



## Communication to Horizon 2020 beneficiaries

### How to avoid errors when claiming costs in H2020 grants

#### 1. INTRODUCTION

It is in the interests of beneficiaries and the Commission that there are **as few errors as possible** when claiming costs. A low error rate:

- strengthens the reputation of Horizon 2020
- means continued taxpayer support for science and innovation funding
- speeds up payments
- reduces the administrative burden by preventing having to recover amounts unduly paid.

With this in mind, we want to share the main findings of the first ex-post audits on H2020 grants. We have listed the most common errors along with some explanations. Please bear them in mind when claiming costs.

The [annotated model grant agreement](#) contains detailed guidance, including examples and specific cases. The answers to the frequently asked questions are also published on the [Funding & Tenders Portal](#). The [Research Enquiry Service](#) can also help you.

## 2. MOST COMMON ERRORS IN H2020

The Annex contains an overview of the results of H2020 audits available as of October 2019, corresponding to approximately 18,2% of the audits planned for H2020. It provides details on the percentage of main errors, per budget category, which lead to adjustments in favour of the EU budget.

The most common errors made by audited beneficiaries are as follows:

### - Personnel costs

- incorrect calculation of productive hours
- ineligible remuneration costs for the calculation of the hourly rates for both actual costs and for average personnel costs
- incorrect time claimed.

### - Subcontracting and other direct costs

- costs without valid supporting documents.
- costs not foreseen in the grant agreement or agreed by EU services.

### - Other direct costs

- errors in equipment costs due to no direct measurement of the costs
- lack of adequate supporting documents for other goods and services
- travel costs not related to the action or missing supporting documents.

## 3. HOW TO AVOID THE MOST COMMON ERRORS

### Calculation of productive hours

- To calculate productive hours, you must use one of the three options provided for in the H2020 model grant agreement: '**fixed number of hours**' (1 720), '**individual annual productive hours**' or '**standard annual productive hours**'.

However, you can use different options for different types of personnel provided that the same option is applied *consistently* to each personnel group employed under similar conditions (e.g. same staff category or same type of contract).

- You must use the same option(s) for the full financial year.
- For hourly rates calculated on a monthly basis, you cannot use option 2 (individual annual productive hours).
- If in doubt, use **option 1** (1 720 productive hours) — you do not need to document it and the auditors will not challenge it.

### **Ineligible remuneration costs**

- Ensure that remuneration is in line with your usual practice (e.g. you should not use budgeted, standard, estimated or fixed rates for calculating remuneration costs).
- Remuneration must be supported by evidence (e.g. payroll, salary slips, employment contracts).
- Remuneration should be paid in accordance with national law, the collective labour agreement and the employment contract (or equivalent appointment act).

### **Incorrect time claimed**

- As a general rule, you must keep timesheets that comply with the minimum requirements stipulated in the H2020 grant agreement. If you do not have a model timesheet of your own, you can find an example prepared by the Commission [here](#).
- You should ensure that the total number of hours declared in EU and Euratom grants for a person for a year is not higher than the number of annual productive hours used to calculate the hourly rate. The total amount of personnel costs declared in these grants for a person for a year must also not be higher than the total personnel costs recorded in your accounts (double ceiling).
- You should only claim hours actually worked on the project. As such, information included in timesheets must match records of annual leave, sick leave, other types of leave and work-related travel. You also cannot claim hours during absences (such as annual leave or sick leave).

### **Claiming costs related to the action**

- You should make sure that you can demonstrate a link to the H2020 action (e.g. travel for which costs are claimed must be necessary for the action).
- If it is normal practice for you to consider certain costs as indirect costs, you cannot declare them as direct costs.

