

Clean Aviation Financial Workshop 2023

Brussels,
19 April 2023



AGENDA

Morning (09:30-13:00) – hybrid (White Atrium Building)		Speakers
09.30-09.45	Welcome and Introduction to the Financial Workshop Presentation of the JU and the Finance team	Axel Krein Maria Silvia Giannoni
09.45-10.45	Financial overview Call 1 and reporting requirements	Romain Borgat Marius Ghioc-Raileanu
10.45-11.00	Coffee break	
11.00-12.30	Eligibility of costs – Focus on specific items	Fatime Bakalli Franky De Loof Yolanda Garcia-Castillo Slobodan Dimitrovski
12.30-13.00	Q&A session	
LUNCH BREAK 13.00 – 14.00		
Afternoon (14:00-16:30) - hybrid (White Atrium Building)		
14.00-15.00	Other financial aspects: <ul style="list-style-type: none"> • In kind contributions • Members contribution to running costs • Anti fraud 	Romain Borgat Maria Silvia Giannoni
15.00-15.15	Q&A session	
15.15-16.00	Legal aspects	Pablo Ballesteros Pelaez
16.15-16.30	Q&A session	



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CONTENT

1. Welcome and introduction
2. Presentation of the JU and the Finance team
3. Financial overview Call 1 and reporting requirements
4. Eligibility of costs – Focus on specific items
5. Other financial aspects
6. Legal guidelines



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HOUSEKEEPING RULES



- If possible, use a headset or headphones with a microphone to reduce background noise



MUTE AS DEFAULT
to prevent background noise

- Please keep your computer microphones / telephones on "mute" until you want to ask a question to avoid background noise or conversations being heard by the entire audience



RAISE HANDS
for Q&A and interventions

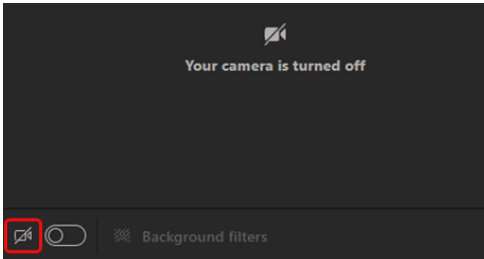
- Questions will be replied during the specific Q&A sessions
- At the start of the specific Q&A session raise your hand if you wish to take the floor

HOUSEKEEPING RULES



USE THE CHAT
for questions

- Questions can also be asked at any time via the chat function in TEAMS



- Please note that your camera will be turned off to avoid any performance issues when displaying the slides



- There will be breaks throughout the day: please be back on time



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Quizz see in TEAMS!



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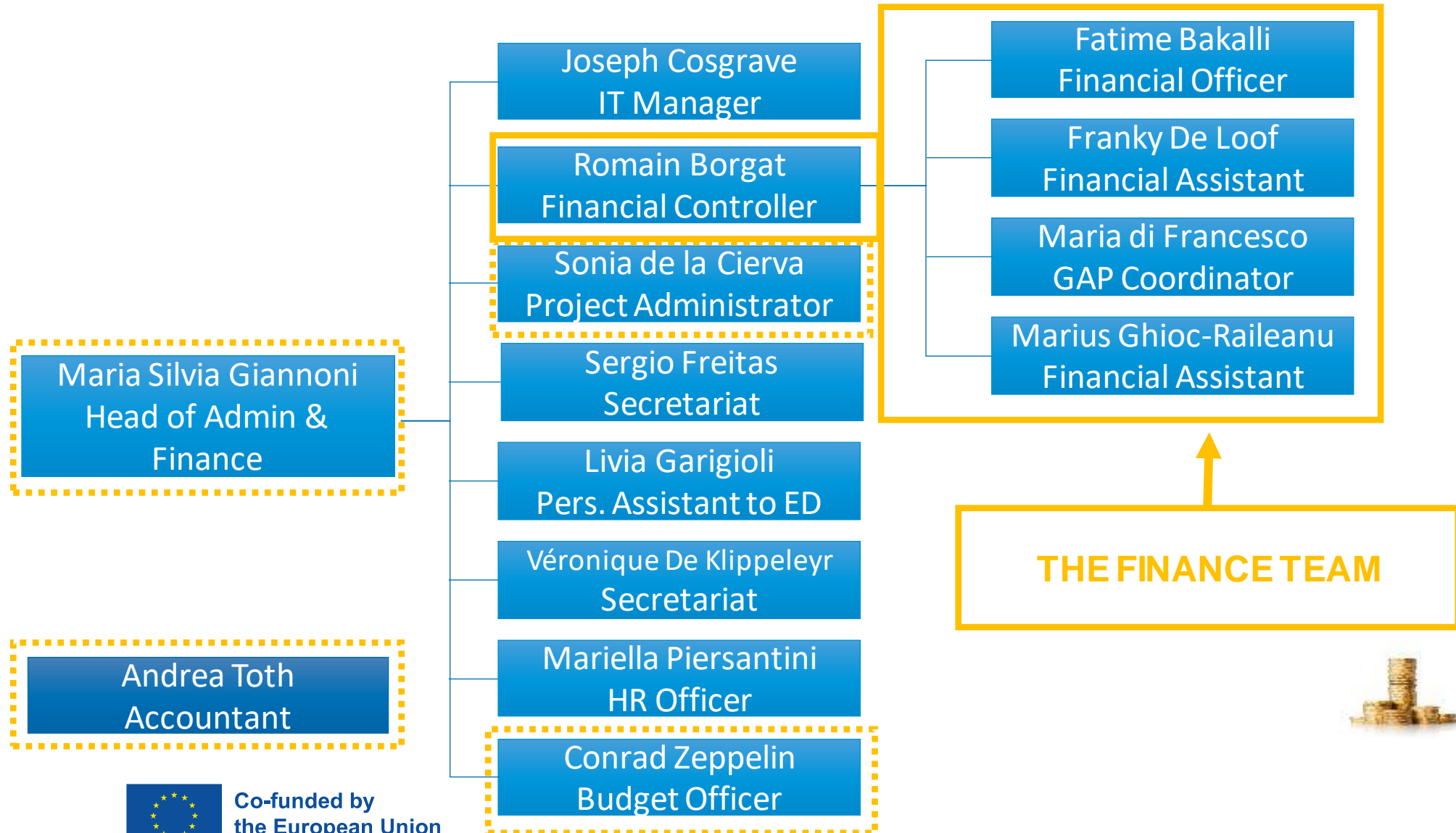
5. Other financial aspects

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CAJU – THE ADMIN AND FINANCE UNIT



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HERA**

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**HE-ART
H2ELIOS
HyPoTraDe
fLHYing tank
ECARE**



**TheMa4HERA
NEWBORN
SWITCH
CONCERTO
SMR ACAP**



**HERWINGT
CAVENDISH
HEAVEN
OFELIA
FASTER-H2**

ADMIN AND FINANCE: OUR TASKS

Financial management
of grants

Training
(In-house and EC)

Inventory of assets

Budget management
Administrative / Operations

Building management
(works, IT, relations
w/landlord, security guards)

IT management

Internal Control
Coordinator

Accounting

Relationships with other
JUs on all admin and logistics
aspects

Document Management
Officer (DMO)

Statistics / KPIs / IT tools

Administrative contracts

Meeting Logistics

Relations with EC
(budget, IT tools, CIC
representatives)

Interface with PMO
(contracts, rights, salaries)

Human Resources

Audit processes
(internal, external, ex-post)

CALL 1 PROJECTS: ALLOCATION OF FINANCIAL OFFICERS TO PROJECTS

Financial management
of grants

Domain	Project nb	Acronym	Fatime Bakalli	Franky De Loof	Marius Ghioc Raileanu	Conrad Zeppelin
HERA	101102013	HE-ART				X
	101101961	HECATE	X			
	101102010	HERWINGT			X	
	101102020	AMBER	X			
	101102008	TheMa4HERA		X		
HPA	101102003	H2ELIOS				X
	101101998	HyPoTraDe				X
	101101946	fLHYing tank				X
	101102000	CAVENDISH			X	
	101102019	HYDEA	X			
	101101967	NEWBORN		X		
SMR	101102006	SWITCH		X		
	101102004	HEAVEN			X	
	101102011	OFELIA			X	
	101101978	FASTER-H2			X	
	101101974	UP Wing	X			
TRA	101101999	CONCERTO		X		
	101102007	HERA	X			
	101101955	SMR ACAP		X		
CSA	101101970	ECARE				X

TASKS: FINANCIAL MANAGEMENT OF GRANTS

FINANCIAL OFFICER (FO)

In cooperation with
CAJU Project Officer
and Legal

➤ Follow up the implementation of grants:

- Grant preparation: review of Annexe 1, Annex 2 – Budget, In-kind contribution
- Payments:
 - verification + processing pre-financing
 - review and validation of costs claims
- Amendments: review of financial updates (Annexe 1, Annex 2 – Budget)
- Implementation of ex-post audit results

FINANCIAL MANAGEMENT OF GRANTS

FINANCIAL OFFICER (FO)

In cooperation with
CAJU Project Officer
and Legal

- Interact with the project coordinators and beneficiaries on financial related aspects:
 - costs eligibility, understanding of the rules
 - budget figures, cost to completion
 - Payments: calculation, information, reminders
- Participation to Financial workshops, project meetings, annual reviews, etc ...



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CALL 1 – FINANCIAL OVERVIEW

Domain	Acronym	Duration	Nb of RP	RP1	RP2	RP3	RP4	RP5	Total Grant amount (M€)	%PF	%PF 2022	%PF 2023
HERA	HE-ART	36	4	Jun-23	Dec-23	Dec-24	Dec-25		44.103	40%	29%	11%
	HECATE	36	4	Jun-23	Dec-23	Dec-24	Dec-25		34.210	40%	29%	11%
	HERWINGT	36	4	Jun-23	Dec-23	Dec-24	Dec-25		21.792	40%	29%	11%
	AMBER	39	4	Jun-23	Jun-24	Jun-25	Mar-26		33.760	40%	29%	11%
	TheMa4HERA	40	5	Jun-23	Jun-24	Jun-25	Jun-26	Dec-26	25.447	30%	29%	1%
HPA	H2ELIOS	36	4	Jun-23	Dec-23	Dec-24	Dec-25		9.959	40%	0%	40%
	HyPoTraDe	36	4	Jun-23	Dec-23	Dec-24	Dec-25		4.000	40%	29%	11%
	fLHYing tank	36	4	Jun-23	Dec-23	Dec-24	Dec-25		2.998	40%	29%	11%
	CAVENDISH	48	5	Jun-23	Dec-23	Dec-24	Dec-25	Dec-26	21.671	30%	23%	7%
	HYDEA	48	5	Jun-23	Dec-23	Dec-24	Dec-25	Dec-26	80.495	30%	23%	7%
	NEWBORN	42	4	Jun-23	Jun-24	Jun-25	Jun-26		33.324	40%	29%	11%
SMR	SWITCH	36	4	Jun-23	Dec-23	Dec-24	Dec-25		48.502	40%	29%	11%
	HEAVEN	48	5	Jun-23	Dec-23	Dec-24	Dec-25	Dec-26	29.906	30%	23%	7%
	OFELIA	38	4	Jun-23	Jun-24	Jun-25	Feb-26		100.000	40%	29%	11%
	FASTER-H2	39	4	Jun-23	Jun-24	Jun-25	Mar-26		24.900	40%	29%	11%
	UP Wing	42	4	Jun-23	Jun-24	Jun-25	Jun-26		38.006	40%	29%	11%
TRA	CONCERTO	48	5	Jun-23	Dec-23	Dec-24	Dec-25	Dec-26	20.094	30%	23%	7%
	HERA	48	5	Jun-23	Dec-23	Dec-24	Dec-25	Dec-26	34.979	30%	23%	7%
	SMR ACAP	42	4	Jun-23	Jun-24	Jun-25	Jun-26		45.049	40%	29%	11%
CSA	ECARE	24	3	Jun-23	Dec-23	Dec-24			0.720	60%	60%	0%
Total Call									653.916			

Pre financing:

- 1st part paid end of 2022
- 2nd part paid early 2023

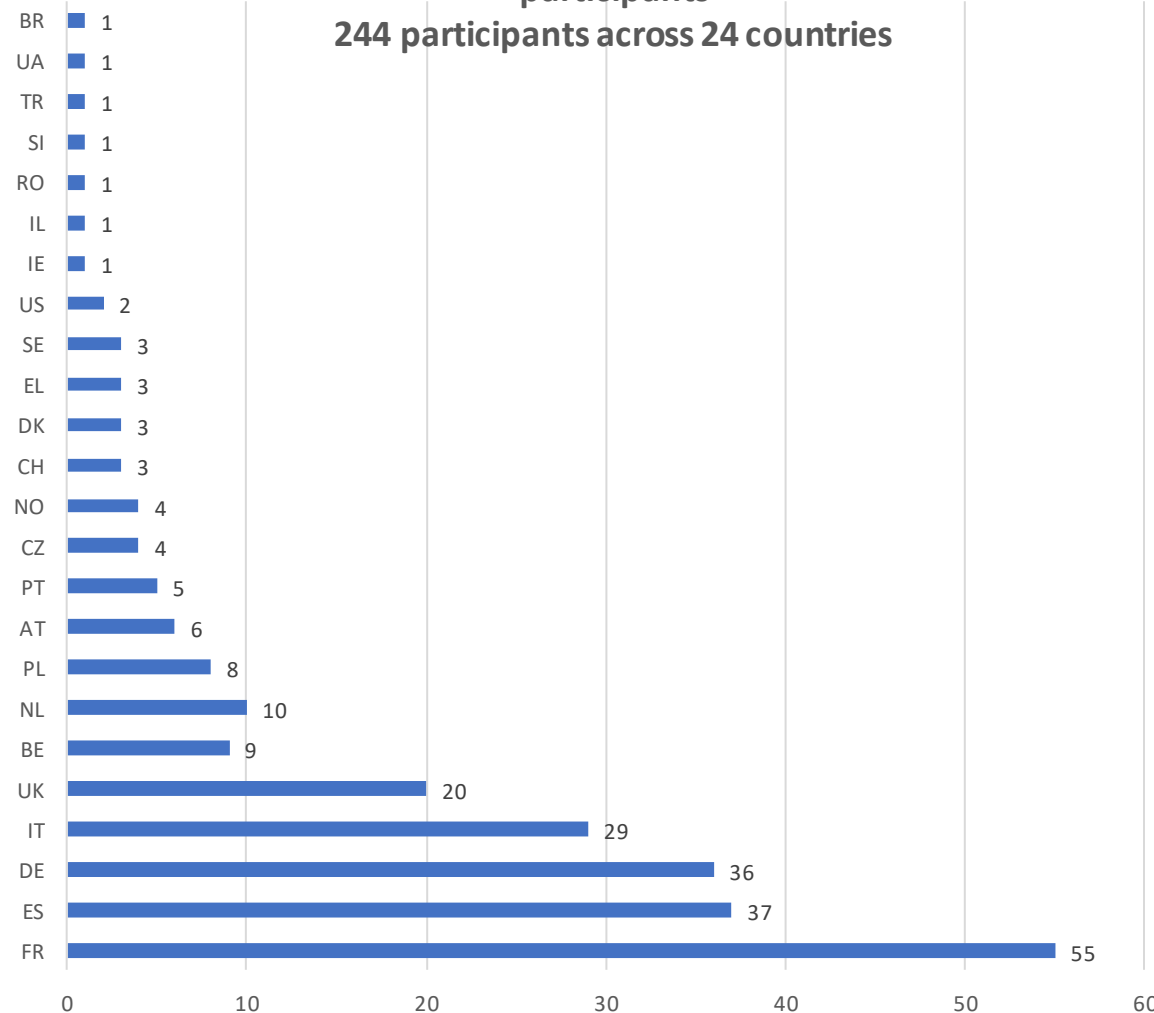
Next payment:

- 1st reporting period:
due 01/09/2023 for all projects => **payment of costs claims RP1**

