



**Circular  
Bio-based  
Europe**  
Joint Undertaking

# Horizon Europe

## Financial matters in GAP

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# Overview

**A. In-kind contributions (follow up to legal section)**

**B. Financial drivers from GAP to reporting (flags and tips)**

- **Categories of costs**
- **Costs eligibility**
- **Personnel costs**
- **Subcontracting**
- **Purchases**

**C. Ongoing concerns relating to potential financial risks and threats**

# In-kind contributions

## BIC members' contributions to CBE JU

- I. In-kind contributions to operational activities (IKOP) from BIC members, meaning the difference between the eligible costs declared and the requested EU contribution**
  
- II. In-kind contributions to Additional Activities (IKAA)**
  - estimates described in Annex 1
  
  - planning and reporting dealt bilaterally between BIC members and CBE JU

# BIC members' contributions to CBE JU

Data not automatically imported from the Proposal Submission

In GAP COO shall:

1. Collect IKAA estimates from BIC members via the excel table provided with the GAP actions list
2. [Fill in the JU Contribution tab](#)

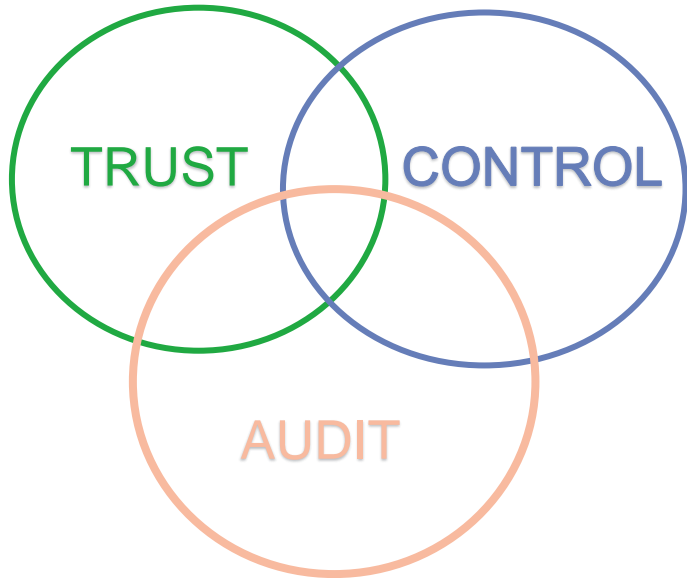
Number	Participate In Projects	PIC	Legal Name
1	Yes	950033327	EPem ENVIRONMENTAL PLANNING ENGINEERING MANAGEMENT AE
2	Yes	973276467	AST ADVANCED SPACE TECHNOLOGIES GMBH
3	Yes	999997930	CENTRE NATIONAL DE LA RECHERCHE SCIENTIFIQUE
Total			

Financial contributor	IKAA	IKOP	Actions
	0.00 €	0.00 €	✘
	0.00 €	0.00 €	✘
	0.00 €	0.00 €	✘
	0 €	0 €	

**NO**



# Financial drivers from GAP to reporting



## MINDSETTING FOR GAP

- Clear, compliant, coherent information in Annex 1 and Annex 2
- Plan record-keeping of key documents (Art. 20 of GA), set up policies and internal procedures, adapt methodologies
- Regarding any doubt/need for clarification → communicate with COO and PO + [consult the AGA](#)

# The cost categories



## PERSONNEL COSTS



## SUBCONTRACTING COSTS



## PURCHASE COSTS



## OTHER COST CATEGORIES *e.g.*



## INDIRECT COSTS

- ❖ Cost of the time worked for the project by:
  - **A.1** Employees
  - **A.2** Natural persons under direct contract
  - **A.3** Seconded persons
  - **A.4** SME owners and natural person beneficiaries

- ❖ You contract another entity to do part of the work allocated to you in the description of the action

- ❖ **Travel and subsistence costs** for trips necessary for the project
- ❖ **Equipment** used for the project. In most cases, only depreciation costs are eligible (but exceptions exist)
- ❖ **Other goods, works and services**

- ❖ **Financial support to third parties**
- ❖ **Internal invoices**  
Cost charged internally from one department to another of the same beneficiary; but only if you have a defined cost accounting method

- ❖ **25% flat rate** applied on most of the other budget categories. When reporting, the IT system will calculate this automatically!

