The 3-in-1 Horizon 2020 Financial Checkpoint Essentials

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Session Outline (3-in-1)

• #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
**Periodic Reporting**

- Changes in reporting

<table>
<thead>
<tr>
<th>FP</th>
<th>Claim “Form C”</th>
<th>Use of Resources</th>
<th>PM Utilisation</th>
<th>Follow-up Budget vs. Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FP5</td>
<td>Manual</td>
<td>Manual</td>
<td>Manual</td>
<td>?</td>
</tr>
<tr>
<td>H2020</td>
<td>√ (simplified )</td>
<td>√ Included</td>
<td>X Internal</td>
<td></td>
</tr>
</tbody>
</table>

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

- Another view on reporting:
  - FP7

- H2020

Examples:
ODC < 15% of Personnel
Single cost category
Single OH rate
Fixed nbr for prod.hours

Reporting is Simplified

Financial data
A view of financial reporting complexity

- Rigid Categories, permanent/non permanent, different ICM, ....
- 4 Cost categories
  Different ICM
  Different funding rates
  Multiple systems
- Simplified
- Single category
  Single ICM
  One system
- Baseline
- Time (FPs)
The two parts: scientific & financial:

<table>
<thead>
<tr>
<th>Part</th>
<th>Portal Financial (Form C)</th>
<th>Portal Periodic (Tabs)</th>
<th>External Annex (Word doc template)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific</td>
<td>X</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Financial</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>

Financial reporting is fragmented
Periodic Reporting

• Form C:
  – Simplified version
  – Additional financial info in tabs:
    – Dissemination & Communication
    – Technical Report (part B)

Simplified. Big progress. Still room for improvement.
• 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
Financial checks

• 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 externals reviewers responsibility

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

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
Financial checks

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)
Financial checks

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
Financial Checkpoints Overview

• 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
Financial Checkpoints Overview

• 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
Financial Checkpoints Overview

• **Budget planning**
  - Needed at beneficiary level

![Diagram showing budget planning]

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)
Financial Checkpoints Overview

• 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
Financial Checkpoints Overview

- **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.
Financial Checkpoints Overview

• 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
Financial Checkpoints Overview

- **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*
Financial Checkpoints Overview

- “Free budget” (FB)
- The sum of under-util. budgets
  - Monitored
    - Follow-up (plan vs. util.)
    - Always re-affirm towards the end
    - Sometimes CO ask for pro-format claims
  - Prepared/Claimed
    - If amount is significant then prepare justification for extra claim
    - Form C above the budgeted share (adjustments?)
    - !CO: consider formulation for distribution (GA?)
    - Ben: inform the CO that you expect to get more for a reason

In almost every project there is a portion of FB
Financial Checkpoints Overview

- **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**
Financial Checkpoints Overview

• 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

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• Any other?
A take home message

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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