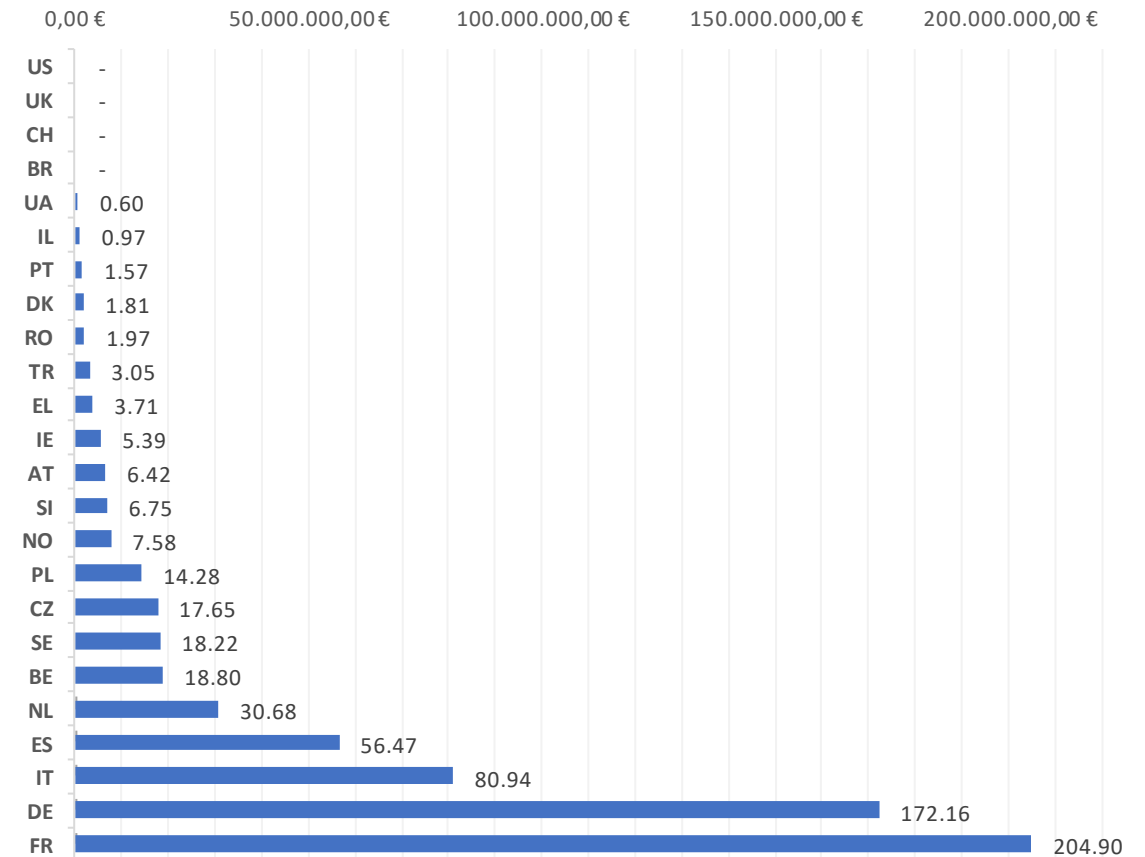
PARTICIPATION PER COUNTRIES (SINGLE PARTICIPATION)

Participation breakdown per countries in number of participants

244 participants across 24 countries



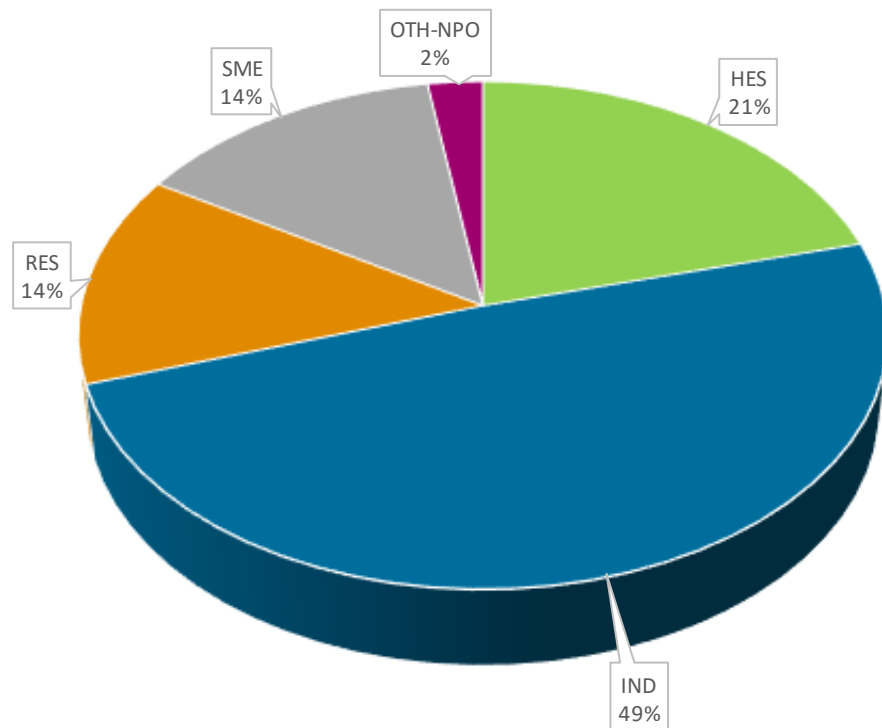
Participation breakdown per countries in funding MM€ 653.9



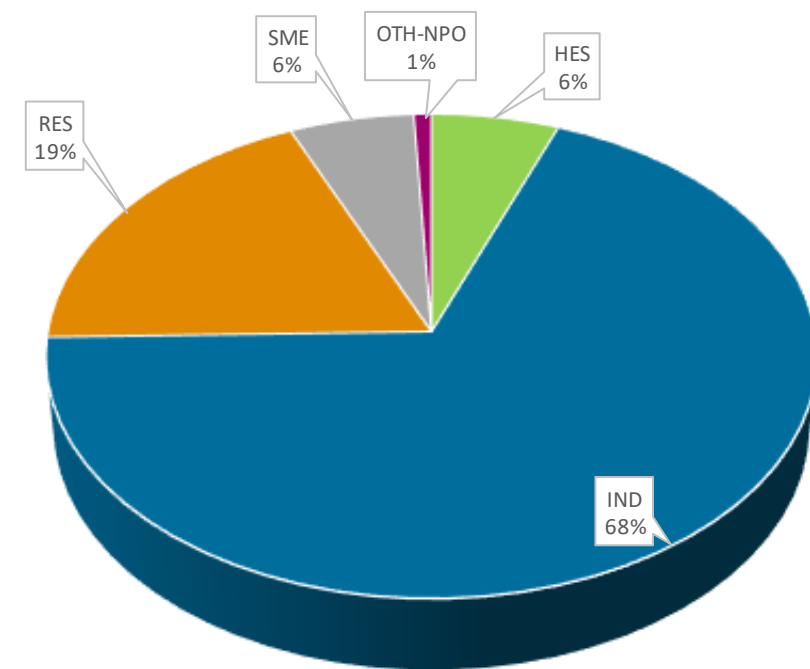
EU countries 16 Associated Countries 4 (IL, NO, UA, TR)
Non Associated to HE : 2 (UK and CH) Other Third countries non-associated 2 (BR,US)

PARTICIPATION BREAKDOWN PER PARTICIPANT TYPE (SINGLE PARTICIPATION)

PARTICIPATION BREAKDOWN PER PARTICIPANT TYPE IN NUMBER
244 participants



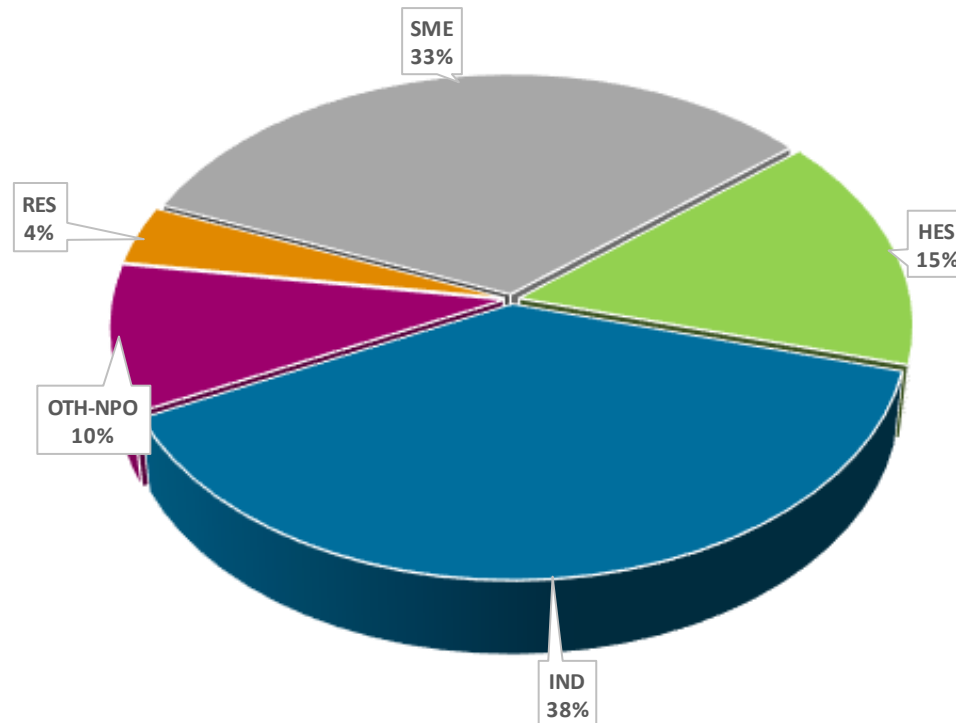
PARTICIPATION BREAKDOWN PER PARTICIPANT TYPE IN FUNDING **653.9MM€**



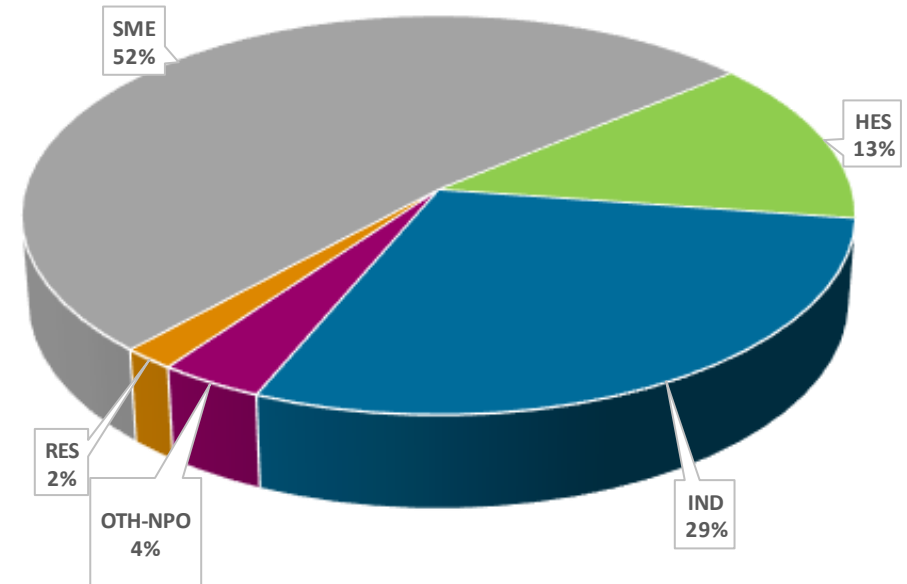
IND= Industry; **SME**=Small & Medium Entity; **RES** =Research Organization; **HES**= University or Higher or Secondary Education Establishment. ; **OTH-NPO**= Other Non profit Org.

NEW COMERS – NUMBER OF SINGLE PARTICIPATION, PERCENTAGE AND EU CONTRIB. IN MM€

Number of New comers Vs CS2 & CS (single entity)
- Total 52



Budget for new comers: 37.43 MM€



New Comer = an entity that is, for the first time, a beneficiary of a grant awarded by the JU or its preceding initiatives (CS or CS2) and that is not a founding member of the JU or Leader in its preceding initiatives (CS or CS2).

*IND= Industry; SME=Small & Medium Entity; RES =Research Organization; HES= University or Higher or Secondary Education Establishment. ; OTH-NPO= Other Non profit Org.



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Reporting: Requirements, Payments and Changes under HE



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Ex ante controls - CAJU

- Based on **EC controls framework**
- Authorising Officer of the JU (AO) must put in place **internal control systems suited to the performance of their functions;**
- AO must ensure **equal treatment for all Beneficiaries;**
- The control system shall ensure an **appropriate balance between trust and control** and must be **cost effective;**
- Controls must be developed with due consideration to the **programme objectives** and taking into account the **associated costs** for all stakeholders.

Ex ante controls - CAJU

Principles

- ✓ **Reasonable assurance** about legality and regularity
- ✓ **Risk based and cost effective**
- ✓ Balance between **trust** and **control**
- ✓ **Minimize burden** on beneficiaries
- ✓ **Equal treatment**

Methodology

- ✓ **Minimum financial information requested ex-ante** (Financial statements, use of resources, certificates on financial statements (CFS))
- ✓ **Deviations reports (planned vs actual)**
- ✓ **Risk considerations** may justify asking the beneficiary for further information and/or evidence
- ✓ **Communication and Awareness raising** (guidance doc, website, events, meetings...)

Corporate structure of the HE MGA



Core Part

Datasheet

a summary of the specific data of the grant agreement

Articles

grouped in six chapters

Chapter 4 – Art. 21: Reporting & Art. 22: Payment and Recovery

1. General Data
2. Participant
3. Grant
4. Reporting, payment and recoveries
5. Consequences of non-compliance, applicable law and dispute settlement forum
6. Specific rules Annex 5 & Standard time-limits after project end

Chapter 1 – General (Articles 1-2)
Chapter 2 – Action (Articles 3-4)
Chapter 3 – Grant (Articles 5-6)
Chapter 4 – Grant Implementation (Articles 7-26)
Chapter 5 – Consequences of non-compliance (Articles 27-35)
Chapter 6 – Final provisions (Articles 36-44)

Reporting and payments

Reporting	Deadline	Type	Payment deadline
		Initial Pre-financing	30 days from entry into force/10 days before starting date – whichever is the latest
<i>Periodic report Interim period</i>	60 days after end of reporting period	Interim payment	90 days from receiving periodic report
<i>Periodic report Final period</i>	60 days after end of reporting period	Final payment	90 days from receiving periodic report

Pre-Financing Payment

All Grants from Call 1 have been signed in 2022 and early 2023.

- For HE, the pre-financing is either paid 30 days from the entry into force or 10 days before the starting date — depending on which is the latest.
- Pre-financing was paid in two instalments, one in 2022 and the second in 2023
- The PF rate was calculated based on the number of RPs:

Number of RP	3	4	5
Prefi %	60%	40%	30%

Note that the PF rate can be adjusted depending on FCA

Pre-Financing & mutual insurance mechanism (MiM):

A mutual insurance mechanism (the 'Mechanism') is set up in accordance with *Article 37 of the HE Framework Programme Regulation (EU) 2021/695*.

The Mechanism shall cover the risk associated with non-recovery of sums due by the beneficiaries.

The MGA foresees that each beneficiary's financial liability is in principle limited to its own debt and undue amounts paid for costs declared by its affiliated entities (see Article 22.2).

MiM contribution : 5% of the maximum grant amount

- retained from the initial pre-financing and transferred to the Mechanism;
- released and returned at the end of the action, via the Coordinator.



The pre-financing remains the property of the JU until the payment of the balance.

Interim and Final Payments

- Payments made within **90 days** from receiving the interim / final reports.
- Interim (if any) and Final payments will be made in accordance with the schedule and modalities set out the Data Sheet (see Point 4.2).
- Payment is subject to the approval of the periodic report. Its approval does not imply recognition of compliance, authenticity, completeness or correctness of its content.

Interim Payments

- Interim payments reimburse the eligible costs and contributions claimed for the implementation of the action during the reporting periods (if any).
- The **interim payment** will be calculated by the granting authority in the following steps:
 - Step 1 — Calculation of the total accepted EU contribution
 - Step 2 — Limit to the interim payment ceiling set out in the Data Sheet (90% of the maximum Grant amount)

=> 90% of the maximum Grant amount *minus* {pre-financing + previous interim payments}

Final Payment

- The **amount due as the balance** is calculated by the *JU* by deducting the total amount of pre-financing and interim payments (if any) already made, from the final validated contribution.
- The **final grant amount for the action** will be calculated in the following steps:
 - Step 1 — Calculation of the total accepted EU contribution
 - Step 2 — Limit to the maximum grant amount
 - Step 3 — Reduction due to the no-profit rule (receipts)
- If the balance is **positive**, it will be **paid** to the coordinator.
- The amount retained for the Mutual Insurance Mechanism will be released and **paid** to the coordinator (in accordance with the rules governing the Mechanism).