# General eligibility conditions

## PROJECT-RELATED COSTS MUST BE:

- **actually incurred** by the beneficiary
- **incurred during the action duration**
- **entered as eligible costs in the estimated budget**
- **declared** under one of the budget categories
- **incurred in connection with the action** (Annex 1) and **necessary** for its implementation
- **identifiable and verifiable** → in particular recorded in the beneficiary's accounts in accordance with the accounting standards applicable in the country where the beneficiary is established and with the beneficiary's usual cost accounting practices
- **in line with applicable national law** on taxes, labour and social security and
- **reasonable, justified** and in line with the principle of **sound financial management**, in particular regarding economy and efficiency



# The personnel categories

(Art 6.2.A Horizon Europe MGA)

## A.1 EMPLOYEES (OR EQUIVALENT)

- ❖ For your personnel working under an **employment contract** (or **equivalent appointing act**, e.g. for civil servants) and assigned to the action.

### Three cases:

- ✓ Employees with a fixed salary
- ✓ Employees whose remuneration increases when working in projects (**'project-based remuneration'**)
- ✓ Employees of a beneficiary whose usual cost accounting practice is to calculate average personnel costs (**'average personnel costs'**)

## A.2 PERSONS UNDER DIRECT CONTRACT & A.3 SECONDED PERSONS AGAINST PAYMENT

- ❖ A.2 Costs for natural persons working under a **direct contract other than an employment contract** (e.g. in-house consultants)
- ❖ A.3 Costs for seconded persons **by a third party against payment.**
  - work under conditions similar to those of an employee*
  - the result of the work belongs to the beneficiary*

## A.4 SME OWNERS AND NATURAL PERSON BENEFICIARIES

- ❖ Costs for SME owners (i.e. **owners** of beneficiaries that are small and medium-sized enterprises **not receiving a salary**) or
- ❖ Costs for **natural person beneficiaries** (i.e. beneficiaries that are natural persons not receiving a salary)

## Flags and tips for personnel costs



**Most cost rejections** are due to incorrect calculations or poor budgeting of remuneration costs, missing or incomplete timesheets or other contractual and justifying records, double-charging, incorrect time claimed and indirect costs claimed as direct, among others.

- ✓ Include actual personnel costs in your budget, be accurate
- ✓ Keep **duly compiled** timesheets and other justifying documentation
- ✓ Keep records such as contracts and payments relating to non-employees (including seconded personnel)
- ✓ Stick to your usual accounting practices with due regard to eligibility conditions set in the GA



# Flags for actual personnel costs in Horizon Europe

## Corporate formula

Day-equivalents  
worked in the action



Daily rate



### Two ceilings:

1. **Maximum 215 day-equivalents per calendar year** across EU and Euratom grants the personnel is tasked for
2. **Maximum declarable days per reporting period (MDD)**

- **actual personnel costs** during the months within the reporting period: fixed salary, tax and social contributions, complements, and other justified pmts. NB: no arbitrary bonuses, dividends or remuneration not an actual cost)
- **Divided by the MDD**

**MDD calculation:** monthly rate (215/12) multiplied by the number of months within the reporting period during which the person is employed multiplied by the working time factor (1-full-time, 0.5-50% part time...)

# Specific cases to be considered

## Daily rate calculations

- **Average personnel costs (unit cost)**
- **Project-based remuneration (actual costs)**

## Daily rate calculations & eligibility conditions

- **Natural persons with direct contract (A.2) and seconded persons (A.3) (actual costs)**
- **SME owners and natural person beneficiaries (A.4)**

# Flags and tips for subcontracting costs



**Most cost rejections** are due to non-demonstrated “best value for money”, no valid supporting documents, costs not foreseen in Annex I nor agreed by EU services, double charging, double funding

- ✓ Ensure clear description in the DoA as action task
- ✓ Move to purchases what is not an action task
- ✓ If not in DoA, it has to be discussed with CBE
- ✓ Plan record-keeping of key documents (Art. 20 of GA)
- ✓ Set up policies and internal procedures to comply with
  - business conditions
  - “best value for money”
  - supervision of works and deliverables
  - No conflict of interest
- ✓ Subcontractor has no rights vis-à-vis CBE, but can be audited

# Flags and tips for purchased costs



**Most cost rejections** are due to reclassifications into subcontracting (25% rejection), no direct measurement of equipment/no evidence they are related to the action, no valid supporting documents, no value for money, double charging, double funding

