

WP3

Operations, HR, Finance, Administration

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EATRIS-ERIC

Surveys

Four surveys prepared with task leaders and WP contributors open for responses between **November 2019 and January 2020**.

- *Budgeting and financial reporting*
- *Procurement, VAT, customs*
- *Employment, secondment, recruitment*
- *Insurance, contracting, intellectual property*

Survey responses

- 14 ERICs answered all 4 surveys
- Too specific for ERICs-to-be
- Preliminary scoping of topics of interest/ remaining challenges/ current practices

Task 3.1

Budgeting and financial reporting principles

Aleardo Furlani, task leader
EMSO ERIC

ERICs are entities that perform services by leveraging funds from the public.

- Therefore, shared accounting rules and standard presentation of economic & financial information are necessary to **promote comparability** between the ERICs and protect the general public interest .
- ERICs **accomplish a scientific excellence goal and do not return a profit:** therefore the accounting rules should be designed to **illustrate the success of the scientific research infrastructure or the educational activity** and its impact on society.

Presenting the financial information in a format which helps the Member States to understand how an ERIC is accomplishing its goals.

- ERICs financial statements of ERICs should provide relevant information **to meet the common interest of Member States**, and stakeholders who provide resources.
- However Accounting communication **can affect readers** of financial statements by changing the presentation of statements for ERICs . For instance, ERICs :
 - should have a statement of cash-flows
 - income is to be replaced by cash-carryover (NOT the same impact!)
 - Goals: L/T society, scientific, environment, and also economic sustainability

Major results from the questionnaires/1

- 15 forms collected
- 4-5 NA/incomplete responses
- frequent mis-understandings and questions

- Depreciation: 50% correct responses
- Income tax : 5 NA and 1 National Income tax
- Balance sheet : 20 AoM, 4 state that it is the accountant to approve
- Budget : yes 12 , 3 NA
- Non disclosure: no standard policies(some: all, others nothing)

Major results from the questionnaires/2

- 15 forms collected
- 4-5 NA/incomplete responses
- frequent mis-understandings and questions

- In-Kind contributions: key outcome. 12 yes, 3 no
- What IKC: Personnel (all), office (5), equipment (3)
- IKC definition : variety of remarks (stock injection)
- IKC procedure
- IKC challenges : no challenge for 7

ERIC FORUM WP3 – T3.1

Operations, Administration, HR and Finance of ERICs

A guidance document on the use of Generally Accepted Accounting Principles (GAAP)

- Improving the clarity of the communication of financial information of the ERICs to the public.
- A common set of general accounting principles, standards and procedures that ERICs could follow when they compile their financial statements.

T3.1 Budgeting and financial reporting principles/1

Due to the rapid increase in the number of ERICs and their reliance on third party public funding, interest into how they measure and manage performance has intensified. Such performance reporting is country specific.

- ERICs often prepare reports of different types and styles.
- Financial reporting often lacks homogeneity, due to a lack of regulation
- Financial reporting is also inconsistent between countries due to a lack of international financial reporting standards for Non for profit organisations.
- In ERICS financial reporting should be linked to the **goals to be accomplished:**
increased legitimacy

T3.1 Budgeting and financial reporting principles/2

Generally Accepted Accounting Principles (GAAP): a common set of accounting principles, standards, and procedures

- ERICs could follow GAAP when their accountants compile their financial statements.
- GAAP: a combination of standards (set by ERICs policy boards) and the commonly accepted ways of recording and reporting accounting information.
- GAAP aims to improve the clarity, consistency, and comparability of the communication of financial information.

ERIC FORUM WP3 –T3.1

Guidance manual : Operations, Administration, HR and Finance of ERICs

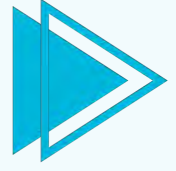
- How to highlight the goals accomplishment in the Financial statements? Social accounting
- Key areas : revenue recognition, expenses destination, liability tracking, homogeneous financial data communication
- Assets Ownership
 - Intangible (IP, service design, data, know-how) and tangible assets(inventories)

