the maximum advance
- !Ben: Precondition to receive funding above share
- !Ben: “Insurance” against EC rejections in last period
- !Ben: “Protective measure” for adjustments made by audit
- 10-20% is a good practice



Good at beneficiary level. Less for COs.

- **Under-utilisation of budget**

- Monitored

- Follow-up (plan vs. util.)
 - !CO: if partner did the job = no pb
 - !CO: check if it's according to plan and consider to inform

- Necessary?

- !CO: Precondition to have “free budget”



Not too bad, if you are the CO

- **Defaulting partner**

- Identified

- Best is to identify a.s.a.p. (scientist feedback)
 - Deliverables provisioning
 - Collaboration
 - Presence in meetings

- Timing

- Best is to handle is before official checks/reviews
 - !CO: Instruct repr. to consult unofficially with PO before the meeting
 - !Ben: if the CO is defaulting then the partners can prepare ahead

- Options

- Adjustments by the EC (to be corrected)
 - Budget cut and task shift in agreement
 - Terminate participation (if behaviour not corrected)



Postponing = might be too late to act/correct

- “Free budget” (FB)
- The sum of under-util. budgets



Over Util

- Follow-up (plan vs. util.)
- Always re-affirm towards the end
- Sometimes CO ask for pro-format claims

Under Util

Prepared/Claimed

Contractual share

- If amount is significant then prepare justification for extra claim
- Form C above the budgeted share (adjustments?)
- !CO: consider formulation for distribution (GA?)



- **Unforeseen budget needs**

- Plans are subject to change, unexpected costs rise,
- Extra budget is needed
 - Organising “external” meetings, Supporting travel
- Amendment is too cumbersome for the need
- Usual solution: internal agreement between partners
- Suggestion: Internal agreement on the account of FB
 - Partners agree to allocate funds from their share (donators)
 - Partners agree to claim those funds and do the work (receivers)
 - In the end of the project, FB first prioritised to donators (with extra)
 - Pro: no need to amend, suitable for relatively small amounts 000K
 - Con: may be that there will not be FB or not enough
 - Precondition: at least receivers need to claim above the contract



Flexibility to serve special needs w/o admin burden

- **External audit**

- In the end of the day.... It's the RMA and the auditor
- Financial data is inspected/sampled
- Local practices gets approval (or rejected)
- Usually common practices are coming late



- H2020 audits results
- Invitation to share (anonymised) audit results/conclusions
- We will then be able to consolidate it and share it in our next meeting

- Any other?

Science does not have to be necessarily groundbreaking.

Successful reporting, however, is sufficient.

It will be of help if the science is good, but project financing has life of its own!



Thank you!



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