

Disclaimer

The present document is an internal document that outlines the procedure as currently envisaged by the Commission.

It is made available only for advance information and will be integrated into the Horizon 2020 Grants Manual in the months to come.

Only the text that will be published in the Horizon 2020 Grants Manual will be the final text.



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“PROCEDURE ON REQUESTING AND PERFORMING AN *EX-ANTE* ASSESSMENT”

1. BACKGROUND

1.1. Criteria

The Guidelines on Direct Costing for Large Research Infrastructures (“guidelines”)¹ are open to all Beneficiaries who respect the definition of Large Research Infrastructure together with the cumulative eligibility criteria defined in the Article 6.2.D.4 of the General Model Grant Agreement for the Horizon 2020 – the Framework Programme for Research and Innovation of the European Union (2014-2020) and the Research and Training Programme of the European Atomic Energy Community (2014-2018) as adopted by a Commission Decision².

In summary, the guidelines only apply, if:

- i. The sum of historical asset values of each individual research infrastructure of that Beneficiary, as they appear in its last closed statement of financial position (balance sheet) before the date of the signature of the Agreement or as determined on the basis of the rental and leasing costs of the research infrastructure amounts a value of at least EUR 20 million, and;
- ii. The value of the large research infrastructure (as calculated above) represents at least 75% of the value of the total fixed assets, and;
- iii. The Beneficiary’s methodology for declaring the costs for large research infrastructure has been positively assessed by the Commission (‘*ex-ante* assessment’) and;
- iv. The Beneficiary declares as direct eligible costs only the portion which corresponds to the duration of the action and the rate of actual use for the purposes of the action, and;

¹ Commission Decision C(2013)8699 dated 10th December 2013

² Commission Decision C(2013)8698 dated 10th December 2013

- v. The capitalized and operating costs of ‘large research infrastructure’ directly used for the action comply with the conditions as detailed in the Horizon 2020 Grant Manual.

The two first criteria can be illustrated in the following table:

Balance Sheet in K€												Σ RI (A+C+D+E+F)	Σ RI Σ Fixed Assets (in %)
Assets													
Fixed Assets								Current Assets	Σ Assets				
Intangible Assets		Tangible Assets				Financial Assets	Σ Fixed Assets						
	IA constituting the Research Infrastructures (RI)	Other IA	Tangible Assets constituting the Research Infrastructures (RI)				Other Tangible Assets						
Scenario	A	B	C	D	E	F	G	H	Σ A ⇒ H	I	J		
Scenario 1	100	100	3.600	200	16.000	-	200	500	20.700	25.000	45.700	19.900	96,14 %
Scenario 2	100	100	3.700	200	16.000	2.000	200	8.000	30.300	25.000	55.300	22.000	72,61 %
Scenario 3	100	100	3.700	200	16.000	2.000	200	7.000	29.300	25.000	54.300	22.000	75,09 %

- ✓ Scenario 1: Beneficiary does not qualify: $\Sigma RI < EUR\ 20\ Mio$;
- ✓ Scenario 2: Beneficiary does not qualify: $(\Sigma RI / \Sigma\ Fixed\ Assets)\% < 75\%$;
- ✓ Scenario 3: Beneficiary does qualify.

This document sets up the procedure for requesting and processing an *ex-ante* assessment (eligibility criteria defined under iii.), and explain the consequences on further possible audits.

The treatment of special cases (assets given for a symbolic amount by a public body, and rental & leasing costs) is explained in [Annex I](#) of this document.

2. THE EX-ANTE ASSESSMENT PROCESS

2.1. Purpose and scope

The purpose of the *ex-ante* assessment process is to provide the Beneficiary with an opinion on compliance with the methodology used to identify and measure the costs of large research infrastructure as direct, against the relevant H2020 provisions (in particular the guidelines as they appear in Commission Decision C(2013)8699 dated 10th December 2013, as well as in the relevant chapter of the “*Horizon 2020 Annotated Grant Agreement*”).