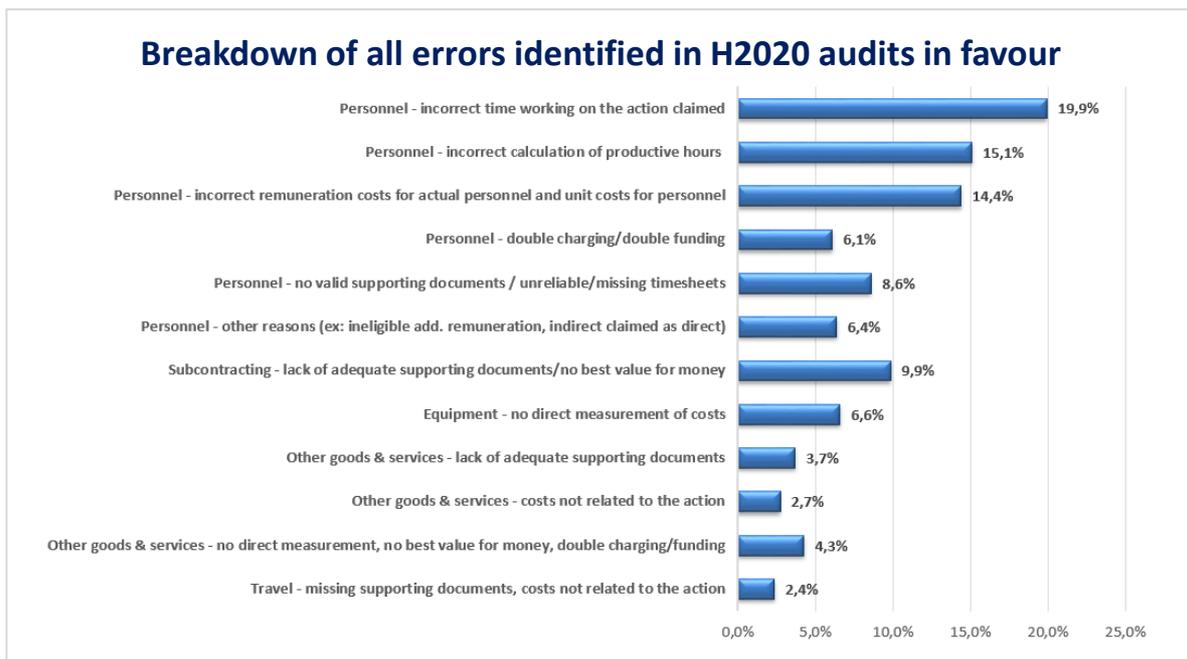
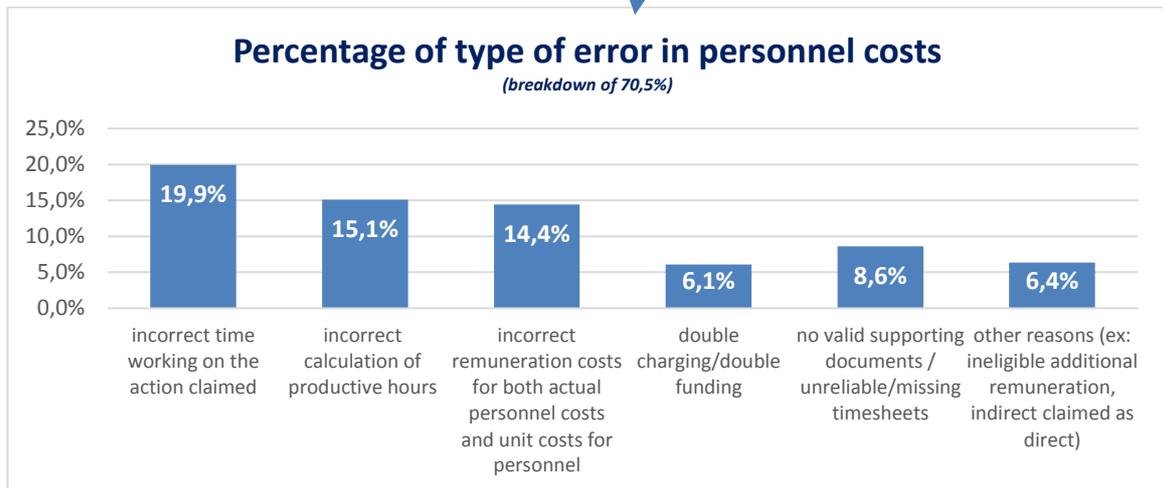
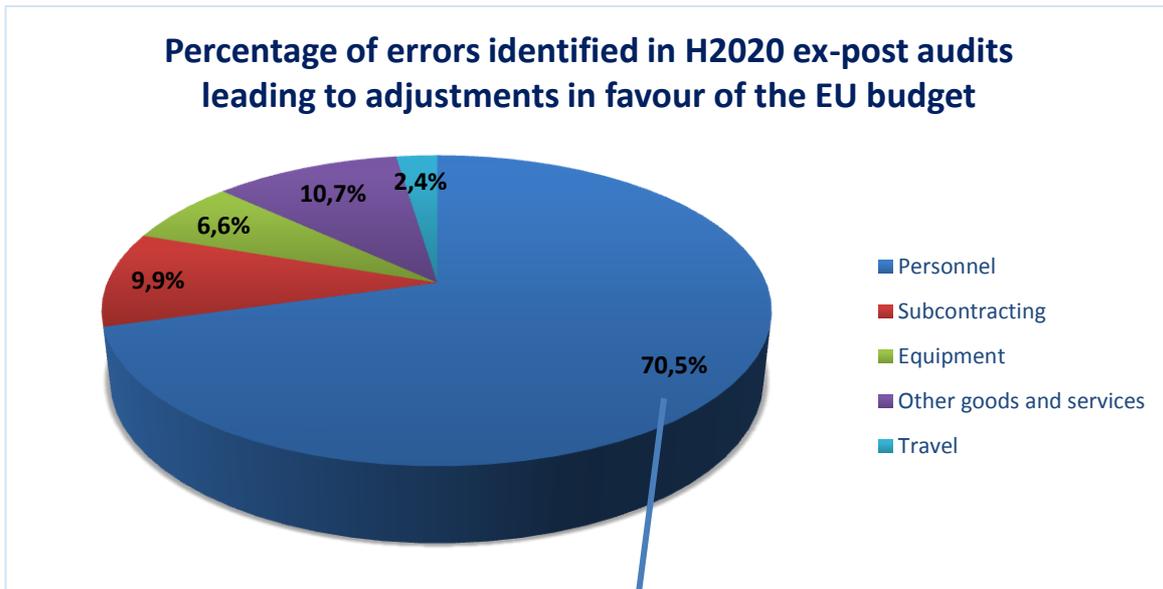
### **Ensuring all costs are properly documented**