Final Payment (2)

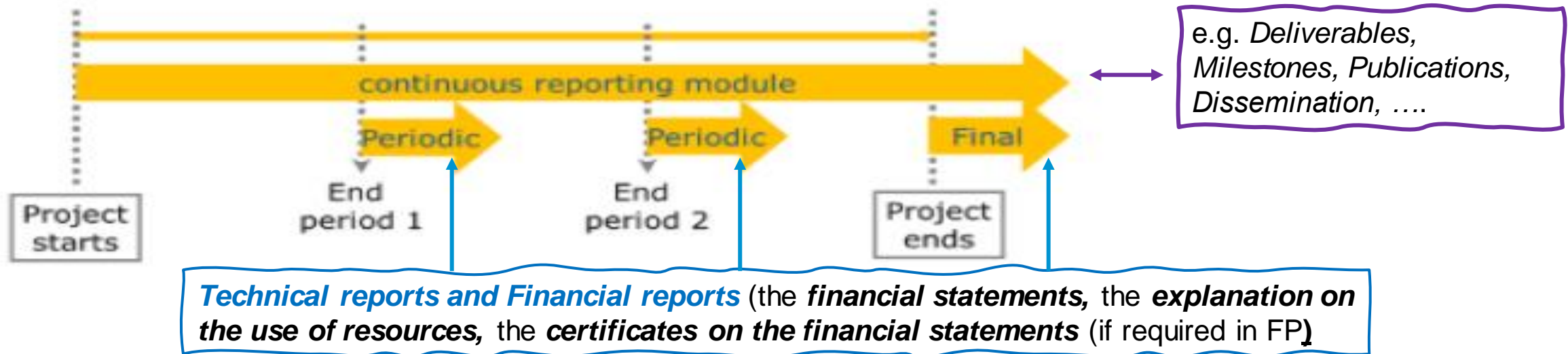
- If - despite the release of the Mutual Insurance Mechanism contribution - the balance is **negative**, it will be **recovered** in accordance with the following procedure:
- The granting authority will send a **pre-information letter** to the coordinator:
 - formally notifying the intention to recover, the final grant amount, the amount to be recovered and the reasons why
 - requesting a report on the distribution of payments to the beneficiaries within 30 days of receiving notification and
 - requesting observations within 30 days of receiving notification.

Final Payment (3)

- If no observations are submitted and
- If the coordinator has submitted the **report on the distribution of payments** (proof of payment based on bank statements), the JU will calculate the share of the debt per beneficiary
 - => confirmation letter + debit notes send to each beneficiary concerned
 - The debit notes for beneficiaries will include the amounts calculated for their affiliated entities (if any).
- If the coordinator has not submitted the **report on the distribution of payments** (proof of payment based on bank statements), the JU will recover the full amount from the coordinator
 - => confirmation letter and debit note with the terms and date for payment.

Reporting overview (Art. 21)

- Continuous reporting module
- Periodic reporting module



The Periodic Reports must be submitted directly in the Periodic Reporting Module

=> prepared by the consortium participants together and

=> submitted by the **Coordinator**

Roles (Art. 7):

- monitor that the action is implemented
- central contact point for the JU
- distribute the payments

Reporting overview (Art. 21)

Continuous reporting - Technical

The beneficiaries must continuously report on the progress of the action in the *Portal Continuous Reporting module*: e.g. *Deliverables, Milestones, Publications, Dissemination,*

Periodic reporting: Technical reports and Financial reports

In addition, the beneficiaries must provide reports to request payments through *Periodic Reporting module*.

Periodic reporting should be submitted **within 60 days after the end of the reporting period**.

2 parts:

1. The **technical part** includes an overview of the action implementation.
It must be prepared using the template available in the Portal Periodic Reporting tool
=> the participants to report on achievements and differences/deviations (*delays, work not implemented, new subcontracts, budget overruns etc*).

Reporting overview (Art. 21)

2. The **financial part** of the periodic report includes:

- the **financial statements** (individual and consolidated; for all beneficiaries/affiliated entities)
- the **explanation on the use of resources** (or detailed cost reporting table, if required)
- the **certificates on the financial statements (CFS)** (if required; see Article 24.2 and Data Sheet, Point 4.3).

Certificates on the financial statements (CFS) required only at the Final reporting period if threshold is reached:

- Standard threshold (beneficiary-level):
=> financial statement: requested EU contribution to costs \geq EUR 430 000
- Special threshold for beneficiaries with a systems and process audit (SPA - see Article 24.4):
=> financial statement: requested EU contribution to costs \geq EUR 725 000

Beneficiaries will have to submit also the financial statements of their affiliated entities (if any). In case of recoveries (see Article 22), beneficiaries will be held responsible also for the financial statements of their affiliated entities.

Certificate on financial statements (CFS)

COSTS

ALIGNMENT WITH CORPORATE APPROACH



HIGHER THRESHOLD

- **EUR 430 000**
(increased from EUR 325 000 in H2020)
- CFS to be submitted at **Final period only**



SIMPLER CALCULATION BASE

- **Requested EU contribution calculated on all costs** (not only actual costs and unit costs calculated in accordance with usual costs accounting practices as in H2020)



LESS CFS FOR LOW-RISK BENEFICIARIES WITH SPA

- For **beneficiaries with a low-risk classification** after **a SPA** the threshold will increase to **EUR 725 000** (from EUR 430 000)

Reporting overview (Art. 21)

All participants must **keep records** and other supporting documentation in order to prove the proper implementation and the costs claimed (see MGA —art 20).

The **financial statements** must detail the eligible costs and contributions for each budget category and, for the final payment, also the revenues for the action (see Articles 6 and 22).

All eligible costs and contributions incurred should be declared, even if they exceed the amounts indicated in the estimated budget (see Annex 2). Amounts that are not declared in the individual financial statements will not be taken into account by the JU.

Beneficiaries will have to submit also the financial statements of their affiliated entities (if any). In case of recoveries (see Article 22), beneficiaries will be held responsible also for the financial statements of their affiliated entities.

When the JU approves the payment, the amount due will be paid out to the Coordinator (within 90 days of receiving the report) and the JU will send a letter to inform about the payment (via the Portal). After receiving the letter, the Coordinator has 30 days to submit observations, if needed.

Changes in HE Financial Statements vs H2020

- SME owners: unit costs at a daily fixed rate set out in Annex 2a:

{EUR 5 080 / 18 days = 282,22}

multiplied by

{country-specific correction coefficient of the country where the beneficiary is established}

- Cost explanations: i) mandatory explanation on adjustments (if applicable); ii) no more in-kind contributions against payment (**free-of-charge only** and described in Annex I) and no more separate column for “Costs of in-kind contributions not used on premises”;
- New column “Revenues” in the FS to declare any income generated by the action (equivalent to H2020 Receipts);
- Grant reductions (art. 28 MGA) screen integrated in Sygma screens at final payment step;
- Updated Financial Statement layout: changes in costs categories labelling and numbering.



Financial Statements: changes from H2020 to HE

H2020 A. Personnel Costs

A.1 Employees (or equivalent)

A.2 Natural persons with direct contract

A.3 Seconded persons

A.4 SME owners without salary

A.5 Beneficiaries that are natural persons without a salary

A.6 Personnel for providing access to research infrastructures

HE A. Personnel costs

A.1 Employees (or equivalent)

A. 2 Natural persons with direct contract

A.3 Seconded persons

A.4 SME owners and natural person beneficiaries

H2020 template

HE template



Financial Statements: changes from H2020 to HE

H2020 D. Other direct costs

D.1 Travel (column F)

D.2 Equipment (column F)

D.3 Other goods and services (column F)

D.4 Costs of large infrastructures (column G)

D.5 Costs of internally invoiced goods and services (column H)

HE C. Purchase costs

C.1 Travel and subsistence (column C1)

C.2 Equipment (column C2)

C.3 Other goods, works and services (column C3)

HE D. Other cost categories

D.2 Internally invoiced goods and services





D.3 Transnational access to research infrastructures unit costs

D.4 Virtual access to research infrastructures unit costs



H2020 Beneficiary Financial Statement – online layout

Eligible costs:

Cost Category ▲	Total	Actions
a) Direct personnel costs declared as actual costs	0.00 €	 
b) Direct personnel costs declared as unit costs (average costs)	383,494.05 €	
d) Direct costs of subcontracting	<u>0.00 €</u>	
e) Direct costs of providing financial support to third parties	<u>0.00 €</u>	
f) Other direct costs	8,682.73 €	
h) Costs of internally invoiced goods and services	<u>0.00 €</u>	
i) Indirect costs (= 0.25 * (a + b + f + h - p))	98,044.20 €	
k) Total costs (= a + b + d + e + f + h + i)	490,220.98 €	
n) Maximum EU contribution (= 100% * k)	490,220.98 €	
o) Requested EU contribution	490,220.98 €	
z) Requested EU contribution eligible for CFS	392,176.78 €	

Additional Information for indirect costs:

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



HE Beneficiary Financial Statement – online layout

Eligible costs:

Category ▲	Form of Funding
▼ Eligible costs (per budget category)	
▼ Direct costs	
▼ A. Personnel costs	
▼ (a1) A.1 Employees (or equivalent), A.2 Natural persons under direct contract, A.3 Seconded persons	actual
▼ (a2) A.1 Employees (or equivalent), A.2 Natural persons under direct contract, A.3 Seconded persons	unit (usual accounting practices)
▼ (a3) A.4 SME owners and natural person beneficiaries	unit
SME owner/Natural person costs	
▼ B. Subcontracting costs	
▼ (b) Subcontracting	actual
▼ C. Purchase costs	
▼ (c1) C.1 Travel and subsistence	actual
▼ (c2) C.2 Equipment	actual
▼ (c3) C.3 Other goods, works and services	actual
▼ D. Other cost categories	
▼ (d2) D.2 Internally invoiced goods and services	unit (usual accounting practices)
(d3) D.3 Transnational access to research infrastructure unit costs	unit
(d4) D.4 Virtual access to research infrastructure unit costs	unit
▼ Indirect costs	
▼ E. Indirect costs	
(e) E. Indirect costs (25% * (a1 + a2 + a3 + c1 + c2 + c3))	flat-rate
(f) Total costs (a1 + a2 + a3 + b + c1 + c2 + c3 + d2 + d3 + d4 + e)	
▼ EU contribution	
▼ EU contribution to eligible costs	
(g) Maximum EU contribution (100% * f)	
(h) Requested EU contribution (g)	
(m) Maximum grant amount (h)	
▼ Revenues	

NEW!

Reporting RP1 - summary

Reminder

- Deadline: 01/09/2023
- Period 1: Jan – June 2023 (cost incurred)
- Reporting in EC portal
- Beneficiary will report for their affiliates
- All the roles should be defined and updated if needed (LEAR, FSIGN, LSIGN, ...)
- No certificate on financial statement requested (CFS); only at final project period (together with CFS costs)
- No difference with other HE projects except In Kind Contributions (IKC)
- Minor changes in the costs categories vs H2020
- Reporting of IKAA in EC portal (specific module) => see next slides



CLEAN AVIATION



Coffee Break !



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Corporate structure of the HE MGA



Core Part

Datasheet

a summary of the specific data of the grant agreement

Articles

grouped in six chapters

Chapter 3 - Art. 6: eligible costs

1. General Data
2. Participant
3. Grant
4. Reporting, payment and recoveries
5. Consequences of non-compliance, applicable law and dispute settlement forum
6. Specific rules Annex 5 & Standard time-limits after project end

- Chapter 1** – General (Articles 1-2)
- Chapter 2** – Action (Articles 3-4)
- Chapter 3** – Grant (Articles 5-6)
- Chapter 4** – Grant Implementation (Articles 7-26)
- Chapter 5** – Consequences of non-compliance (Articles 27-35)
- Chapter 6** – Final provisions (Articles 36-44)

Eligibility of costs

General conditions for costs to be eligible – Art. 6.1 MGA

For Actual costs

- **Actually** incurred by the beneficiary – **NOT** budgeted or estimated.
- Incurred **in the period** set out in Article 4 of the GA.
- Be declared under one of the **budget categories** set out in Article 6.2 and Annex 2*.
- Incurred in connection with **the action** as described in Annex 1 and necessary for its implementation.

** Art 5.5 Budget flexibility*

The budget breakdown may be adjusted — without an amendment (see Article 39) — by transfers (between participants and budget categories), as long as this does not imply any substantive or important change to the description of the action in Annex 1.

Eligibility of costs

General conditions for costs to be eligible – Art. 6.1 MGA

- **Identifiable and verifiable**, in particular recorded in the beneficiary's accounts in accordance with the accounting standards of the country where the beneficiary is established and with the beneficiary's usual cost accounting practices.
- Comply with the **applicable national law** on taxes, labour and social security.
- **Be reasonable, justified and must comply with the principle of sound financial management**, in particular regarding economy and efficiency.

Eligibility of costs

General conditions for costs to be eligible – Art. 6.1 MGA

For Unit costs

- be declared under one of the budget categories set out in Article 6.2 and Annex 2.
- the units must:
 - ☐ be **actually** used or produced by the beneficiary in the period set out in Article 4
 - ☐ be **necessary** for the implementation of the action
- the number of units must be **identifiable and verifiable**, in particular supported by records and documentation (see Article 20)

MAIN FINANCIAL ASPECTS UNDER CLEAN AVIATION (HORIZON EUROPE)

Funding rate

Similar to CS2
70% / 100%

Personnel costs

Corporate
daily rate
(215 days)

Indirect costs

Overall continuity
with 25% flat-rate
(with exceptions)

CFS

Final period
Higher thresholds
430 K€ JU
contribution

IKOP reporting

= Total eligible
costs – JU funding

IKAA reporting

Enlarged definition
of AA (ref. SBA
art.62)

Other provisions

Third party
providing in kind
contributions free
of charge
(art. 9.2)

Internal Invoicing

Possibility to
include Actual
indirect costs
included (Unit
costs)

Corporate structure - Annex 2

(General HE MGA cost categories)



A. PERSONNEL 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



B. SUBCONTRACTING COSTS

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



C. PURCHASE COSTS

- **C.1** Travel and subsistence **costs** for trips necessary for the project
- **C.2** Equipment used for the project. In most cases, only depreciation costs are eligible (but exceptions exist)
- **C.3** Other goods, works and services



D. OTHER COST CATEGORIES

- **D.1** Financial support to third parties
- **D.2** Internally invoiced goods and services
- *[D.3 Transnational access to research infrastructure unit costs]*
- *[D.4 Virtual access to research infrastructure unit costs]*



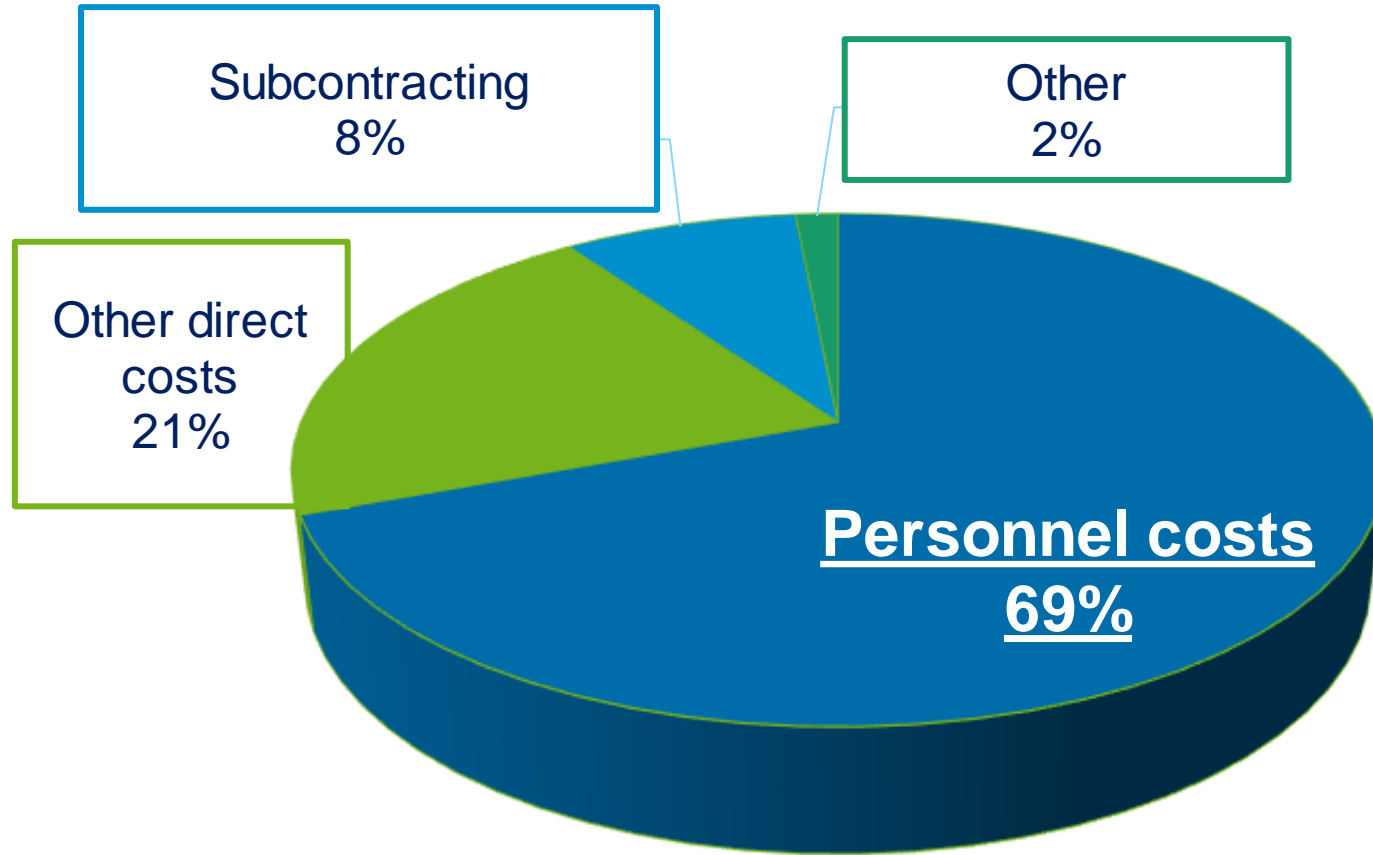
E. INDIRECT COSTS

$$(A + C) \times 25\%$$

When reporting, the IT system will calculate this automatically!