The scope of the *ex-ante* assessment process is the Beneficiary’s methodology as described in a written document endorsed by its management, and in place.

The *ex-ante* process is composed of two steps:

- 1) *Status validation*: a verification that the Beneficiary operates infrastructure that qualifies as “Large Research Infrastructure”;
- 2) *Methodology compliance*: an assessment which ensures that the Beneficiary’s methodology complies with the rules established in the guidelines.

Only when the two steps are positive, the guidelines can be used.

A chart of the overall process is provided in [Annex II](#) to this document.

2.2. Status Validation

2.2.1. Lodging a request

A Beneficiary operating large research infrastructure which considers having reached the threshold criteria mentioned above (see [§ 1.1](#)) and is willing to apply the guidelines is entitled to lodge a request for an *ex-ante* assessment.

The request must be made by filling the appropriate fields in the Participant Portal. By executing this action, the Legal Entity Appointed Representative (LEAR) of the Beneficiary informs the Commission that:

- i. the Beneficiary has a written methodology to identify and measure the costs of large research infrastructure as direct that has been endorsed by the management and is in place,
- ii. the Beneficiary considers that the methodology complies with the conditions set out in the guidelines (as part of the “*Horizon 2020 Annotated Grant Agreement*”), and
- ii. the Beneficiary is willing to undergo the procedure explained below.

This request shall be complemented by providing the compulsory documents listed in [Annex III.1](#).

Such a request will not lead to an *ex-ante* assessment if it appears from the EC analysis that one (or more) of the eligibility criteria defined above is not met.

2.2.2. Acknowledgment receipt of the request

The Beneficiary will be informed that the request has been received. The lodged request will be analysed by the EC services in terms of (i) completeness of the set of documents provided, and (ii) compliance with the criteria mentioned above.

In case a compulsory set of information is missing, or in case the Beneficiary fails to provide any supplementary information allowing the EC services to properly verify the above mentioned criteria, the Beneficiary will be informed in writing.

The Beneficiary will have to reply within 10 working days from the notification of information missing. As far as a request is not completed with all necessary requested document and information, the desk review will not take place.

2.2.3. *Desk review*

All complete requests will be subject to a desk review. Any additional information needed must be provided timely via email by the Beneficiary.

Before the final conclusions of this desk review are issued, and if there is a preliminary finding, a contradictory procedure will take place by exchange of emails for which the reply of the Beneficiary must be provided within 10 working days.

Only when the verification confirms the compliance with the thresholds of EUR 20 million and 75% of the value of the total fixed assets, the second step of the *ex-ante* assessment process will be performed in order to verify whether the Beneficiary's direct costing methodology complies with the relevant rules and the guidelines.

In case the Beneficiary does not comply with the criteria, or in case the Beneficiary repeatedly fails to provide the information requested, or to provide them in time, the file will be considered as closed, the guidelines cannot be applied, and the costs of research infrastructure cannot be declared according to them. The Beneficiary will be informed accordingly.

The Beneficiary will be equally informed in case of positive outcome of the status validation.

2.3. Methodology Compliance

2.3.1. *Letter of announcement*

Practicality arrangements will be undertaken prior to the visit on the spot. The visit will be announced by an official letter of announcement, together with a list of additional documents to be provided before the visit by the Beneficiary (see in [Annex III.2](#) a non-exhaustive list of documents to be provided).

2.3.2. *Mission on the spot*

The mission on the premises of the Beneficiary will take place subject to the practicalities confirmed in the letter of announcement. The duration of the mission cannot be predetermined, however an average of 5 working days should be envisaged.

Arrangements should be made by the Beneficiary for the appropriate finance and other officers who deal with costing, accounting, internal control and recording systems to be available for the duration of the mission.

2.3.3. Draft report and Contradictory procedure

A draft report on the compliance of the Beneficiary's methodology³ with the relevant rules and the guidelines will be issued. The draft report will highlight the non-compliant component(s) of the Beneficiary's methodology, if any. In this case, the draft report will be subject to a contradictory procedure with the Beneficiary.

