

GUIDANCE FOR REDUCING THE FINANCIAL RISK IN EU PROJECTS

A brief guide on what requires special attention in the financial management of EU projects, especially the H2020 projects, to reduce financial risk

PROJECT PLANNING

- You need to be familiar with all the rules on eligible costs specified in the call/programme.
- You really should envisage all of the costs which are going to be incurred in the project.
- In planning personnel costs, an estimate of the person-month (PM) unit cost is used to calculate the budget. It is vital that an appropriate sum is planned to cover this cost. You cannot plan a high PM rate if you later hire researchers with a low PM because you will not be able to spend all the approved funds over the course of the project. The project financing agreement requires you to complete the work within a specific number of PMs, which means you cannot significantly change this number later on.
- In planning personnel costs, you must also take into account potential performance bonuses resulting from an increased work volume and any probable promotions of project researchers over the course of the project.
- You need to agree on which employees will be working on the project. It is vital that the staff is available (i.e., that potential associates are not already engaged in some other project in the future) and you know what their actual cost will be.
- If the call requires the costs to be co-funded, you must find an eligible source to fund your own participation in the project in accordance with the call's rules.
- It is important what portion of the funds is envisaged to cover indirect costs, according to the rules specified in the call, and what the Faculty's rules are regarding the distribution of indirect costs by project.
- You should carry out certain necessary activities even before the project begins (but not before it is approved) because, for example, hiring researchers or the public procurement procedure for purchasing expensive equipment may take several months.

PROJECT IMPLEMENTATION

General

- When the project is launched, prepare a cost breakdown by year, taking into account the envisaged actual costs of the personnel working on the project, possible depreciation, other envisaged indirect costs and VAT. If you plan your future expenditure poorly, you may not spend all the funds from the approved budget; in this case, the coordinator must reallocate the approved funds to other partners. This must be established early enough that other partners can use the funds approved, otherwise they may need to be returned (including by the coordinator).
- All indirect costs must be booked to the project's cost centre (on or off balance sheet).
- Indirect costs must only refer to approved and actually implemented project activities.

Equipment costs

- In most programmes, only the depreciation of equipment over the course of the project and its usage counts as an eligible cost, and therefore it is important for the equipment to be purchased as soon as possible (preferably immediately before the project launch).
- The equipment must be purchased in accordance with the principles of cost efficiency (several offers) and the national public procurement laws.
- An equipment usage log must be kept (except for equipment which is only used for the project).

Personnel costs

- You must check what model is envisaged by the programme/call for reporting personnel and other costs and, what model is used at the University of Ljubljana (if there are several models available).

- Personnel costs must be appropriately supported by time-sheets / employment contracts / referrals and other documents proving that an employee is working on the project. It is recommended that each researcher keep one time-sheet for all projects and assignments as part of their job to prevent double payment for the same hours.
- Make sure you only report the eligible costs of actually completed productive hours.
- To calculate personnel costs in Horizon 2020 projects, you must calculate the hourly rate and then multiply it by the number of productive hours completed on the project, taking into account any researcher's absences (time off, sick leave, etc.). Always check the University of Ljubljana rules for hourly rates and how personnel costs are reported in individual programmes. The University of Ljubljana uses an individual annual hourly rate model for Horizon 2020 projects, and therefore in the event of reporting in the middle of the financial year you must use every researcher's individual annual hourly rate for the previous year; because of this not all actual costs can be reimbursed (especially if there are promotions or the number of absences in the reporting year is significantly greater than in the previous year).
- For as uniform as possible calculation of the annual hourly rate between individual years, the allocated (and not used) annual leave is taken into account for Horizon 2020 projects. This way the number of absences and resulting hourly rate do not differ significantly between years, and so you can reimburse most personnel costs.
- Make sure not to include any ineligible items (e.g., overtime teaching hours) in your calculation of the hourly rate.

Travel costs

- Only the travel costs of employees working on the project count as eligible. In addition to the travel order and copies of receipts, the travel cost documentation must also include signed lists of attendees at a project consortium's meeting or conference, the event's programme and a report.

Unit costs

- When reporting unit costs, make sure not to include any ineligible costs in your calculation of an individual unit cost.

Subcontractor and third party costs

- In Horizon 2020 projects, the costs of subcontractors or third parties must be approved in advance and subcontractors must be selected in accordance with the principles of cost efficiency and national public procurement laws. Failing this, these costs may not be deemed eligible and may not be reimbursed.

VAT

- If eligible costs include non-recoverable VAT, you must prepare the suitable documentation (legal basis, a calculation of the deductible portion of VAT, etc.) to prove that this cost has been properly calculated.

Indirect costs

- Indirect costs are largely approved in the form of a lump sum. You need to be aware that the lump sum for indirect costs always depends on the direct costs used. If not all direct costs planned are incurred, then the indirect cost lump sum will be lower.

PROJECT COMPLETION

- After the project is completed, make sure all the documentation is collected and stored in one place, that all the time-sheets have been signed by researchers and the project head, and that all the required reports, copies of receipts and documents on collecting offers, on public procurements or any other calls have been enclosed. An EU audit may be conducted even several years after the project is completed, even if the project head or individual researchers working on the project are no longer employed at the University of Ljubljana. If the documentation is incomplete, the auditor may reject the costs and funds must be returned.