Under H2020, personnel costs had the highest share of negative adjustments

Value of H2020 Ex-post negative adjustments as of April 2023



As many eligibility rules remain similar between **H2020** and **HE**, **similar errors can be expected and prevented.**

Personnel costs - most frequent errors under H2020 and repercussions for HE

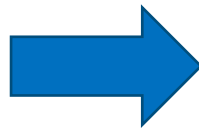
Under H2020, the following errors were most frequent:

Under HE, the following errors can be expected and prevented:

1

Incorrect remuneration costs

- e.g. use of estimates, budget, fixed rates



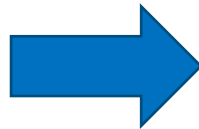
1

Incorrect remuneration costs

- same potential errors as under H2020
- NEW: no longer “last financial year” - rule

2

Incorrect productive hours calculation



2

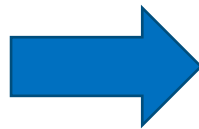
Incorrect conversion from hours to days (NEW!!)

- Maximum declarable days: pro-rata threshold

3

Time recording

Unreliable/missing timesheets, alternative evidence not sufficient



3

Time recording

Same potential errors as under H2020



CLEAN AVIATION

PERSONNEL COSTS



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the European Union

What are the categories of personnel?

(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 (**Case 1A**)
- ✓ Employees whose remuneration increases when working in projects (**‘project-based remuneration’** – Case 1B)
- ✓ Employees of a beneficiary whose usual cost accounting practice is to calculate average personnel costs (**‘average personnel costs’** – Case 2)

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.**
 - i. *work under conditions similar to those of an employee*
 - ii. *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**)

Personnel costs – How to calculate

1-2-3 = ACTUAL

NEW: hourly rate (H2020) → daily rate (HE)

Personnel costs
=
daily rate x days worked for the project

Calculation of the daily rate:

actual annual gross-gross costs

215

Gross-Gross-Salaries

- ✓ Salaries
- ✓ Social security contributions
- ✓ Taxes
- ✓ Other obligatory costs

4 = SME Unit Cost (daily rate)

Unit Cost = EUR 5 080 /18 days [i.e. 282,22]}

Multiplied by

{country-specific correction coefficient of the country where the beneficiary is established as per Marie Skłodowska-Curie actions}

Actual Personnel costs new calculation

COSTS

MAIN DIFFERENCES WITH HORIZON 2020

- No more 'hourly rate'. Discontinuation of the different formulas annual and monthly) and options for productive hours (entailing difficult and error-prone calculations)
- No more 'last closed financial year' rule

➔ Instead, use of a single corporate **daily rate** and **calendar year approach**

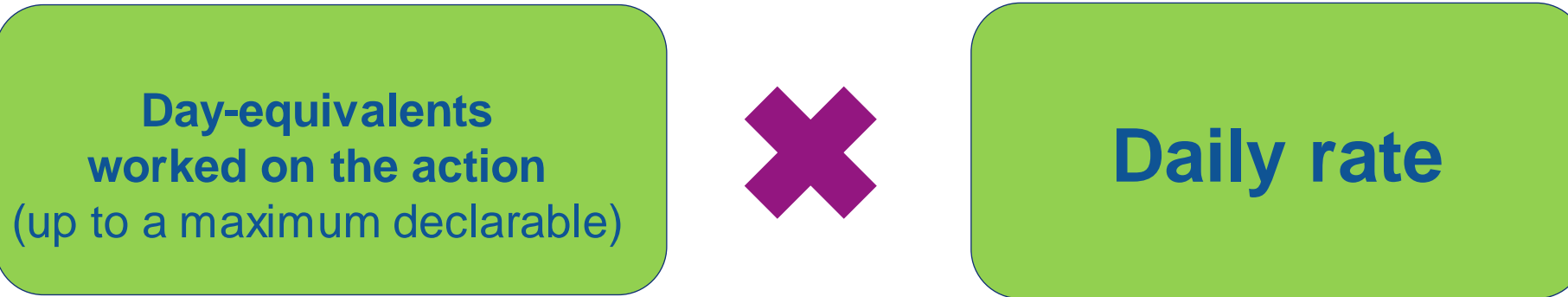
$$\text{Personnel costs} = \text{Daily rate} \times \text{Days worked in the project}$$

Personnel costs – How to calculate

Category A.1 – Employees with a fixed salary (Case 1A)

Corporate formula

NEW!



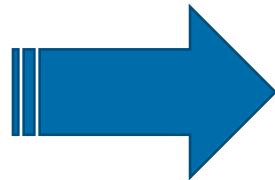
Basic principles

- *Simplification → Commission-wide formula (valid across EU programmes)*
- *Single calculation for the reporting period*
- *Per person who worked in the action*
- *Single formula to cover most situations encountered by beneficiaries*
- *Maximum declarable days: pro-rata of **215** days*

Days worked – Record-keeping (Art. 20)

COSTS

Days worked



- use reliable **time records** (i.e. time-sheets) either on paper or in a computer-based time recording system.

Or

- sign **a monthly declaration on days spent for the action** (see template).

Days-equivalents worked in the action

- Sum of the day-equivalents actually worked in the action

- Recorded  reliable time-recording system 
-  monthly declaration on days spent for the action - **Commission template – see AGA Art. 20:**

*

Consistency

EU GRANTS DECLARATION OF DAYS WORKED ON A PROJECT			YEAR:	
To be filled in and uploaded as deliverable in the Funding & Tenders Portal Grant Management System, at the due date foreseen in the system.				
Project acronym:		Project number:		
Participant name:				
Name of the person:		Type of personnel: (employee/ natural person under direct contract/ seconded/ other)		
Month	Days worked in the action ¹ (e.g. 15, 7,5, 0,5)	Work Packages worked on (e.g. WP2; WP5)	Date and signature of the person	Name, date and signature of the supervisor
January			Signature: Date:	Name: Signature: Date:

Time recording system in hours



Conversion into 'Day-equivalent'

If you record the time worked **in hours** rather than **in days** (e.g. it is your usual management practice), you must convert the total hours worked into **day-equivalents** to calculate the personnel costs for the grant (i.e. number of days **x** daily rate).

When? Each time that you have to calculate a daily rate → **per calendar year**

How? Divide the number of hours worked by the person on the action during the reporting period by the number of hours of a day-equivalent.

For example at the time of a reporting period:

If a daily rate is calculated for year 2022, the beneficiary must convert into day-equivalents the total number of hours worked by the person on the action during 2022 altogether.

Time recording system in hours



'Day-equivalent' → 3 conversion rules at hand

1. A conversion based on the **average number of hours** that the person must work **per working day according to her/his contract**

Example:

if the contract says that the person must work 37,5 hours per week distributed in 5 working days → a day-equivalent for the person is 7,5 hours ($37,5 / 5$).

*In the same example, if the person works 50 % part-time, the day-equivalent would be 3,75 hours ($(37,5 * 50\%) / 5$).*

You CANNOT use this option if the contract does not allow to determine the average number of hours that the person must work per working day.

Time recording system in hours

‘Day-equivalent’ → 3 conversion rules at hand

2. A conversion based on the **usual standard annual productive hours** of the beneficiary (according to usual cost accounting practice), if it is at least 90% of the workable time (i.e. continuity with H2020)

Example:

The **higher** of (Standard annual productive hours of the beneficiary = 1600) OR (90% of the Standard annual workable hours* of the beneficiary = 1720)

$1720 \times 90\% = 1548 < 1600$ → $1600 / 215 \Rightarrow 7.44 \text{ hours} = 1 \text{ day-equivalent}$

**Standard annual workable hours:*

(Working days – Annual leave – Public holidays) x hours per day

Time recording system in hours

'Day-equivalent' → 3 conversion rules at hand

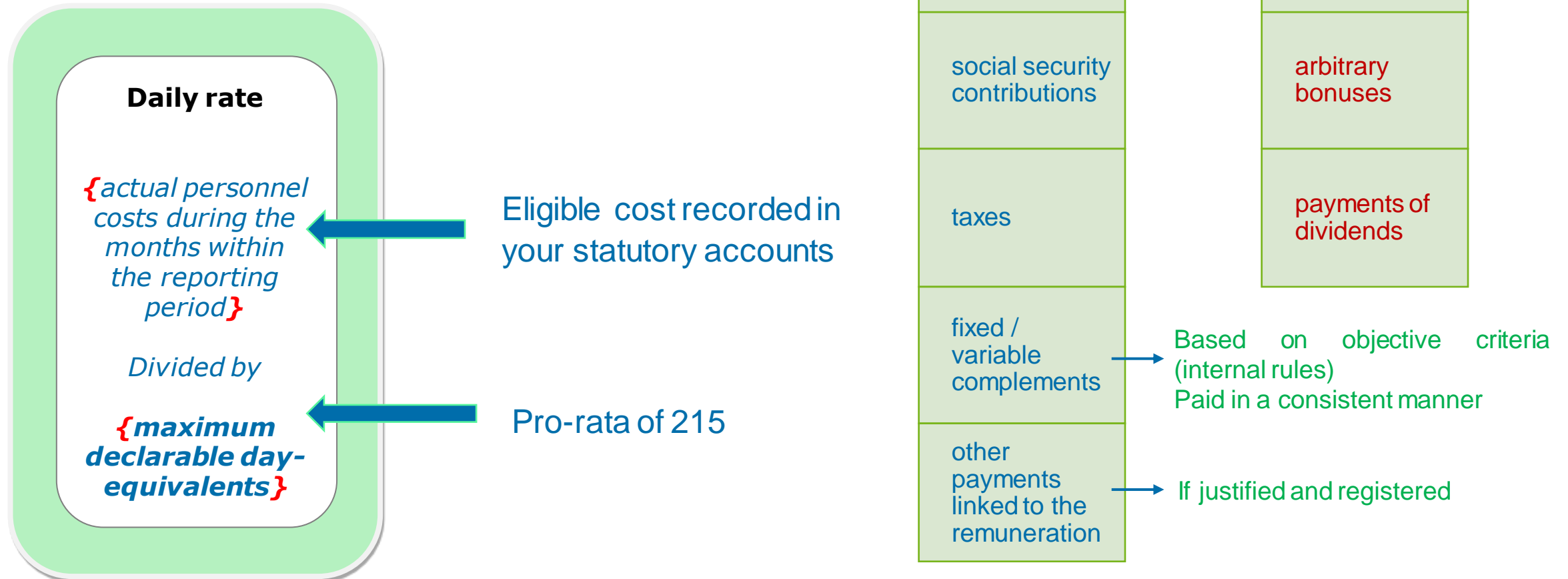
3. A conversion based on a fixed number of hours (e.g. for beneficiaries with no reference in their contracts nor standard annual productive hours):

1 day-equivalent = 8 hours



The option chosen must be applied consistently; using the same option at least per group of personnel employed under similar conditions (e.g. same type of contract, same cost-centre).

Calculation of the daily rate



Calculation of the daily rate

COSTS

$$\text{Daily rate} = \frac{\text{Actual annual personnel costs for the person}}{215 \text{ days}^*}$$

For Horizon Europe: Still possible to **deduct actual working days spent on parental leave from the fixed number of 215 days.*

*The total number of day-equivalents declared in EU grants, **for a person for a year**, cannot be higher than 215 (minus time spent on parental leave, if any).*

Calculation of the daily rate

When?

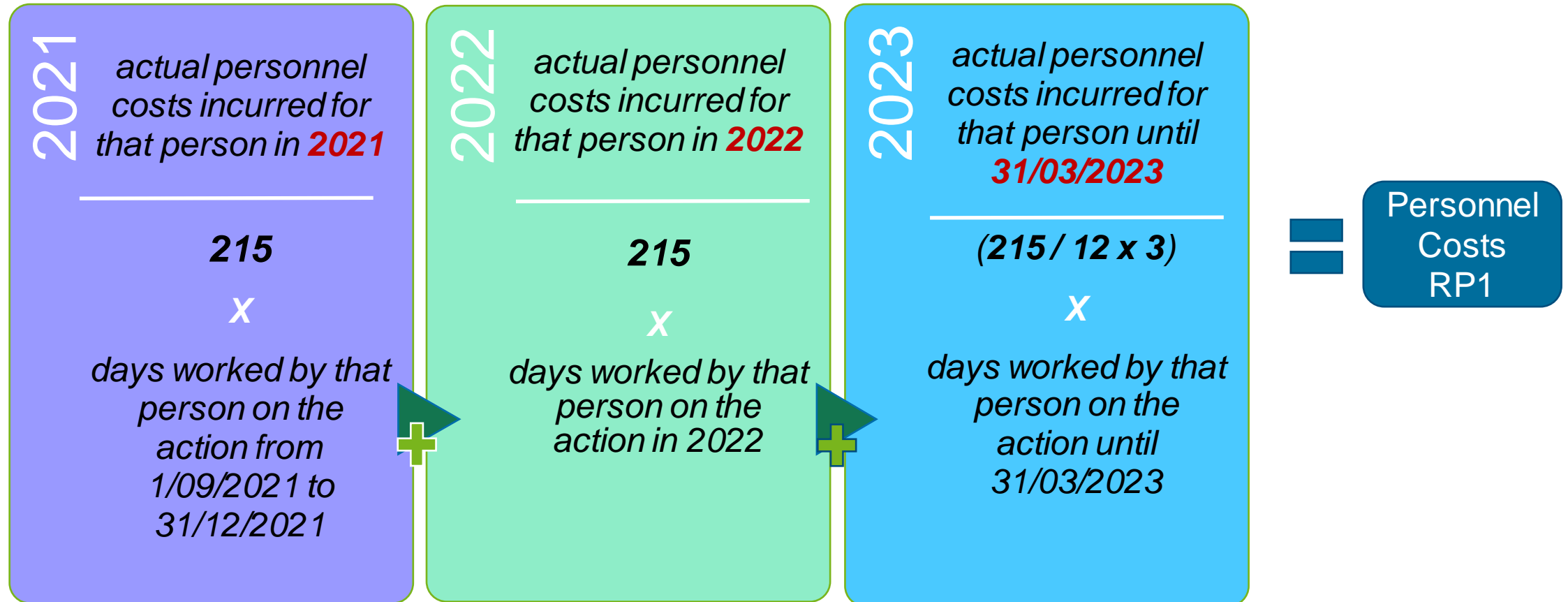
- **per calendar year** (from January to December)
- except for the months running from the end of the last calendar year until the end of the reporting period. For those months, you must calculate **a separate partial daily rate as follows:**

*{actual **personnel costs** of the person incurred over those months
divided by*

*{215 / 12 (months) x number of months from the January until the end of the
reporting period}}*

Example

Costs for Researcher Y in reporting period 1. Reporting period 1 runs from **1/09/2021** until **31/03/2023**:



Daily rate calculation - Examples

Actual personnel costs Case 1

6+6 months

1 staff

	2023	2023
	Jan - Jun	Jul - Dec
	RP1	RP2
	6 months	6 months
Actual personnel costs	50,000	110,000
Nb of days-equivalents	107.5	215
Daily rate	465	512
Days worked on the project	100	100
Total PC eligible	46,512	51,163

Total personnel costs 2023		
Jan-June	Jul-Dec	Total
50,000	60,000	110,000

Daily rate calculation - Examples

Actual personnel costs – Case 2

6+12 months
1 staff

	2023	2023	2024
	Jan - Jun	Jul - Dec	Jan - Jun
	RP1	RP2	
	6	6	6
Actual personnel costs	50,000	110,000	63,000
Nb of days-equivalents	107.5	215	107.5
Daily rate	465	512	586
Days worked on the project	100	100	100
Total PC eligible	46,512	51,163	58,605
		RP2	109,767

215/12*6

Total personnel costs 2023		
Jan-June	Jul-Dec	Total
50,000	60,000	110,000

A.1 Specific case (Case 1B – actual costs) : Project-based remuneration at a glance



WHAT IS IT?

- ❖ Usual remuneration practices of a legal entity under which a **personnel receives supplementary payments for work in projects**

Example:

an employee who gets a bonus or a new contract with a higher salary level for working in a project.



HOW MUCH CAN BE DECLARED?

- ❖ Actual remuneration costs paid by the legal entity for the time worked by the personnel in the action ('**action daily rate**') **up to** the remuneration that the person **would be paid for work in R&I projects funded by national schemes** ('**national projects daily rate**')



METHODOLOGY?

- ❖ **Compare**

Action daily rate

National Projects
daily rate

- ❖ Take **the lower of the two**.