The Beneficiary must send its comments in writing to the Commission's services within one month after the issuance of the draft report. The Beneficiary may wish - at this stage - to remove the non-compliant component(s) from its methodology as identified in the draft report (e.g. not including the non-compliant cost component in the amounts declared as direct eligible costs).

In case no reply is received within one month, the draft report will be considered as final. The Commission services are not obliged to take into account late comments and information.

2.3.4. Ex-ante assessment final report

After the contradictory procedure, if such a contradictory procedure was necessary, the final *ex-ante* assessment report will be issued. Its outcome may be either:

- a. *Positive* - acknowledging the compliance of the Beneficiary's methodology with the relevant rules and the guidelines. If the draft report highlighted non-compliant components, a positive *ex-ante* assessment will be issued only if the Beneficiary formally modified, during the contradictory procedure, its methodology, by removing from it the non-compliant element(s). If the Beneficiary does not modify its methodology by removing the non-compliant elements, its methodology as a whole will be considered as non-compliant;

or

- b. *Negative* with the consequence that the guidelines will not be applicable.

The *ex-ante* assessment can only be considered as positive when this has been expressly confirmed by the Commission's services with the issuance of a positive *ex-ante* assessment report.

Only when the positive final *ex-ante* assessment report has been issued, the Beneficiary is entitled to declare the costs of large research infrastructure according to the guidelines. However, a positive final *ex-ante* assessment report allows the Beneficiary to adjust, if needed, the costs already declared in previous financial statements.

³ The methodology as sent out by the Beneficiary which was the scope to the *ex-ante* assessment will be annexed to the report

Any cost declared without a positive *ex-ante* assessment report will be rejected.

The issuance of the final *ex-ante* assessment report closes the process explained above.

The Beneficiary must communicate in writing to the Commission any change of its positively *ex-ante* assessed methodology. The changes can only be considered as accepted when this has been expressly confirmed by the Commission's services.

A beneficiary that does not apply the methodology as positively assessed by the EC may be considered as having committed an error or being in breach of its obligations. The costs declared accordingly may be challenged by *ex-post* audits.

3. CONSEQUENCES OF THE *EX-ANTE* ASSESSMENT ON FUTURE AUDITS

As mentioned in chapter 2 of the guidelines : *“Only those beneficiaries operating research infrastructure that qualify with the definition of “large research infrastructure”, and with the eligibility conditions, are allowed to declare the corresponding direct costs according to the present guidelines, and only after having received a positive ex-ante assessment from the Commission’s services.”*

The costs declared in accordance with the methodology positively assessed by the Commission will not be challenged during ex-post audits, except in case of irregularity and fraud. “

3.1.1. *Before a positive ex-ante assessment has been issued or in case of a negative ex-ante assessment report has been issued*

The guidelines cannot be applied.

The certifying auditors⁴ – where applicable – and/or EC *ex-post* auditors will, in particular, ensure that no cost component of those assessed as non-compliant is unduly included in any direct eligible cost category.

3.1.2. *Once a positive ex-ante assessment has been issued*

The certifying auditors⁵ – where applicable – and/or the EC *ex-post* auditors will:

- i. ensure that the methodology as approved and annexed to the final *ex-ante* assessment report (or amended following a notification of a change which has been formally accepted by the Commission services) has been correctly applied to declare the costs;

⁴ In the context of the Annex V of the Model Grant Agreement as adopted by the College on 10th December 2013 - C(2013)8699

⁵ In the context of the Annex V of the Model Grant Agreement as adopted by the College on 10th December 2013 - C(2013)8699

- ii. ensure the accuracy of the calculations.

In case the Beneficiary has changed its methodology and these changes have not yet been formally accepted by the Commission, the certifying auditors⁶ – where applicable – and/or the EC *ex-post* auditors will not assess the changed methodology used to declare costs.

The Beneficiary is considered not having anymore a cost accounting methodology positively assessed allowing it to apply the guidelines.