Common key factors	Different impacts on financial reporting		
Ownership	ERICs	BUSINESS	Public Sector
Constitutional form	Established by EC	Limited by shares or guarantee (companies with a for-profit motive), limited liability partnership	Established by Constitution or national Legislation
Ownership	Classic non-owned entities with no property rights held by Member States	Equity providers of risk capital	The State (government and the people)
Shares transferability and redemption	No transferability. Transfer to non for-profit entities .Only for full worth?	Typically transferable. On dissolution residual funds to shareholders	On dissolution, residual assets returns to public funds
Management and Control	<ul style="list-style-type: none"> As per governing (Statutes) document. Accountable to Member States. Audits are required by constitution. 	As per governing document. Accountable to shareholders. Employed governors elected by shareholders. Audits or similar required for ‘publicly accountable’ entities	Organisations/individuals exercise control under statutory remit. Accountable to parliament. Employed governors appointed. Audits required by statute
Voting rights	Membership/participation	Linked to number and type of shares	Democratic rights/ Spoil system
Control rules	Control is ruled by common goals accomplishment (service delivery, public interest aims). No equity control.	Control in order to gain economic advantage	Government-defined boundaries. Control for purposes of probity and services provided

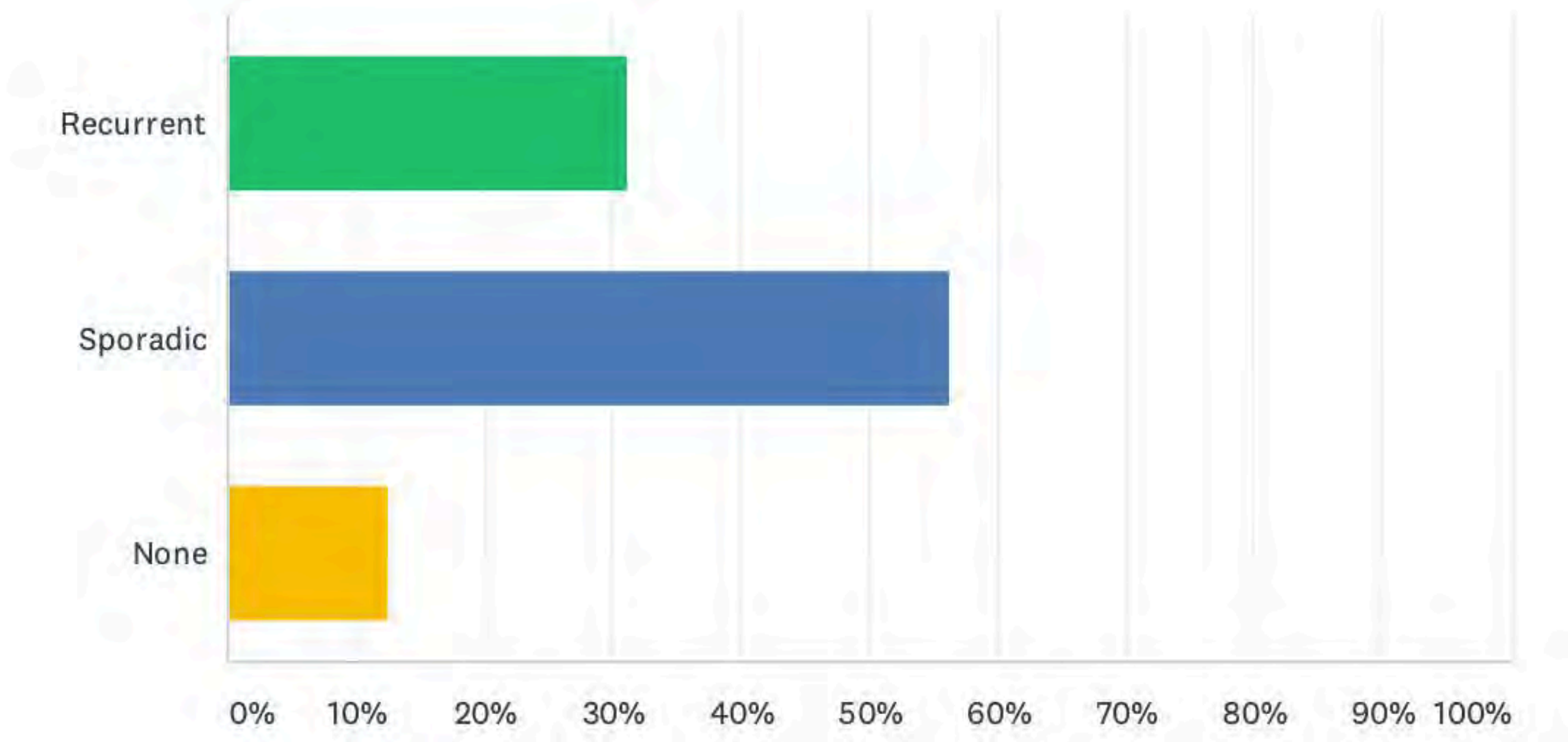
Task 3.2

Procurement rules, VAT exemption practices and economic activities

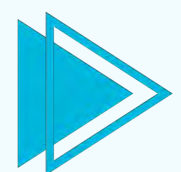
Grigor Obolensky, task leader
EURO-ARGO



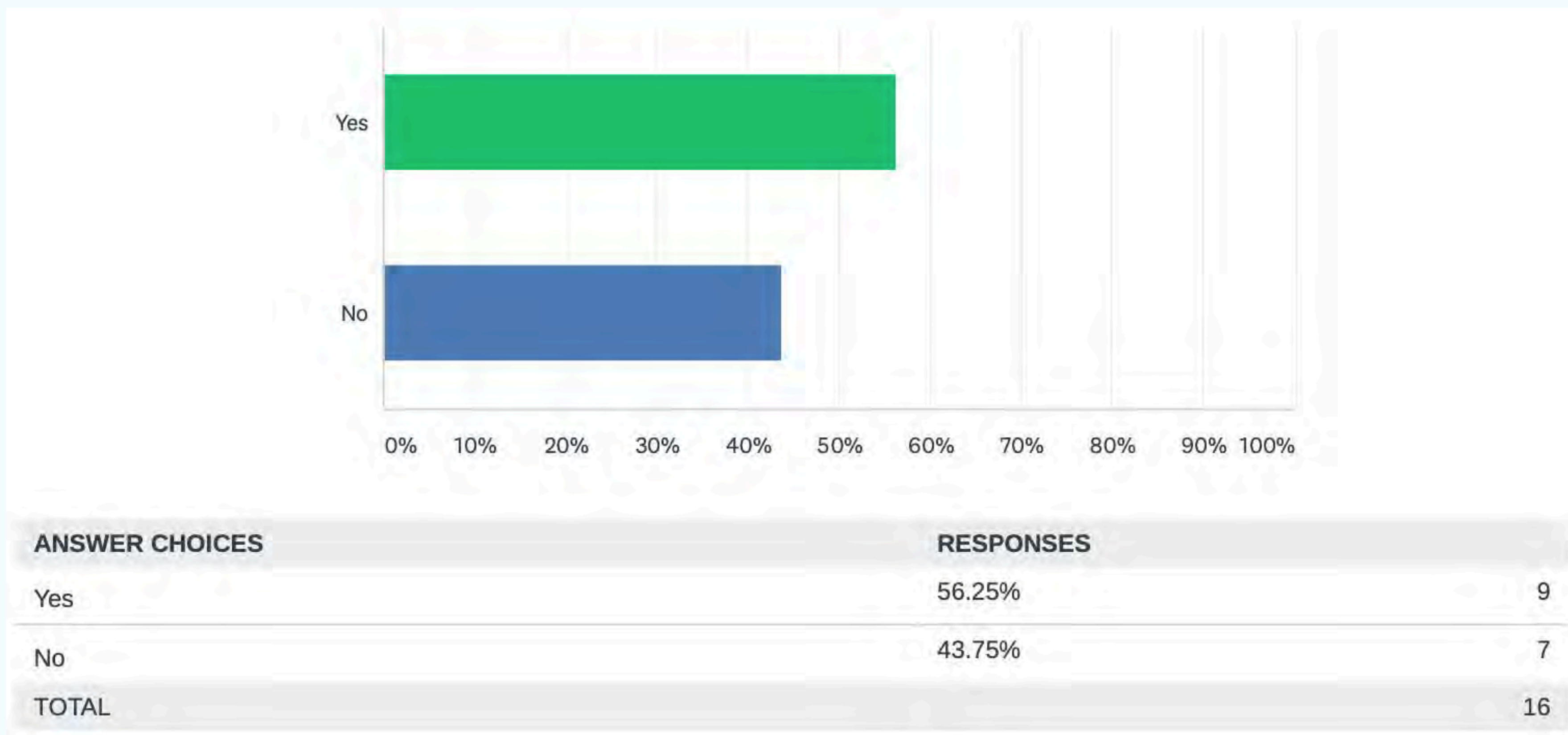
Do you have recurrent or sporadic procurement activities?