* Usually based on:

- either regulatory requirements (such as national law or collective labour agreements)
- or your written internal remuneration rules

A.1 - Specific case (Case 2)

Average personnel costs

COSTS

Costs for **employees** can also be declared as Unit costs

For beneficiaries who consistently calculate average rates for their staff as part of their analytical cost accounting system, the daily rate can be calculated according to their average rates, provided that:

- the daily rate is calculated using the actual personnel costs recorded in your accounts during the reporting period, *excluding any ineligible cost or costs already included in other budget categories (no double funding of the same costs).*

If your usual methodology includes budgeted or estimated elements, we can only accept those, if they *are relevant, used in a reasonable way, correspond to objective and verifiable information*

- *you apply your cost accounting practices in a consistent manner*, based on objective criteria that must be verifiable if there is a check, review, audit or investigation. You must do this no matter who is funding the action.

A.2 - Natural persons with direct contract

A3 - Seconded persons

A.2 Costs for natural persons working under a direct contract other than an employment contract (e.g. consultant, ...) and **A.3 costs for seconded persons by a third party against payment**

Both are also eligible as personnel costs if

- ✓ they are assigned to the action,
- ✓ fulfil the general eligibility conditions
- ✓ they work under conditions similar to those of an employee (in particular regarding the way the work is organised, the tasks that are performed and the premises where they are performed) and
- ✓ the result of the work belongs to the beneficiary (unless agreed otherwise).

They must be calculated on the basis of a rate which corresponds to the **costs actually incurred for the direct contract or secondment** and must not be significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary.

A.4 - SME owners and natural person

- Persons who are directly **owners or co-owners** (regardless of their percentage of ownership) of the beneficiary, if the beneficiary is an SME and ***the person is not an employee of the beneficiary.***
- Beneficiaries who are **natural persons**; i.e. who signed the Grant Agreement on her/his own name as individuals, not on behalf of another legal person (e.g. a company).

What not? SME owners who receive a salary (registered as such in the accounts of the SME)

These costs must be declared using the unit cost (daily rate) fixed by Decision C(2020) 71155 and set out in **Annex 2a**:

{EUR 5 080 /18 days [i.e. 282,22]} **x** {country-specific correction coefficient of the country where the beneficiary is established}

The calculation itself is automated - The beneficiaries must only indicate the number of days worked on the action and the costs are then automatically calculated by the IT system as follows:

{amount per unit [daily rate]} **x** {number of day-equivalents worked on the action}



CLEAN AVIATION

PERSONNEL COSTS AUDIT ADVICE



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Personnel costs: Remuneration costs examples from audit reports (1/2)

“We detected the **inclusion of a bonus not being part of the beneficiary's usual remuneration** practice and which are not based on objective conditions”.



“The Beneficiary used **remuneration that did not agree with underlying payroll** records”

“We noticed that **the costs breakdown** provided by the Beneficiary **does not match** the amount included in **the financial statements**”.

“Beneficiary’s methodology **mixes unit costs and actual costs**, as well as different cut-off dates for the individual elements of personnel costs”



“Beneficiary had used a **single unit cost across the entire population in excess of actual costs**, which is not in line with the Grant Agreement since **the cost accounting practices used are NOT applied in a consistent manner**, based on objective criteria, regardless of the source of funding”

“Beneficiary declared **cost for employees from companies of the Group**. (...) The third parties were not indicated as affiliated entities in Grant Agreement, nor were listed as third parties providing in-kind contributions in Annex 1 Grant Agreement”.



Good practices

- ✓ Costs should be declared in accordance with a **clearly defined methodology**: do **not** mix actual and unit costs
- ✓ Do not include **overheads**
- ✓ **Costs** should not be based on **estimates** (see exceptions)
- ✓ **Reconcile** personnel costs with payroll **and accounting records**
- ✓ **Final check is performed** before you press the button !!!
- ✓ When involving certified auditors, **share the materials from this workshop with them.**
- ✓ When granting a **bonus**, **use objective criteria** (see next slide)



In order to declare bonuses...

- ✓ The bonus should be **covered by national law** and/or the employment contract
- ✓ The **methodology** for calculating the bonus should be established in the **internal regulations** of the beneficiary
- ✓ The conditions for the bonus must be “**objective**”, i.e. based on **pre-defined criteria that are different from commercial targets** : e.g. merits, seniority levels, or other objectively defined conditions. Bonuses must be calculated in accordance with the **usual remuneration practices**.
- ✓ Bonuses should be paid in a **consistent manner, not just for actions supported by EU grants**
- ✓ Bonuses should be paid in a **consistent manner, not just because there is still a budget available on the specific project**
- ✓ **Social charges and other taxes for bonus payments were correctly calculated**, incurred and paid in accordance with national law

“The beneficiary **declared the totality of the timesheet’s days for 2019**, but **started to work on the action** with effective date of **1 June 2019**”



“The **worked days** for the action declared by the Beneficiary for employee X are different than the **days stated in the timesheet**. The beneficiary claimed XY days while the auditors could only verify X days”.

“We noted that for one employee, the **beneficiary claimed 8 days not related to the action**”.



Good practices

- ✓ Do not record time in excess of staff full employment or the maximum prorata threshold (215 days)
- ✓ Avoid registering hours under codes, different from the audited action (attention to timesheet requirements compliance in GA!!!)
- ✓ Do not declare hours outside the project period (even if paid during the period)
- ✓ Ensure that the time records are consistent with HR records (e.g: absences)



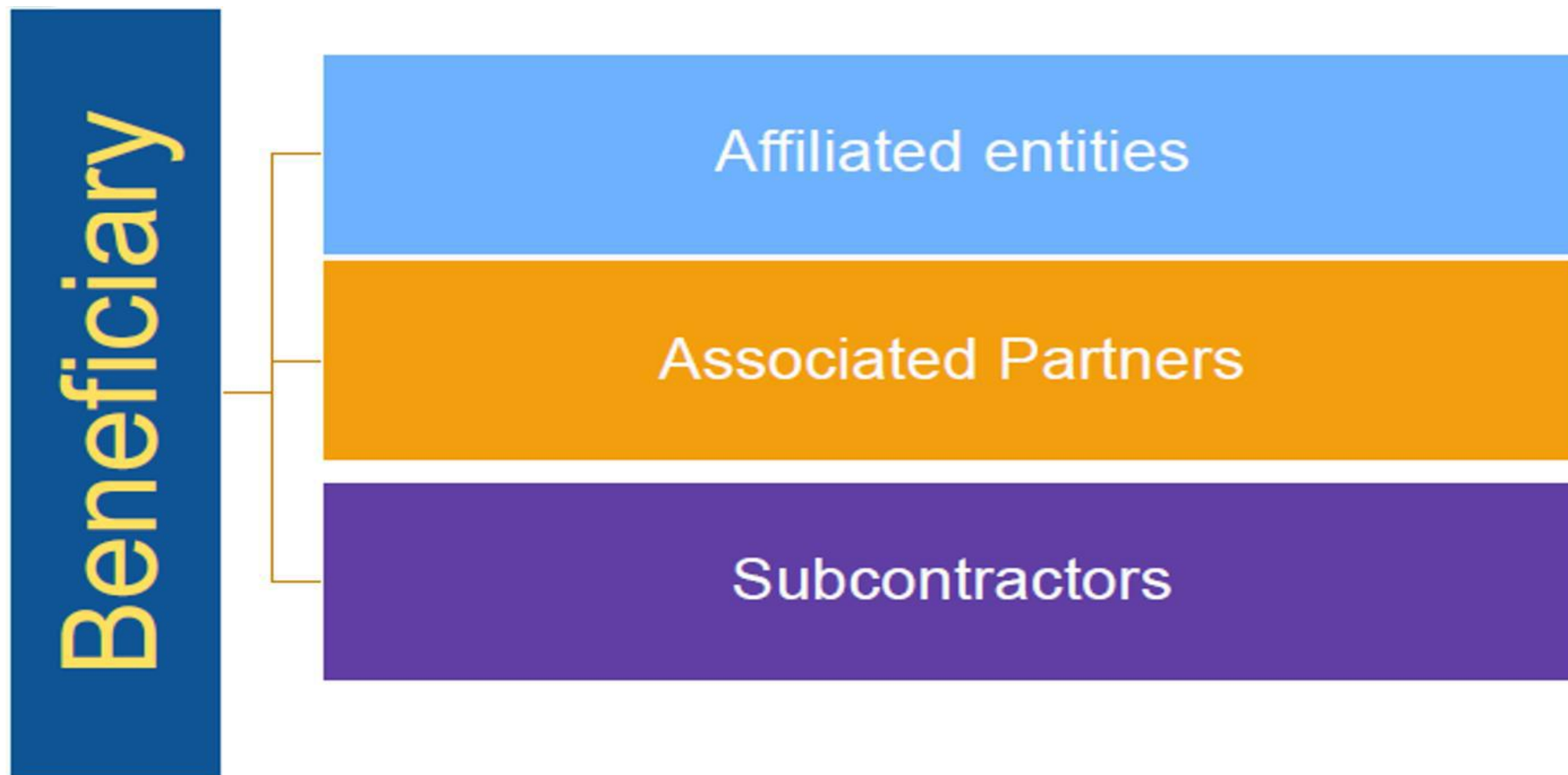
CLEAN AVIATION

SUBCONTRACTING



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THIRD PARTIES CARRYING OUT WORK IN THE ACTION



Affiliated entities in Horizon Europe = Linked third parties in Horizon 2020

(alignment of definition in corporate context)

Art187(1)(b) of the EU Financial Regulation:

Entities "that have a link with the beneficiary, in particular a legal or capital link, which is **neither limited to the action, nor established for the sole purpose of its implementation.**

MUST BE:

1. **Identified in Sygma**, in article 8 of the GA
2. **Tasks must be mentioned in Annex 1** (and detailed costs in section 3.1, of Part B, same as a beneficiary)
3. Their (separate) **budget must be in Annex 2**

De facto treated as beneficiaries (same costs eligibility criteria apply as well as eligibility in terms of participation) but **does not sign the Grant Agreement!**

- permanent legal structures
- contractual cooperation not limited to the action
- capital link:
 - I. direct or indirect control of the beneficiary
 - II. under the same control as the beneficiary
 - III. controlling the beneficiary

THIRD PARTIES. 2. ASSOCIATED PARTNERS

**Associated partner in Horizon Europe = International partner in Horizon 2020
(alignment of definition in corporate context)**

1. The **tasks must be set out in Annex 1** (performs action tasks directly); and total costs must be included under “Other sources of financing” heading of the budget – this is for information purposes only.
2. They **may not charge costs** or contributions to the action (costs not eligible) = participate at own costs
3. Can be linked either to the whole consortium or to a particular beneficiary
4. Must be **identified in Article 9.1** “Other participants involved in the action”, their tasks must be mentioned in Annex 1 BUT ➡ do not sign the Grant Agreement
5. **The consortium is responsible:**
 - a. for the action tasks performed by associated partners
 - b. to **ensure that the relevant provisions of the MGA also apply to the associated partner** (e.g. via the consortium agreement) (i.e. Articles 11 (proper implementation), 12 (conflict of interests), 13 (confidentiality and security), 14 (ethics), 17.2 (visibility), 18 (specific rules for carrying out action), 19 (information) and 20 (record-keeping) Including the relevant conditions in the call or Annex 5

THIRD PARTIES. 3. SUBCONTRACTING

Article 6.2.B. Subcontracting costs & Article 9.3

1. Estimates costs and exact tasks to be subcontracted must be identified in [section 3.1 of Annex 1 Part B](#) and in [Annex 2](#)
2. Must be awarded based [on best value for money](#) (or lowest price) and absence of conflict of interest)
3. Subcontracting between beneficiaries is [not](#) allowed. As a rule, neither is subcontracting to affiliates.
4. The beneficiaries bear the responsibility of tasks carried out by subcontractors and the risk of rejection of costs
5. The amount charged as eligible costs must correspond to the amount invoiced by the subcontractor
6. General rule: *Subcontracting may cover only a limited part of the action*
7. Regard implementation of a [part of the project, i.e. action tasks](#). If a contract covers only individual equipment or consumables, this will be considered as a purchase
8. Coordinator's tasks (article 7) cannot be subcontracted

Article 9.3 of MGA

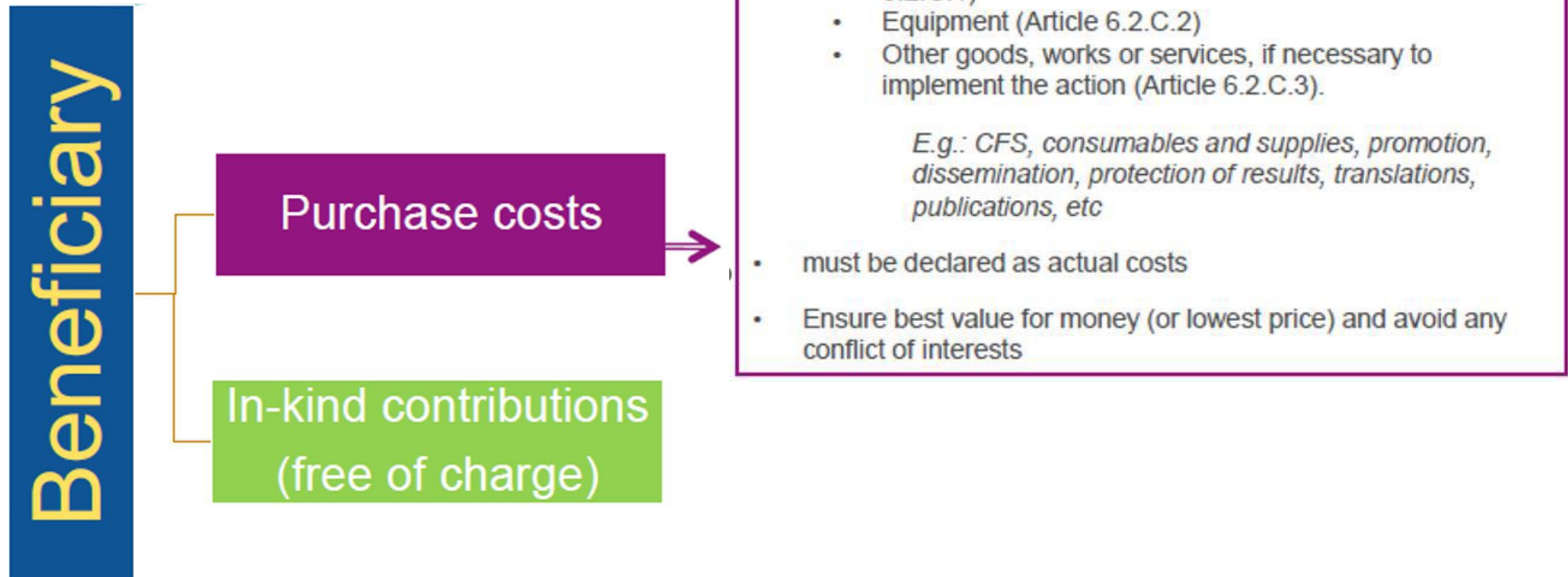
If necessary to implement the action, the beneficiaries may award subcontracts covering the implementation of certain **action tasks** described in Annex 1

Subcontracting may cover only a **limited part of the action**.

Eligibility conditions:

- ✓ Must be planned **in Annex 1 & 2**
- ✓ **Best value for money** and **no conflict of interest**
- ✓ Subcontracting must be declared as **actual costs**
- ✓ Indirect costs are not applicable
- ✓ **NOT allowed**: Subcontracting between beneficiaries/ to affiliates /
Coordination tasks

OTHER THIRD PARTIES



THIRD PARTIES GIVING IN-KIND CONTRIBUTIONS



IN-KIND CONTRIBUTIONS AGAINST PAYMENT

- ✓ In-kind contributions against payment and in-kind contributions free of charge are **both still eligible** under Horizon Europe
- ✓ However, under HE, **in-kind contributions** refers only to in-kind contributions free of charge
- **No** more **specific** Article
- Instead, they can **still be declared** as:
 - Personnel costs for seconded persons (Art. 6.2.A.3)
 - Costs of renting equipment (Art. 6.2.C.2)
 - Purchase costs for other goods, works or services (Art. 6.2.C.3)
- Indirect costs calculated on top via the 25% flat-rate

IN-KIND CONTRIBUTIONS FREE OF CHARGE

- **Specific provisions** (Article 6.1 and 9.2 HE MGA (stemming from Horizon Europe specific legal base)
- They must be declared by the beneficiary which use them under the relevant cost category (i.e. as if they were costs incurred by the beneficiary).
- Only **direct costs** must be reported
- **No more reference** to in-kind contributions not used in the beneficiary's premises
- Indirect costs calculated on top via the 25% flat-rate (with exceptions, like for internal invoicing)

OVERVIEW OF PARTICIPANTS ROLES - AGA

TYPE	Works on 'action tasks'?	What is eligible for the beneficiary/ affiliated entity?	Must be indicated in Annex 1 GA?	Conditions for participation	GA article
Beneficiaries	YES	Costs	YES	Must be eligible	art 7
Affiliated entities	YES	Costs	YES	Must have a capital or legal link with a beneficiary and fulfil the same eligibility conditions	art 8
Associated partners	YES	n/a	YES	No specific conditions (APs do not receive funding).	art 9.1
Third parties contributing to the project	Participate in the action as contributors	n/a (<i>except HE: Costs</i>)	YES	Must be best value for money or lowest price and no conflict of interest	art 9.2
Subcontractors	YES	Invoiced price	NO (only subcontracted tasks must be indicated)		art 9.3
Third parties receiving financial support ²	Participate in the action as recipients.	Amount of support given	YES	According to the conditions in Annex 1 GA	art 9.4

Best value for money (BVM)

You must **demonstrate "best value"** in purchasing and sub-contracting and the absence of conflict of interests (MGA Article 12):

- ⇒ Sufficient level of **tendering** to demonstrate "best value" – e.g. tender, three offers, market survey
- ⇒ We will normally accept your **standard practices**, when properly used (to be substantiated)
- ⇒ We will normally accept commercial agreements **already in place** (to be substantiated)



Naming the supplier in the contract does not mean that you do not have to demonstrate best value

Non-legally binding

Alternative evidences of (BVM)

When **competitive selection procedures** was not carried out, beneficiary must be able to **prove compliance with best value for money or lowest price (and no conflict of interest)** in case of a check, review, audit or investigation **by showing** (AGA pg 71):

- ⇒ *data from a **previous competitive tender on a similar subject that confirms the market value***
- ⇒ *a conducted **market consultation**, e.g. price quotations, supplier brochures, or consultation with help of **independent experts***
- ⇒ *that **no suitable offers have been submitted in response to a prior competitive selection procedure***
- ⇒ *that a subcontractor is in a **monopoly situation due to technical reasons***

In any case, the beneficiary must be able to demonstrate that the **criteria defining quality were clear and coherent with the purpose**

Subcontracting to another member of the same GA

Not allowed!