As a consequence, the costs declared in the Financial Statement as other direct costs in the sub-category Research Infrastructure costs will be either:

- a. fully disallowed;
- b. partially disallowed for the costs related to the component(s) of the methodology which have been changed provided that these cost items can be clearly identifiable. If they are not clearly identifiable, the costs declared as Research Infrastructure costs will be fully disallowed.

Enclosures: 3 annexes

ANNEX I: SPECIAL CASES

1. ASSETS GIVEN FOR A SYMBOLIC AMOUNT BY A PUBLIC BODY

A Beneficiary which operates a large research infrastructure which has been provided for free (“*nummo uno*”) by a Member State or any other public body (i.e.: Region, City, ...) (“*public body*”) - may report in its statement of financial position (Balance Sheet) a historical value which differs from the real historical value (e.g. symbolic amount or even zero).

In order to calculate compliance with the thresholds set out in Section 1.1, the historical value of this research infrastructure as it was recorded in the statutory books of the “*public body*” at the time of transfer (acquisition) can be used, provided that all supported documentation is made available.

These documents must respond to the same requirements as required by the guidelines.

2. RENTAL AND LEASING COSTS

A Beneficiary may operate a large research infrastructure which is either rented or leased and is not recorded in its balance sheet.

In order to calculate the thresholds, the sum of the periodic instalments for renting and/or leasing (excluding any finance fee/interest) of that research infrastructure can be used, provided that all supported documentation is made available.

Example:

- Assumptions:
 - a) *A large research infrastructure is under leased during a 5 year period for a total rental/leasing cost of EUR 12 million per year;*
 - b) *Finance lease expenses are allocated between interest expense (EUR 1,2 million) and principal value (EUR 10,8 million)*

- Calculation

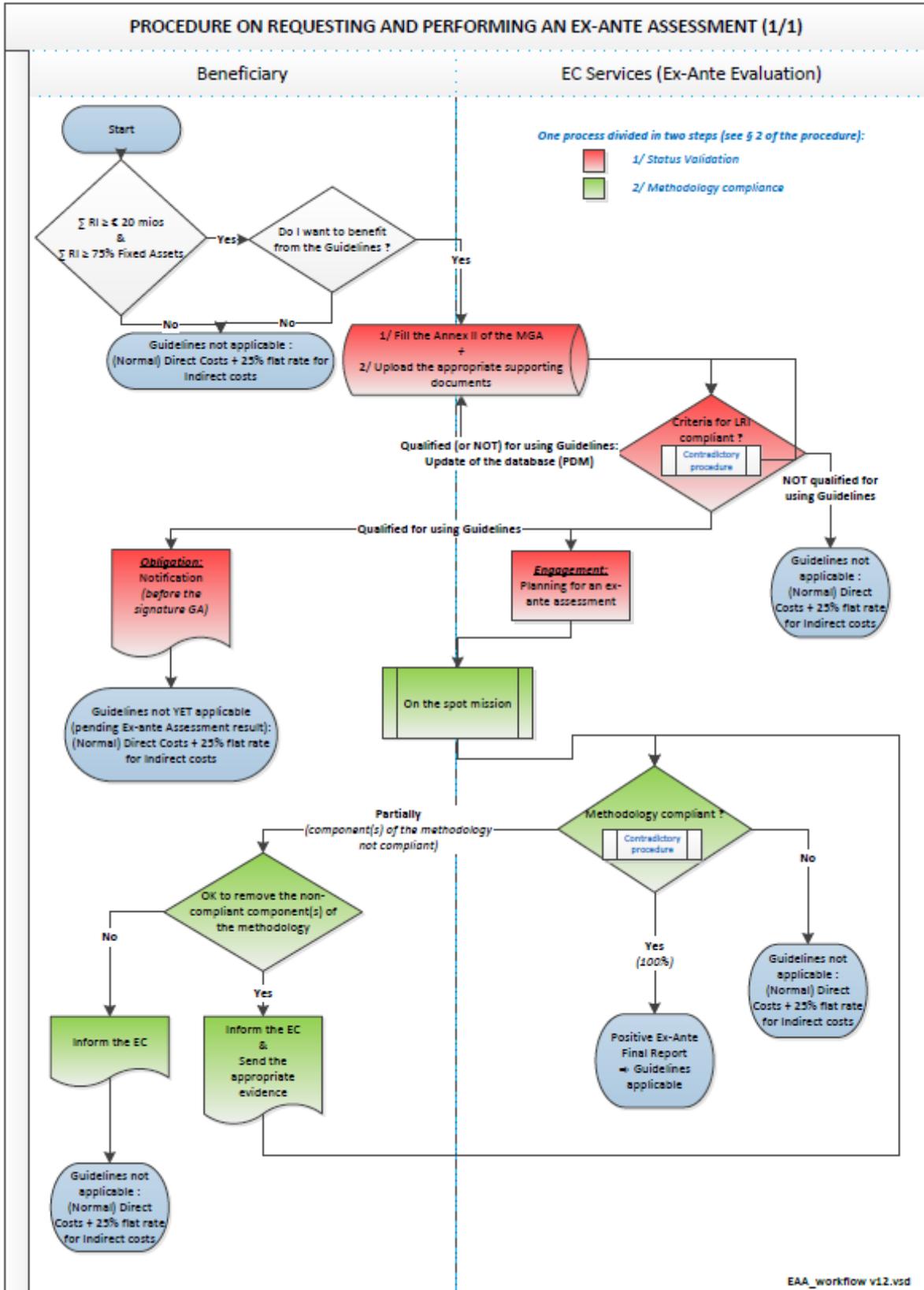
The Beneficiary can consider for the calculation of the criteria i):