**Budgeted purchases >15% of personnel costs need to be described in Annex 1**

***VAT: non-deductible = eligible, deductible = not eligible***

## Equipment

Depreciation is pro-rata over project life, based on these elements:

- ✓ *purchase date*
- ✓ *useful life*
- ✓ *% used during the project*
- ✓ *usual accounting treatment*

## Other goods, works and services

- ✓ Dissemination costs, CFS, Translation costs, IPR costs, etc.
- ✓ Consumables: *ensure they are not fixed assets*
- ✓ Bank fees: *only for transfers from COO to beneficiaries*
- ✓ Lease costs: *eligible*

## Travel and subsistence

- ✓ In line with internal policies
- ✓ Kick-off meetings: *only if taking place during project*

# Exchange rate provisions

## If beneficiary's accounts are in €:

- For purchases in other currencies ⇒ conversion into Euros according to its usual accounting practice

## If beneficiary's accounts are in another currency:

- Average of the [daily exchange rates published in the Official Journal of the EU](#) calculated over the reporting period.

## Tips for coordinators

- ✓ Monitor the consortium and alert CBE JU immediately of potential financial instability of any members
- ✓ Keep track of all payments to other beneficiaries
- ✓ Manage with prudence and track the payments to consortium members, in particular the pre-financing that belongs to CBE JU until final payment
- ✓ Always contact your PO for any clarifications



# Useful information and guidance



Funding & tender opportunities  
Single Electronic Data Interchange Area (SEDIA)

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➤ **[Horizon Europe reference documents page](#)**

- Model Grant Agreement

- [Annotated Model Grant Agreement](#)

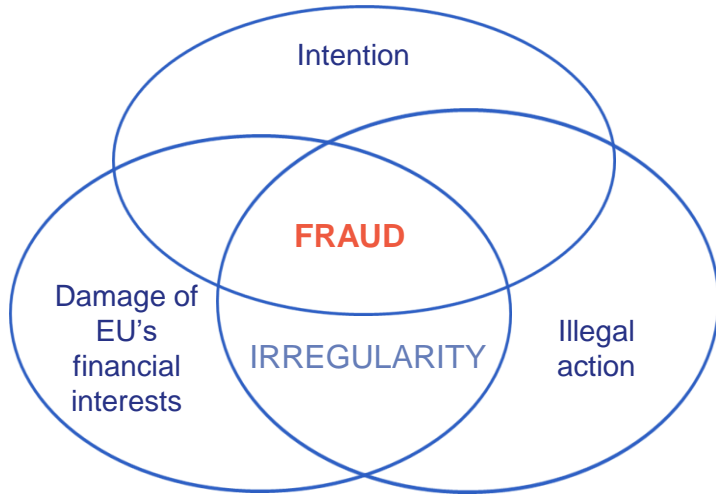
- Templates

- Guidance

# Fraud awareness

- Fraud is a deliberate act of deception intended for personal or financial gain.

## Elements of fraud



### *What to do if you have sound concerns?*

1. **Do not alert the suspected actor but keep all evidence**
2. **Report early** your suspicions and observations to your project officer (PO) and [OLAF](#) or [EPPO](#).

## ONGOING CONCERN FOR RED FLAGS:

- ❖ **Carefully assess** participants & their **capacity** when creating or modifying consortia;
- ❖ **Bank accounts and contact details of participants:** address (PO Box, private addresses, non-professional emails, etc.), website (non-existent/under construction/amateur), conflicting phone numbers vs. countries;
- ❖ **Others:** fabricated CVs, delays in response, poor or non-participation in meetings, poor quality deliverables, defaulting beneficiary, bankruptcy right after having received the pre-financing payment;
- ❖ **Amendments:** an early request for change, a new partner, substantial changes of action tasks, frequent subcontractor changes, unclear distribution of subcontractor roles, links between the subcontractors and the beneficiary, high/unplanned subcontracting costs, etc.

# Risk of phishing emails

## Noticed patterns

1. Phishing communications to coordinators to deviate payments
2. Advance-fee scams
3. Phishing emails/fake letters offering the award of EU grants
4. Phishing attempts using F&T Portal notifications

## Pay attention to the following:

- ❖ **Verify the bank account data (or requests for changes to such data) via a trusted channel if the information comes by email**
- ❖ **Do not reply** to fraudulent communication and ignore phishing messages
- ❖ **Do not provide any personal information** that could be used to divert payments and/or to impersonate you
- ❖ **Inform your Granting Authority immediately**



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