- ➔ *If a beneficiary needs supplies from another beneficiary of the same GA, it is the **latter beneficiary that should charge them to the action***
- ➔ *Only in exceptional and properly justified cases*
- ➔ ***Prior approval of the JU***

For wind-tunnel testing, please consult the guidance note:

[CAJU-Guidance-note-for-the-classification-of-WTT-facilities-May-2022.pdf](#)
[\(clean-aviation.eu\)](#)

Subcontracting to affiliates



Not allowed!

As general principle since affiliated entities can accede the GA

⇒ **Exceptional case subject to prior JU approval** (mainly when their participation can't be avoided & remains marginal and very limited in time & happens only few times along the programme duration)

Conditions to be applied:

1. the affiliate entity is the **usual supplier** or there is an existing **framework contract**
AND
2. the subcontracting is carried out at **market conditions** to be substantiated (other offers for instance) + no financial markup

COORDINATION TASKS THAT CANNOT BE DELEGATED OR SUBCONTRACTED

- **Reminder: Article 7 of Grant agreement** lists **the tasks that the coordinator must carry out and cannot delegate or subcontract** to any other beneficiary or third party (including affiliated entities):
 - (i) monitor that the action is implemented properly (see Article 11);
 - (ii) act as the intermediary for all communications between the beneficiaries, and the JU (in particular, providing the JU with the information described in Article 17), unless the Agreement specifies otherwise;
 - (iii) request and review any documents or information required by the JU and verify their completeness and correctness before passing them on to the JU;
 - (iv) submit the deliverables and reports to the JU (see Articles 21);
 - (v) ensure that all payments are made to the other beneficiaries without unjustified delay (see Article 22);
 - (vi) inform the JU of the amounts about the payments made to the other beneficiaries (report on the distribution of payments; if required, see Articles 22 and 32)
- However, a **third party may assist/support the coordinator** in carrying out the coordination tasks, in so far as the coordinator keeps the leadership of the coordination

HAF DECISION N°7 - CONSULTANCY COMPANIES IN CLEAN AVIATION PROJECTS

- Each beneficiary is fully responsible for implementing the action tasks mentioned in the grant agreement and for complying with all its obligations (Article 7 of the MGA)
- An entity cannot participate in an action **both as beneficiary and subcontractor**
- The objective of the Clean Aviation projects is to support research & innovation within the aeronautical sector under Horizon Europe and only selected entities with technical resources and capabilities can participate as beneficiary being fully responsible for implementing the action under their own responsibility.
- **Consultancy companies** that are assigned support coordination activities and core action tasks such as D&E must:
 - Either abandon their role in support coordination activities and remain beneficiaries to perform only core action tasks or
 - Only perform support to coordination activities as Subcontractor.



CLEAN AVIATION

SUBCONTRACTING AUDIT Advice



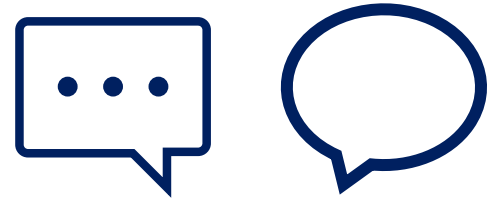
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SUBCONTRACTING COSTS

EXAMPLES OF AUDIT REPORTS

“The selection of the supplier for the next phase of testing of component «XX» could not be different from the supplier who had already carried out phase 1 of activities on the same component and for whom a "bidding procedure" had already been made available to auditors.”

- Evidence was not easily traceable by auditors
- Link to action shall be documented (vs link to a component)
- **Insufficient descriptions in technical specifications** (“supplier could not be different”: why?)



“The Beneficiary claimed two invoices in RP2 while they are related to services delivered in RP1. **Costs must be incurred during the project period.**”

SUBCONTRACTING COSTS

EXAMPLES OF AUDIT REPORTS

“For two items, the beneficiary **could not provide adequate supporting evidence** proving the link between the invoices of the subcontractor with costs claimed.”



“The Beneficiary **could not provide sufficient documentation, showing that a best value for the money** was carried out.”

“EUR X must be rejected as it is the result of **rebilling between the beneficiary and a company in the same group**, but not declared in the grant agreement.”



Good practices

- ✓ **Ensure that all supporting documents** (procurement procedure) are properly **stored and available**
- ✓ **Subcontracting must be foreseen in Annex I** and/or agreed by JU services
- ✓ **Document the link between the subcontracting and the action properly**
- ✓ **Provide detailed descriptions** in terms of technical specifications, constraints and contracts (leading to justification for supplier selection)
- ✓ Ensure the application of the **best value for money** principle (see next slide) and avoid COI
- ✓ Only declare **costs** that are **related to the reporting period**

✓ **Some tasks cannot be subcontracted** – see guidance in this presentation

- ✓ Show that you have followed your internal **procurement policy**. Create a file with the **supporting evidence** of the selection of supplier process.
- ✓ **Key documents** include:
 - ✓ Call for tender / request for offers
 - ✓ Technical specifications
 - ✓ Offers received
 - ✓ Market surveys
 - ✓ Evaluation of offers
 - ✓ Letters proving the acceptance of the offer selected and letters proving the refusal of the other offers
 - ✓ If applicable: the invitation to tender and the acceptance of a certain supplier should be published in the national / European journal
- ✓ Use only **valid framework contracts** (updated, selected according to company procurement procedure)
- ✓ If you **deviate** from the procurement policy, **document the reasons why** and add these explanations to the audit file



CLEAN AVIATION

Internally invoiced goods & services



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INTERNALLY INVOICED GOODS AND SERVICES



What? Costs for goods and services which are produced or provided within the beneficiary's organisation directly for the action and which the beneficiary values on the basis of its usual cost accounting practices.

Examples:

- self-produced consumables (e.g. electronic wafers, chemicals)
- specialised premises for hosting the research specimens used for the action (e.g. animal house, greenhouse, aquarium)
- standardised testing or research processes (e.g. genomic test, mass spectrometry analysis)
- use of specific research devices or research facilities (e.g. clean room, **wind tunnel**, supercomputer facilities, electronic microscope)

NEW Wider reliance on beneficiary's usual cost accounting practices for the unit cost calculation with:

- ❖ No application of the 25% flat-rate on top of the unit cost (*H2020 rules*)
- ❖ instead, possibility to accept "**actual indirect costs**" allocated via **beneficiary's usual key drivers in the unit cost calculation**

INTERNALLY INVOICED GOODS AND SERVICES



- Example of costs of Wind Tunnel facility
- Eligible vs non eligible

Examples of costs generally eligible as part of the unit cost	Examples of costs ineligible as part of the unit cost
<ul style="list-style-type: none"> – staff working for the facility (e.g. technicians, engineers and other persons directly assigned to the functioning of the wind tunnel) – depreciation of the equipment, including specific software and hardware necessary for the functioning of the wind tunnel – generic supplies like electricity used for the wind tunnel – insurance of the wind tunnel (or the premises in which it is located) – specific maintenance and cleaning of the wind tunnel equipment (e.g. air cooling system) – calibration/metrology tests of the wind tunnel – costs of shared infrastructures where the wind tunnel is located, allocated via usual key driver (e.g. central heating, air-conditioning system) and their related shared maintenance costs – depreciation costs of shared buildings allocated via usual key driver (e.g. if the building where the wind tunnel is located is part of a main building of the beneficiary) 	<ul style="list-style-type: none"> – bank interests – provisions for future expenses – cost declared under other cost categories (e.g. personnel cost, equipment depreciation cost) and indirect cost (e.g. general administrative costs such as those stemming from the HR, legal or accounting departments) – any other ineligible costs (see Article 6.3)



CLEAN AVIATION

In-kind contributions



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In-kind contributions both still eligible under HE

COSTS



IN-KIND CONTRIBUTIONS AGAINST PAYMENT

- **No more special Article** (corporate approach):
- But **they can still be declared** as:
 - **Seconded persons** under **Personnel costs provisions**
 - **Other types** as purchase of goods, works or services
- Indirect costs calculated on top via the 25% flat-rate



IN-KIND CONTRIBUTIONS FREE OF CHARGE

- **Specific provisions (Art 6(1) & Art 9(2)) HE MGA** (stemming from Horizon Europe specific legal base)
- They must be declared under the relevant cost category (i.e. as if they were costs incurred by the beneficiary).
- Only **direct costs** must be reported
- Indirect costs calculated on top via the 25% flat-rate (with exceptions, like for internal invoicing)



CLEAN AVIATION

Equipment costs



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Equipment costs



Continuity

Depreciation costs are **by default** eligible.

By exception, full costs may be eligible (e.g. low value assets).

Further clarity

Optional provisions addressing the specific case of **assets under construction (e.g. prototype)** and their related **capitalised costs**:

- The **full construction costs** (typically the costs of the personnel involved in the construction of the prototype)
- The **full purchase costs** (typically any component, pieces of equipment bought for the prototype)



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Indirect costs



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Indirect costs

COSTS

What?

Costs that are only indirectly linked to the action implementation
(Art. 6(1) General eligibility conditions of the Horizon Europe MGA)

continuity

Flat-rate of 25% of the eligible direct costs, except subcontracting costs, financial support to third parties and exempted specific cost categories, if any.
(Art. 6(2)(E) Indirect costs of the Horizon Europe MGA)

NEW

Possibility to accept actual indirect costs allocated via beneficiary's usual key drivers in the unit cost calculation for **internally invoiced goods and services**



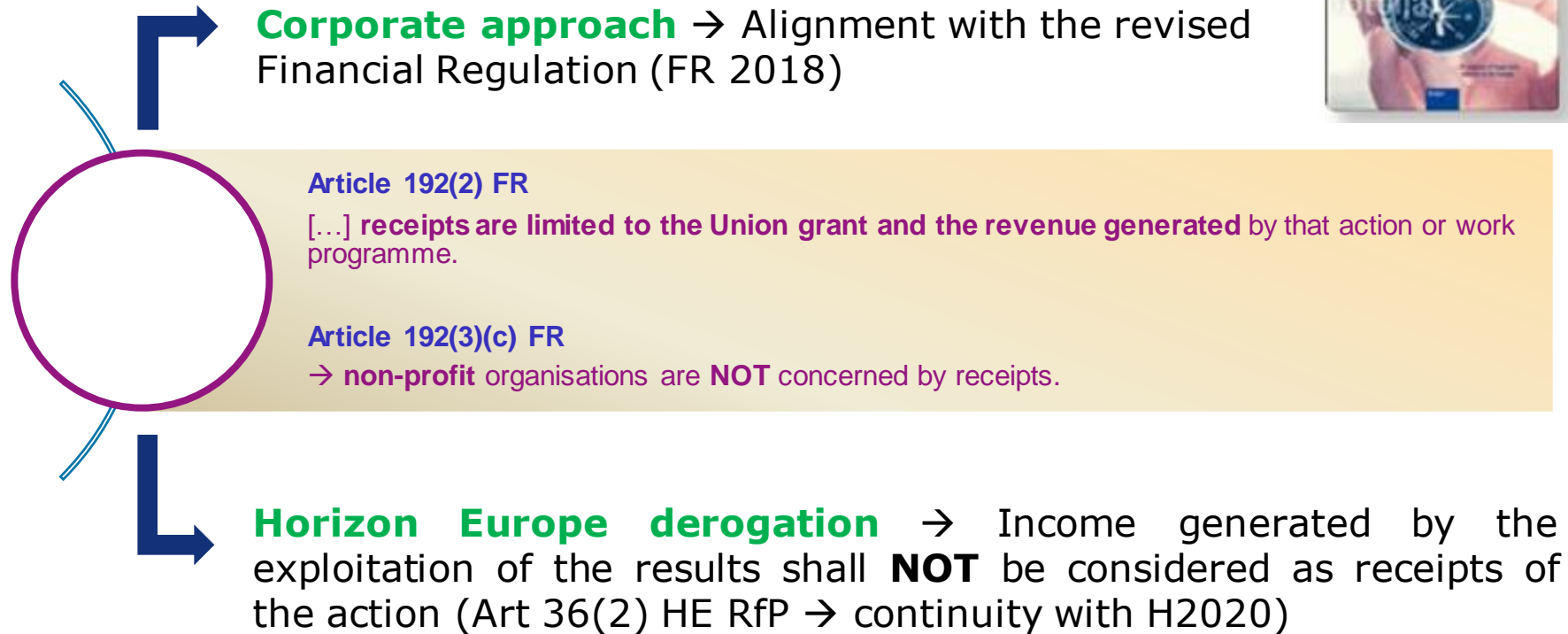
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Receipts



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Receipts under Horizon Europe





CLEAN AVIATION

Ex-Post Audits



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Ex-post audits provide assurance on the legality of its payments according to HE rules and grant agreements

Ex-post audits allow to:

- ✓ **Detect** potential **errors** in JU payments to our beneficiaries
 - ✓ **Correct** the **audited financial statements**
 - ✓ **Extend the correction** to unaudited cost claims of audited beneficiaries in case of systematic errors
 - ✓ **Provide advice for system improvements through recommendations**
- 
- ✓ Each year, the CA JU reports **an error rate**
 - ✓ The **error rate** is one of the most important KPIs for the **Court of Auditors** in its annual opinion on the JU's accounts.
 - ✓ Max. threshold of the ECA for **the error is below 2%**



When will these HE ex-post audits take place?

The earliest ex-post audits for Horizon Europe will be conducted from **Q1 2024 onwards**, for projects having started in January 2023

→ So prepare and keep all documentation ready!



Who conducts the ex-post audits? (1/2)

There are two types of audits:

1

Audits requested by CA JU and performed by the Common Audit Service (CAS)

- ✓ Based upon the criteria laid out in the **audit strategy**, a random selection is performed on **CAJUs list of payments to beneficiaries**.
- ✓ The audits are then conducted by the **Common Audit Service (CAS)** of the European Commission. The European Commission may rely on **External Audit Firms** to conduct these audits.
- ✓ These are the majority of audits

2

Audits selected and performed by the European Court of Auditors (ECA)

- ✓ These audits contribute to the ECA's annual assurance on CA JU

AUDIT PROCESS: AUDIT FIELDWORK



Before the audit, the beneficiary will receive a **Letter of Announcement**, detailing:

- ✓ The **scope** of the audit (projects and periods concerned)
- ✓ The **dates** of the fieldwork
- ✓ **Which documents to prepare** for the fieldwork



During the phase of fieldwork, the auditors will verify the documentation underlying the submitted cost claims. The fieldwork will end with an **exit meeting**.



Reminder: Lack of cooperation during the audits may lead to cost rejections and/or grant reductions.

AUDIT PROCESS: WHAT TO DO IF NOT IN AGREEMENT WITH AUDIT FINDINGS?



1

During the fieldwork, the auditors will start preparing potential findings and ask for complementary information

→ **Respond** to their request

2

At the end of the fieldwork, the **exit meeting** takes place. At this meeting, the auditors will elaborate on the main conclusions of the audit

→ Clarify outstanding issues

3

Following, the audit a **Preliminary Audit Report** (PAR) will be drawn up by the CAS. After quality controls, this PAR will be submitted to the beneficiary for the **formal contradictory procedure**. **Ask for CAJU's advice, if needed.**


→ Provide the required information

✓ Beneficiaries should use these **opportunities to comment on findings**

✓ The beneficiaries should respond to the CAS immediately.