- Costs claimed must be identifiable and verifiable. This means that they must be reconcilable with your accounts and supported by documentation.
- The acquisition of goods and services (subcontracting or other direct costs) should comply with the 'best value for money' principle. To demonstrate best value for money, you must also document that the internal procedure was followed or that the subcontracted tasks were carried out.

### **No direct measurement of costs**

- You should ensure that goods and services (e.g. consumables) charged as direct costs to the project are measured accurately and charged at cost basis. This implies that goods or services are not charged to the action using an apportionment method (approximation, distribution keys, etc.).
- In the absence of direct measurement, you cannot claim costs as direct costs. Such costs are considered as indirect costs, which are calculated using the 25 % flat rate in H2020.

**ANNEX – OVERVIEW OF INITIAL RESULTS OF H2020 AUDITS**  
*(figures refer to audits on actions declaring actual costs up to 1<sup>st</sup> October 2019)*



## 1. Personnel costs

Personnel costs are the largest type of costs claimed and reimbursed under H2020. Most of the errors identified in audits involve personnel costs, with a total of 70,5% of all errors leading to adjustments in favour of the EU budget. This breaks down as follows:

- 19,9% were due to incorrect time working on the action claimed
- 15,1 were due to the incorrect calculation of productive hours
- 14,4 were due to incorrect remuneration costs for both actual personnel costs and unit costs for personnel (for example: budgeted costs or estimates were claimed rather than actual costs)
- 8,6% were due to invalid supporting documents or unreliable/missing time sheets
- 6,1% were due to double charging or double funding
- 6,4% were due to other reasons, for example ineligible additional remuneration, indirect costs claimed as direct costs.

## 2. Subcontracting

Of all the errors identified under subcontracting (9,9%), the majority were due to a lack of adequate supporting documents or not foreseen in the grant agreement or agreed by EU services.

## 3. Other direct costs

### Equipment costs

- errors in equipment costs (6,6% of all errors) are mainly due to no direct measurement of the costs.

### Other goods and services

10,3% of all errors identified in financial audits are due to mistakes in declaring other goods and services. This breaks down as follows:

- 3,7% were due to a lack of adequate supporting documents
- 2,7% were because the costs claimed were not related to the action
- 4,3% were mainly because those costs could not be measured directly or because indirect cost items were claimed as direct costs or double charging, double funding or because of non-compliance with the 'best value for money' principle.

### Travel costs

2,4% of all errors were found in travel cost declarations. The findings mainly pointed to the fact that there was a lack of supporting documents to justify the costs, or that the costs claimed were not related to the action.