$$5 \times \text{EUR } 10,8 \text{ million} = \text{EUR } 54 \text{ million}$$

 The values of renting or leasing of a research infrastructure considered by the (tenant) Beneficiary, can only be considered by the latter, and not by the owner, nor any other Beneficiary.

See also example 5 under § 4.4 of the guidelines as they appear in the relevant chapter of the “*Horizon 2020 Annotated Grant Agreement*”.

ANNEX II : CHART OF THE OVERALL PROCESS



ANNEX III: INFORMATION TO BE PROVIDED

Depending on the step of the *ex-ante* process, different documents have to be provided.

1. STATUS VALIDATION

The following set of preliminary compulsory information should accompany a request for an *ex-ante* assessment:

- 1) A brief description of the activities of the Beneficiary (i.e.: legal form, organizational chart, etc), in particular the ones associated with the large research infrastructure (i.e.: description of the different domains of activities (research/focus areas), etc);
- 2) The breakdown of the research infrastructure per physical location and research area and the associated costs amounts as carried in the accounts of the Beneficiary. The table below needs to reconcile with the Fixed Asset Register of the Beneficiary :

Location of Infrastructure	Research area / domain	Historical Cost of Research Infrastructure
Location A	Research area / domain X	
Location B	Research area / domain Y	
Location C	Research area / domain Z	
TOTAL		

- 3) The two last statutory accounts (i.e. Statement of financial position⁷, Profit & Loss Accounts & Annexes).

2. METHODOLOGY COMPLIANCE

In the letter of announcement (see [§ 2.3.1](#)), the following set of information will be requested:

- 4) A description of the cost accounting methodology (written document endorsed by the management) showing the way the Beneficiary recognises the costs of its research infrastructure and their subsequent measurement. This description should allow the assessor to:
 - a) identify the nature of the costs;

⁷ Balance Sheet

- b) distinguish the costs that are solely relevant to a given research infrastructure, or are shared among several research infrastructures;
 - c) understand the mechanisms employed in order to measure costs per research infrastructure.
- 5) A reconciliation of the cost accounting structure of the research infrastructure with the Beneficiary's statutory accounts and coherence with organizational chart.
- 6) The description of the measurement used⁸ / unit of use⁹ for each and every category of operating costs incurred specifically for running the research infrastructure(s).

⁸ See Paragraph 4.4 of the guidelines

⁹ See Paragraph 4.4 of the guidelines