✓ CA JU can **mediate**, if you need support.
Share your concerns with CAJU

AUDIT PROCESS: CLOSURE OF THE AUDIT: RESULTS AND LETTER OF CONCLUSION (LOC)



- ✓ Following the contradictory procedure and several quality checks, the auditors will issue a **Final Audit Report** and a **Letter of Conclusion**. These documents detail the **outcome** of the audit.
- ✓ The audit can either **result** in (detected error):
 - ✓ **Positive** adjustments in favour of the beneficiary
 - ✓ **Negative** adjustments
 - ✓ No adjustments
- ✓ Findings can be either **systemic/recurrent** or **non-systemic/non-recurrent**.
 - ✓ **Systemic:** *inherently related to the beneficiary's methodologies, accounting, management or internal control practices.*



If there are **negative findings**, which are of a **systemic/recurrent nature**, the extension procedure will be launched. **The error rate will be extended to paid Horizon Europe cost claims** of the same beneficiary (also for other Granting Authorities). The Letter of Conclusion will invite the beneficiary to:

1. Choose the correction method
2. Identify and justify the scope of the extension (which projects and periods)

If the beneficiary does not respond within 90 days, the overall flat rate may be applied by default by the implementing Granting Authority.



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SYSTEMS and PROCESSES AUDITS (SPA)



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WHAT is a SPA ?

A risk assessment & an audit opinion

in 2 steps:

- Test of the systems / Tests of controls
- Substantive testings / Tests of Transactions

HE Rfp Article 48

assessing 3 types of risks:

- Inherent Risk at the level of the entity
- Control Risk at the entity level
- Budget Category Specific Control Risk and their project based accounting

providing 1 Output:

- One single report in two parts
- Combined review result ► flag as Low, Medium or High



WHY apply for SPAs?

- ✓ The **objective** of SPAs is to **reduce the administrative burden** for beneficiaries
- ✓ If the report of the SPA classifies the beneficiary as **low-risk**...
 - ✓ The beneficiary will benefit from less but more focused ex post audits.
 - ✓ There is a **higher threshold** for submitting **CFS** (i.e. 725.000 EUR instead of 430.000 EUR) statements

WHO can apply for SPA?

Any beneficiary that:

- ✓ uses **unit, flat rate or lump sum costs** or contributions according to documented (i.e. formally approved and in writing) usual costs accounting practices (if any)

OR

- ✓ has **formalised** documentation on the **systems and processes** for calculating their costs and contributions (i.e. formally approved and in writing),
- ✓ **has participated in at least 150 actions under H2020** or Euratom and,
- ✓ participates in at least **3 ongoing actions under HE** or Euratom.

Reporting RP1: Best practices

Do not forget !

- Prepare your reporting ahead of the deadlines (costs accounting extracts, reconciliation, calculation details, documents, etc ...)
- Get familiar with the rules described in the applicable documentation (Annotated grant agreement, user manual etc ...)
- Costs declared should match with your costs accounting details
- Costs should be mentioned in the Annexe 1 and 2
- All the roles should be defined and updated if needed (LEAR, FSIGN, LSIGN, ...)
- Check your access to the EC portal
- The coordinator has the key role to ensure consistency in the financial management of the projects (quality, completeness, deadlines,)
- Do not hesitate to contact the JU (FO/PO in charge) in case of questions



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Questions?



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Lunch Break !



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CONTENT

1. Welcome and introduction
2. Presentation of the JU and the Finance team
3. Financial overview Call 1 and reporting requirements
4. Eligibility of costs – Focus on specific items
- 5. Other financial aspects**
6. Legal guidelines



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In kind contributions Clean Aviation



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IN-KIND CONTRIBUTIONS (IKC) PRIVATE MEMBERS

- **Single Basic Act (SBA) & In-Kind Contributions**
- **IKOP definition and process**
- **IKAA definition and scope**
- **IKAA Planning**
- **Where are we now?**
- **IKAA Reporting and certification**

Single Basic Act (SBA) & In-Kind Contributions

Reminder

Contributions from members other than the Union and contributing partners:

- Art 11 of SBA: Contributions from private members consist of
 - Financial contributions
 - In-kind contributions to operational activities (IKOP)
 - In-kind contributions to additional activities (IKAA)
- Art 61 of SBA: Contributions from private members should amount to at least 2.4 b€

→ collective “Letter of Commitment” signed by the “Members other than the Union”

IKOP definition and process

Reminder

- **SBA (point 8):** contributions by private members (and affiliates) consisting in the eligible costs incurred by them in implementing indirect actions less the JU contribution JU
 - **IKOP = Total Eligible Costs (TEC) – JU funding**
- **Planned IKOP** are part of the grant agreement data (Annexe 2 – Budget)
- **Reporting** goes automatically with **reporting of costs claims** in EC portal
- **No need for additional certification;** TEC are covered by the CFS (Certificate on Financial Statements)
- **Calculation of final IKOP** by the JU after the closure of the CA projects

IKAA definition and scope (1)

Reminder

- **Definition (SBA point 9):** activity that does not receive JU funding but contributes to its objectives and is directly linked to the uptake of results from projects under that joint undertaking or its preceding initiatives or that has a significant Union added value
- **Specific scope** further defined for CAJU (art 62 of SBA)
- **Cumulative criteria for AA:**
 - **included in the annual Additional Activities Plan (AAP)** annexed to the main part of the WP
 - **not funded by the JU** or any other Union funding programme
 - **contributes to JU objectives** as defined in art 4, 5 and 57 of SBA
 - be carried out in the **Union or in countries associated** with HE

IKAA definition and scope (2)

Reminder

➤ IKAA can be either:

a. Programme-specific additional activities contribute to the uptake of results from the JU (including predecessors Clean Sky and Clean Sky 2 JU) or have a significant added value for the Union.



b. Project-specific additional activities contribute towards the achievement of objectives of the JU funded projects, or the dissemination, sustainability or exploitation of JU project results.



➤ Same approach defined by EC horizontal services for all JUs

IKAA valuation

Reminder

- Costs determined in accordance with
 - **The usual cost accounting practices**
 - The applicable accounting standards of the country where the entity is established
 - The applicable International Account Standards and International Financial Reporting
- **In principle not subject to HE's eligibility rules** unless the entity so requires (consistent approach)
- IKAA costs : any **types of costs as far as necessary** for the implementation of an approved AA and in line with the specific scope of AA for the JU

IKAA planning – main principles

Reminder

- each AA has to be **approved by the JU Governing Board** with consultation of the relevant advisory bodies : SRG and SC) and **included in the AA Plan** before being reported as IKAA
- **Deviations** (values, timing/ref year) should be duly justified in the Annual Activity Report
- In case of **new activities not included** in the plan
 - Changes shall be communicated to the JU
 - All related changes will be included in the **updated AA plan** annexed to the annual Work Programme adopted by the GB
 - **Amendment** of the related grant agreements and modification of the AA

IKAA reporting and certification

Next step

- **By 31 May of year N+1**, IKAA incurred in financial year N (1Jan-31Dec) have to be reported to CAJU (ref. Single Basic Act)
- **Reporting via the EC tool** (specific module on EC Portal) linked to each entities' PIC
- Each private member reports for its affiliate(s) if any
- Only IKAA that are foreseen in the **Additional Activities Plan (AAP)**
- IKAA reported **shall be certified** by an independent external auditor (SBA art. 11.2)
 - Certificate covers all types of IKAA (programme / project; intrinsic and extrinsic IKAA)
 - Confirmation of total IKAA + split intrinsic / extrinsic
 - No threshold

In kind contributions - Summary

Reminder

In kind contributions – IKC				
	IKOP	IKAA		
		Project related IKAA		Programme related IKAA
		Intrinsic IKAA	Extrinsic IKAA	
Value	Total Eligible Costs – JU funding	Total Project Costs – Total Eligible Costs	AA costs – EU funding	AA costs – EU funding
Planning	part of project costs (GA Annexe 2 – Budget)	Based on IKAA plans in CA projects call 1; Annexed to CAJU Work Programme		Annexed to CAJU Work Programme
Reporting (EC tool)	Together with reporting of costs in CA projects	31 May year N for year N-1		31 May year N for year N-1
Certification	Covered by CFS	Covered by annual certification of AA		Covered by annual certification of AA

Where we are now?

- Q4 2022: Consolidation of IKC planning data (IKOP + IKAA) included Call 1 projects
- **Total IKC plan** amounts to **1.463 M€** out of **654 M€** EU funding allocated for the period 2022-2026 → **Leverage Ratio > 2** (vs 1.5 in call conditions and SBA)
- Split IKOP /IKAA
 - IKOP = 176 M€ (12%)
 - IKAA = **1.287 M€** (88%), of which 2022 = 64 M€
 - largest part of IKAAs are projects related IKAA (97%)
- Q1 2023: First IKAA plan 2022-2023 approved by Governing Board
- EC IT tool (same platform for all JUs) for planning and reporting under development

IKAA reporting and certification

Next step

- EC reporting tool is still under finalization (discussion between EC and JUs about template, workflow, training materials etc ...)
- To be used by members to report IKAA (all types: project and programme related)
- Reporting deadline will be confirmed by JU in the coming weeks
- Pragmatic approach will be followed:
 1. Reporting of IKAA in EC tool once ready
 2. IKC guidance incl. certification template will be communicated after consultation with GB alternates
 3. Deadline to submit certificate will be communicated to give reasonable time to prepare and establish the document



CLEAN AVIATION

Members Contribution to the JU administrative costs



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Legal base

Art. 61 of the SBA and article 3.1.2 of the Clean Aviation Membership Agreement :

“The Private Members’ share of the administrative costs of the CAJU shall amount up to **39.223.000 EUR** and shall be covered through financial contributions paid on an **annual basis** by the Private Members.”

Clean Aviation Financing Agreement

The **Financing Agreement** determines the modalities and conditions applicable to the payment of the running costs contribution (*article 4*):

- Each private Member's contribution to the CAJU administrative costs is **proportional** to that private Member's participation in the Clean Aviation Programme.
- The requested contribution is calculated **annually on the basis of the private Members' participation in the relevant Grant Agreements**, expressed in % of the budget allocated to the Members compared to the total allocated Grant Agreement budget.

Clean Aviation Financing Agreement

Annex I – Private Member contributions in the period 2022-2025 (phase I):

- **Year 2022:** “lump sum” set out in Annex II (58.049 EUR) for all Founding Members and Associated Members except academia (special derogation).
- **Years 2023–2025:** allocation of administrative costs calculated according to the respective participation in the Clean Aviation programme and the respective funding allocated under the relevant Grant Agreements for each Private Member.

Clean Aviation Financing Agreement

Review for the period 2022-2025 (phase I)

- A review of the actual participation will be performed based on the **actual validated costs** for the years 2023 to 2025.
- An appropriate adjustment for the payment of Private Members contributions will be made taking into account their **already paid individual contributions** for the years 2022 to 2025.
- Such adjustment will be calculated and applied against the **next requested contribution** to the administrative costs.

Clean Aviation running costs contribution

- **Running costs contributions are not eligible under the GA!**
- **Annual** invoicing in one instalment including participation of each Private Member + affiliated entities.
- The JU sends a **pre-information letter** about the calculated annual contributions – Members are asked to provide **purchase order (PO)** numbers (if needed for their own accounting) within **30 days** after receiving the pre-information letter . Then a **debit note** is issued.
- The Private Members shall pay their contributions to the CAJU within **45 days** from the date of receipt of the payment request (debit note).

Calculation method

1. Contribution from Members: defined in the annual Work Programme and approved by the Governing Board.

⇒ **GB ADOPTED BUDGET FOR THE FINANCIAL YEAR:**

Title Chapter	Heading	Financial year 2023 Amendment 4	Financial year 2023 Amendment 4
		Commitment Appropriations	Payment Appropriations
1 0	SUBSIDY FROM THE COMMISSION	238.262.373	376.136.900
2 0	CONTRIBUTION FROM MEMBERS (NON-EC)	2.085.580	2.085.580
3 0	CARRY OVER FROM PREVIOUS YEAR (executed and estimated)	382.930	1.451.996
5 0	FINANCIAL REVENUES (BANK INTEREST)	0	0
TOTAL REVENUE		240.730.883	379.674.476

Amount to be paid by the private Members to the JU for the given year

Calculation method

2. Contribution from Members: **proportional** to their participation

⇒ **EXAMPLE:**

TOTAL JU CONTRIBUTION

200.000.000,00

CA MEMBERS CONTRIBUTION 2023

2.000.000,00

Total Maximum
JU Contribution

Annual private
Members'
contribution to the
JU's administrative
budget

GA	Short name	Organisation	Max JU contribution GA Phase I	Proportion	CAJU running costs contribution 2023
SMR-01	SPFLY	SUPERFLY	200.000,00	0,10%	2.000,00
HER-04	SPFLY	SUPERFLY	2.000.000,00	1,00%	20.000,00
			TOTAL	1,10%	22.000,00

Clean Aviation running costs contribution

➤ Simplification

- If the yearly individual contribution of a Private Member is ≤ 1.000 EUR, the Private Member's contribution will be waived, and the amount will be redistributed among the other Private Members.

➤ Terminations

- Termination of participation in the Grant Agreements does not lead to termination of membership. Both actions are independent.
- In case of termination of participation of a Private Member during a running year, the **share** of the remaining Private Members shall remain **unchanged** for that year.
- A Private Member whose membership is terminated remains liable to pay its individual contributions to the administrative costs of the CAJU **for the rest of the financial year** in which it is terminated.



CLEAN AVIATION

Anti-Fraud



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Fraud risks in EU research grants

Typical fraud risks in EU research grant management:

- Fake/intentionally inflated costs (typically through falsification of records)
- Misrepresentation (e.g. fake participants, fake contracts etc)
- Embezzlement (misuse of funds for different purposes)
- (Undisclosed) conflict of interest (sub-contractors, auditors, experts)
- Fraudulent bankruptcy (failure of informing the granting authority) ⚠️
- Defaulting beneficiaries (e.g. non-compliance with obligations of grant agreements, fake actions/projects, disappearance after receipt of prefinancing) ⚠️
- Fictitious beneficiaries (e.g. inactive, satellite, shell, dormant, offshore companies)
- (Intentional) irregular subcontracting
- Double funding and Plagiarism when committed intentionally

Actions of the EU in the field of fraud prevention

➤ Measures applied until now:

- automated controls on legal entities
- antifraud provisions in model GAs, IT systems, and business processes
- reinforced monitoring module in Sygma/Compass and so-called Simple checks
- awareness building actions for staff
- awareness building actions for beneficiaries through communications on EC antifraud measures
- audits and OLAF investigations

➤ Focus of future approach:

- Risk analysis and enhanced controls on high-risk types of beneficiaries and/or projects
- Enhance ex-ante controls including in the grant-preparation phase with the
- Use of a system of identified red flags for potential risks
- Use of open sources and specifically developed tools for assessing information reported by applicants and beneficiaries

Actions from you as grant participant (coordinator, beneficiary and affiliated entities)

You are close to the partners (beneficiary and affiliates) in your consortia and thrusts. Find here some concrete actions:

- Be vigilant and look for fraud indicators/red flags (behavior, documentation, results and relationships)
- Economic crisis may further increase risk of bankruptcy and related potential fraud (in particular for small companies) - watch out for underperforming participants
- Question anomalies and/or patterns (e.g. actuals always exactly identical with budgets)
- Encourage whistleblowing/raising of concerns
- Have a robust anti-fraud culture in your entity and in the consortium
- Timely inform CAJU on deviations from the grant agreement, e.g. delay in distribution of prefinancing

Whistleblowing

- A **whistleblower** is someone, acting in good faith, who is reporting issues identified in the course of their duties which indicate serious irregularities.
- Irregularities may be activities deemed as fraud, bribery, corruption or serious professional misconduct.
- whistleblowing procedures are not a channel to report a personal grievance or harassment.
- Individuals reporting their concerns in good faith and in compliance with the guidelines, will be protected against any retaliation.

JU advise: Report directly on OLAF website (notification system), regardless of the magnitude of the observed irregularity – however, provide a minimum of evidence

Consequences when suspicion of fraud is confirmed

- Rejection of costs (Article 27 GA);
- Recovery of pre-financing and any other undue amount;
- Reduction of the grant (Article 28(1)(a)(i) GA);
- Suspension of the grant or any part of it (Article 31(2)(1)(a)(i) GA);
- Termination of the grant agreement or the participation of the defaulting beneficiaries (Article 32(3)(1)(j)(i) GA);

Consequences when suspicion of fraud is confirmed

- EDES registration (early detection/exclusion) (Articles 135 & 136(1)(d)(i) & 141(1)(a)(b) FR);
- Financial penalties (3rd subparagraph of Article 138(1) FR) with the possibility of publishing the name of the company, the established findings and the financial penalties on the Commission's website (Article 140 FR).
- Transmission of the case to OLAF by the OLAF correspondent.
- In case of a defaulting beneficiary's termination in a consortium, the Mutual Insurance Mechanism ("the Mechanism") may intervene for the defaulting beneficiary if its tasks and budget are reallocated within the consortium "3a procedure" (Article 32(1) HE Regulation.) Replaces the H2020 Guarantee Fund.

CAJU anti fraud website

Section on CA Website on Values and Ethics which provides a number of reference documents on antifraud measures in the Commission and in CA JU

For questions:

Contact the CAJU anti-fraud correspondent:

Slobodan.dimitrovski@clean-aviation.eu

or the JU antifraud focal points in each JU unit (via the Head of Unit).



CLEAN AVIATION



Questions?



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CLEAN AVIATION

CONTENT

1. Welcome and introduction
2. Presentation of the JU and the Finance team
3. Financial overview Call 1 and reporting requirements
4. Eligibility of costs – Focus on specific items
5. Other financial aspects
6. Legal guidelines



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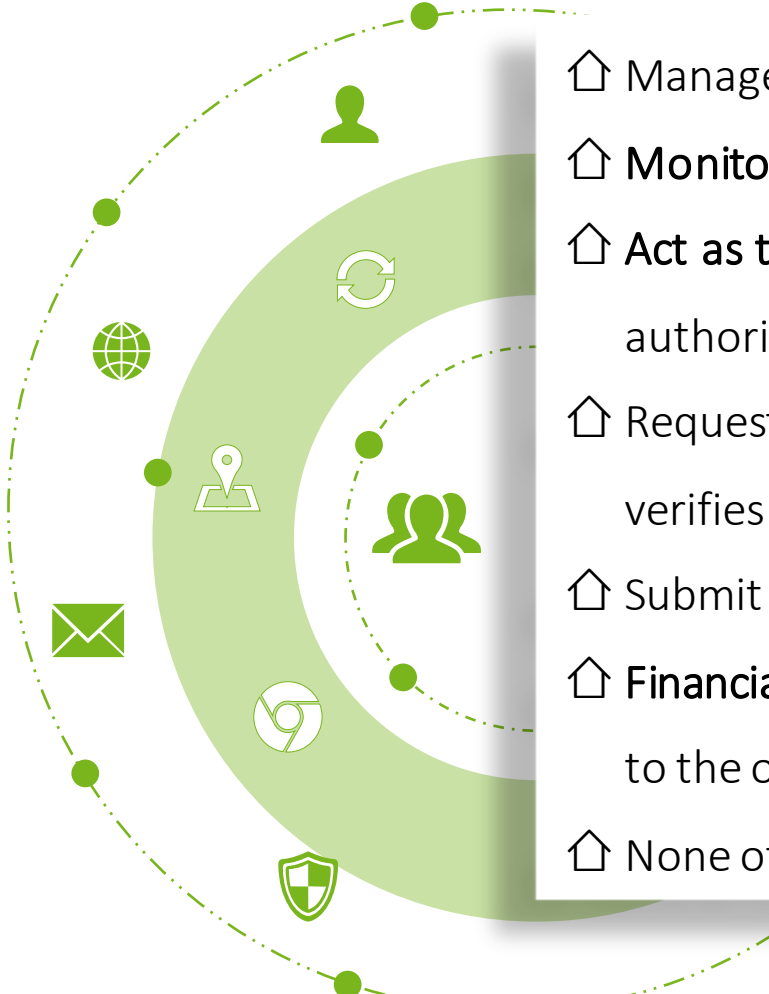
CLEAN AVIATION

- 1) Participation roles in the Grant Agreement
- 2) EASA participation in the CAJU actions
- 3) Consortium and Cooperation agreements
- 4) Membership to CAJU
- 5) HE Rules of participation: specific cases (UK, HU and CN entities)



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COORDINATORS' RESPONSIBILITIES (Art. 7 MGA)

- 
- 🏠 Manage **technical coordination**
 - 🏠 **Monitor** that the **action** is implemented properly
 - 🏠 **Act as the intermediary** for all communications between the consortium and the granting authority
 - 🏠 Requests and **review documents or information** required by the granting authority and verifies their completeness and correctness
 - 🏠 Submit the **deliverables** and reports in the system
 - 🏠 **Financial coordination – distribution of the payments** received from the granting authority to the other BEN without unjustified delay.
 - 🏠 None of the actions of Article 7 can be subcontracted

For the complete list of COO responsibilities, check the HE MGA



BENEFICIARIES OBLIGATIONS (Art. 7 MGA)

Each BEN must:

- 🏠 Keep information stored in the Portal Participant Register up-to-date (see Article 19 MGA)
- 🏠 Inform the granting authority (and the other BENs) immediately of any events or circumstances likely to affect significantly or delay the implementation of the action (e.g., financial difficulties, bankruptcy, etc.)
- 🏠 Submit to the coordinator in good time:
 - ☐ the financial statements and certificates on the financial statements (CFS)
 - ☐ the contribution to the deliverables and technical reports
 - ☐ any other documents or information required by the granting authority under GA
- 🏠 submit via the Portal data and information related to the participation of their affiliated entities



AFFILIATED ENTITIES (Art. 187 FR and Art. 8 MGA)

- ❑ In HE there are no longer Linked Third Parties, but AE
- ❑ Entities with a link with the BEN (*i.e legal or capital link*), neither limited to the action nor established for the sole purpose of its implementation.

LEGAL/CAPITAL LINK COVERS:

- Permanent legal structures (e.g., the relationship between an association and its members)
- Contractual cooperation **not limited to the action** (e.g., a collaboration agreement for research in a particular field)



This covers not only the case of parent companies or holdings and their daughter companies or subsidiaries and vice-versa, but also the case of **affiliates between themselves** (*e.g.; entities controlled by the same entity*).

- ❑ Joint and several liability may be applicable (Annex 3a)
- ❑ Can charge costs and contributions (same as BEN)
- ❑ They will be listed in the GA
- ❑ Budget and tasks included in Annex 1 and 2 (they must report their own costs)

SUBCONTRACTORS (Art. 9.3 MGA)

- ❖ May **implement part of the action**, if needed by the Beneficiary (“BEN”).
- ❖ **Only limited parts of the action** can be subcontracted.
- ❖ Tasks **cannot** be subcontracted to BEN of the **same consortium**
- ❖ Based on **business conditions** (Profit)
- ❖ Tasks cannot be subcontracted to Affiliated Entities (“AE”) with some exceptions



The **BENEFICIARY REMAINS FULLY RESPONSIBLE TOWARDS THE GRANTING AUTHORITY** for action tasks performed by subcontractors.



EXCEPTION: Subcontracting to an affiliated entity

- ❖ a framework contract in place
- ❖ an affiliated entity is the usual provider
- ❖ a subcontract is priced at market conditions

It is the BEN's responsibility to provide evidence confirming above mentioned conditions including proof that the subcontracting entails best value for money and that no conflict of interest exists.

Subcontracted tasks and estimated costs are set out in Annex 1 and 2

BENs will award the subcontractor ensuring best value for money / lowest price no conflict of interest

The BENs contractual obligations also apply to the subcontractor

Have started to take effect (status April 2023)

1. Albania
2. Armenia
3. Bosnia and Herzegovina
4. Faroe Islands
5. Georgia
6. Iceland
7. Israel
8. Kosovo
9. Moldova
10. Montenegro
11. North Macedonia
12. Norway
13. Serbia
14. Tunisia
15. Turkey
16. Ukraine

“Transitional Arrangements” apply as by HE Work Programme

1. Morocco
2. New Zealand
3. United Kingdom



List of Participating Countries in HE (V2.5-01.04.23)

THIRD PARTIES GIVING IKC (Art. 9.2 MGA)



May give IKC to the action (if necessary) and **must be set in Annex 1.**



Do not implement any action tasks.



IKC is (in principle) **free of charge** → Although the BEN can claim IKC costs in its own budget (*Art. 6 MGA*)



Costs are eligible and may be charged by the BEN which use them (*Art. 6 MGA*) → Included in Annex 2 as BENs' costs.

ASSOCIATED PARTNERS (Art. 9.1 MGA)

Entities that implement action tasks **without** receiving EU funding → do not sign the GA

The **Consortium** (or in case an existing legal/capital link exists with a beneficiary, that individual beneficiary) **remains responsible towards the JU** for the action tasks performed by AP → liability regime to be agreed in the Consortium Agreement.

ASSOCIATED PARTNERS

- ☐ APs implement actions tasks attributed to them in Annex 1
- ☐ APs tasks must be set out in Annex 1
- ☐ APs may not charge costs or contributions to the actions; the costs for their tasks are not eligible at HE level

APs compliance with GA obligations: under HE guidance, APs are not in a direct contractual relationship with the granting authority, but they are indirectly linked to the beneficiaries or to a beneficiary → some GA obligations not linked to EU funding must be complied

Consortium must ensure that certain **GA obligations** are applicable to the AP:

- Proper implementation of the action (Article 11 MGA);
- Conflict of interest, Confidentiality and security;
- Information, and Record-keeping
- Checks and audits (Article 25) bodies: ECA, OLAF, etc.

EASA PARTICIPATION IN CAJU ACTIONS: LEGAL OPTIONS



May be involved in the projects to provide its technical contribution in the form of action tasks, expertise and advisory services in the area of certification and other areas (Art. 71 SBA)



Its participation and contribution was envisaged at call/topic level



Annex 1 of GA should describe the requirements and EASA's contribution/tasks

EASA may participate as:

A) THIRD PARTY PROVIDING IKC (Art. 9.2 MGA) – EASA's *contribution* is paid under its "Fees & Charges" while the BEN should claim costs in the action under Art. 6.2.C.3 of the HE MGA



A "[Model Service Contract](#)" agreed by CAJU/EASA is available to support this cooperation model and costs classification

EASA's IKC and related budget must be described in Annex 1

B) BEN - carries out *action tasks*

CAJU CONSORTIUM AGREEMENT (Art. 7 SBA)

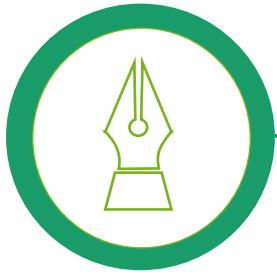


WRITTEN AGREEMENT between members of the consortium (internal)




COMPLEMENTS THE GA and must NOT contain any provision contrary to it:

- ☐ Internal organisation of the consortium
- ☐ Management access to the Portal
- ☐ Distribution keys for payments and financial responsibilities
- ☐ Settlement of internal disputes
- ☐ Liability, indemnification and confidentiality arrangements



Should be **NEGOTIATED AND CONCLUDED BEFORE GA** signature (proof of signature to be provided to the JU – not the actual CA)

CAJU COOPERATION AGREEMENT

 CAJU Cooperation model distributed
to Call 1 Project Coordinators on
15/3/2023

LEGAL BASIS

Legal condition applicable to the call topics and to the funded projects - Part of the upcoming amended HE MGA Annex V

PURPOSE

- ☐ Set out a **framework** for the exchange of information and/or data among CAJU-funded actions
- ☐ **Foster integration of results** from different projects towards programme downstream exploitation;
- ☐ **Support JU impact monitoring and boost synergies** across the whole programme

HOW

Stakeholders' cooperation across the JU projects

WHO

All consortia partners as stakeholders – JU not party

WHEN

For Call 1: within **6 months** from GA signature → By the time call 2 GAs are signed, there will be a CAJU Cooperation Agreement in place to which call 2 participants will be requested to accede

WHERE

Operationalization at action level: reporting on exchanges between connected actions

CAJU MEMBERSHIP (I)

JU Membership:

- ☐ 27 Founding Members (Annex I - SBA)
- ☐ 12 Associated Members (Selected in CEI)



Upcoming Call for Expression of Interests for Associated Members (CEI) - May 2023



Membership legal framework:

- ☐ Regulation (EU) 2021/2085 ("SBA") adopted by the Council of the European Union on 19/11/2021 - Establishes the JU under HE
- ☐ CAJU Membership Agreement
- ☐ Financing Agreement
- ☐ Letter of Commitment

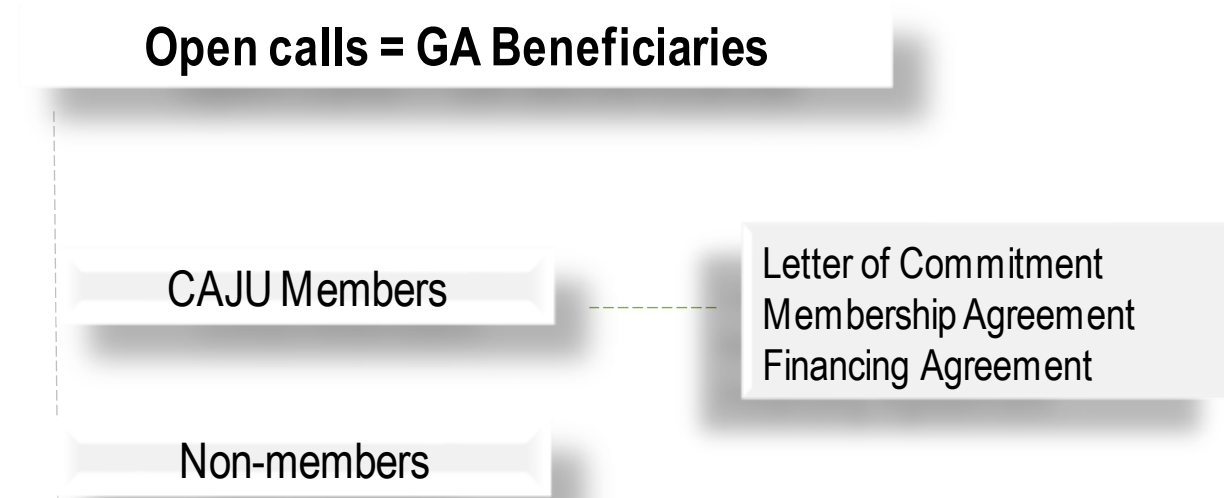
Membership obligations at the level of the Programme:

- ☐ to provide strategic and long-term commitment
- ☐ to perform core tasks and to bring key capabilities while implementing research actions
- ☐ to bring IKC (In-kind contributions) → IKOP & IKAA
- ☐ to bring financial contribution to the administrative costs of the JU
- ☐ to inform in a timely manner the JU about any legal change undergone by a Member (mergers or acquisitions, take overs, significant changes in ownership, control or composition)

CAJU MEMBERSHIP (II)

Membership Obligations at the level of the projects (Annex 5 of the GA “Specific Rules”)

- ☐ Projects shall contribute to the implementation of the SRIA, SBA objectives and exploitation;
- ☐ Fulfil their 1.5 IKC obligations over project implementation



CAJU MEMBERSHIP'S (III): TERMINATION

SCENARIO I - Termination at the initiative of a Private Member:

- (1) Termination of participation of a Private Member from a GA → Coordinator of the GA notifies the JU
- (2) Written notification sent by a Private Member to the CAJU Executive Director → becomes effective 6 months after notification

SCENARIO II - Termination following the GB decision

- ☐ Significant legal changes undergone by a Private Member affecting the call for proposal eligibility conditions or/and affecting the Union's or the JU's interest on grounds of security or public order → becomes effective no later than 6 months from the GB decision

Termination of the Membership ≠ Termination of the participation in a GA

NEW HE RESTRICTION MEASURES: HU&CHINESE ENTITIES



The **COUNCIL IMPLEMENTING DECISION (EU) 2022/2506** on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary that took effect on 16 December 2022.

As from 16 December 2022, Article 2(2) of [this Decision provides](#) that legal commitments must not be entered into with any public interest trusts established on the basis of the Hungarian Act IX of 2021 or any entity maintained by such a public interest trust. [The prohibition to sign legal commitments involving Union funding applies to the entire chain of financing that involves Union funding](#):

- Purchase of goods, works or services
- Subcontracting
- Financial support to third parties
- Equipment renting or leasing
- Personnel seconded against payment.

For additional information, please consult your coordinator who received the notification on 3/4/23 or please check [FAQs](#) published on the fundings and tender portal



Legal entities established in China are not eligible to participate in Horizon Europe Innovation Actions in any capacity ([General Annexes to the HE WP 2023-2024](#))

HE TRANSITIONAL ARRANGEMENTS: UK ENTITIES



TRANSITIONAL ARRANGEMENTS:

Until the UK-EU Association Agreements starts producing legal effects either through provisional application or their entry into force, **transitional arrangements**.

For the purposes of the eligibility conditions, **applicants established in the UK will be treated as entities established in an Associated Country**, if the HE association agreement with the UK applies at the time of signature of the GA.

ROLE OF UK ENTITIES IN PROPOSALS:

UK entities are fully eligible to apply for funding to the CAJU calls and to participate in CAJU projects and **shall be listed in proposals as BEN** and **request EU funding** for their proposed project activities from the CAJU.

UK GOVERNMENT'S HORIZON EUROPE FUNDING GUARANTEE:

UK applicants are strongly advised to consult the UKRI website and the [HORIZON EUROPE FUNDING GUARANTEE](#) for all details concerning the access to the Innovate UK funding.



Thank you
Any questions?



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Do not forget to
fill in the survey



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