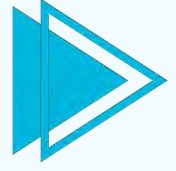


ANSWER CHOICES	RESPONSES	
Recurrent	31.25%	5
Sporadic	56.25%	9
None	12.50%	2
TOTAL		16

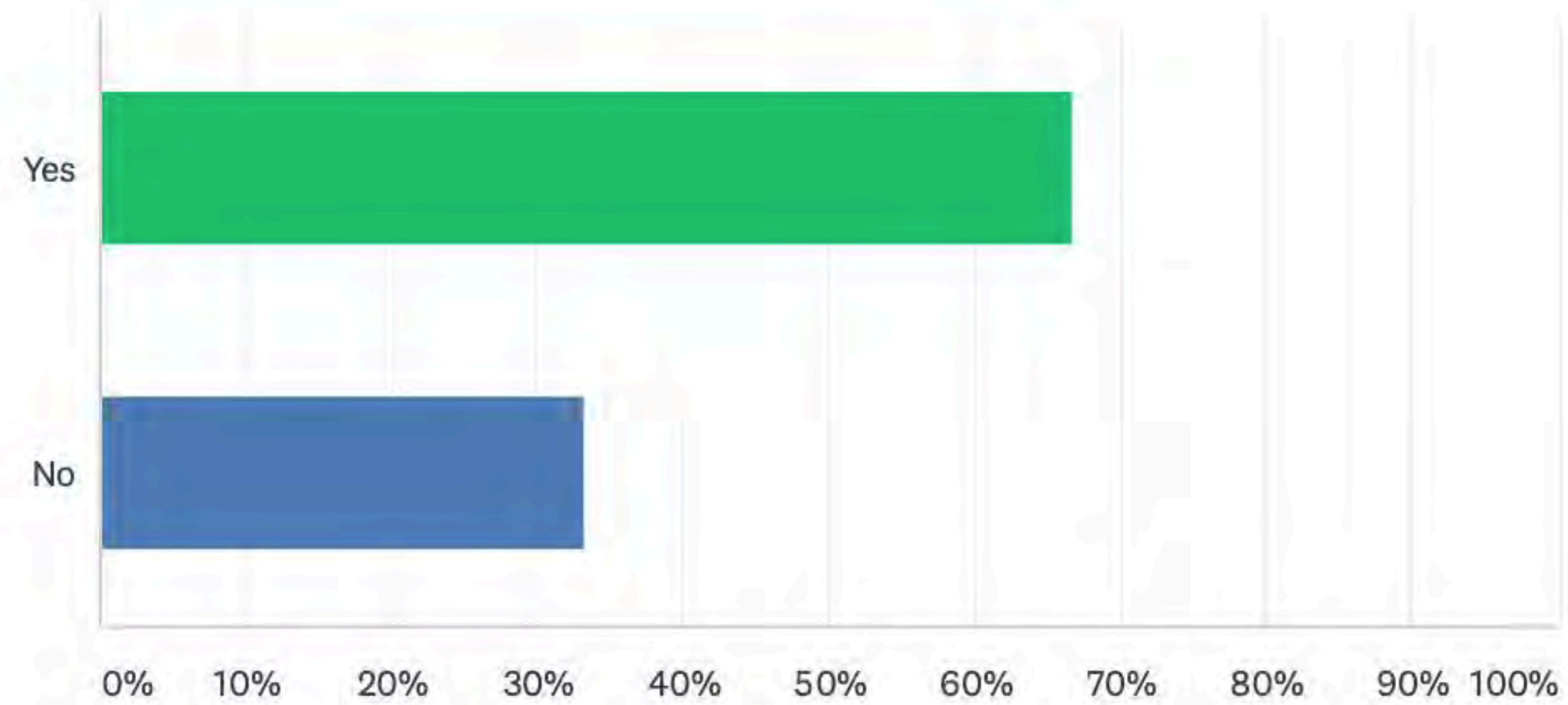


Does your ERIC have its own Rules of procedure (ROP) for procurement?

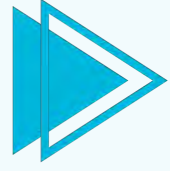




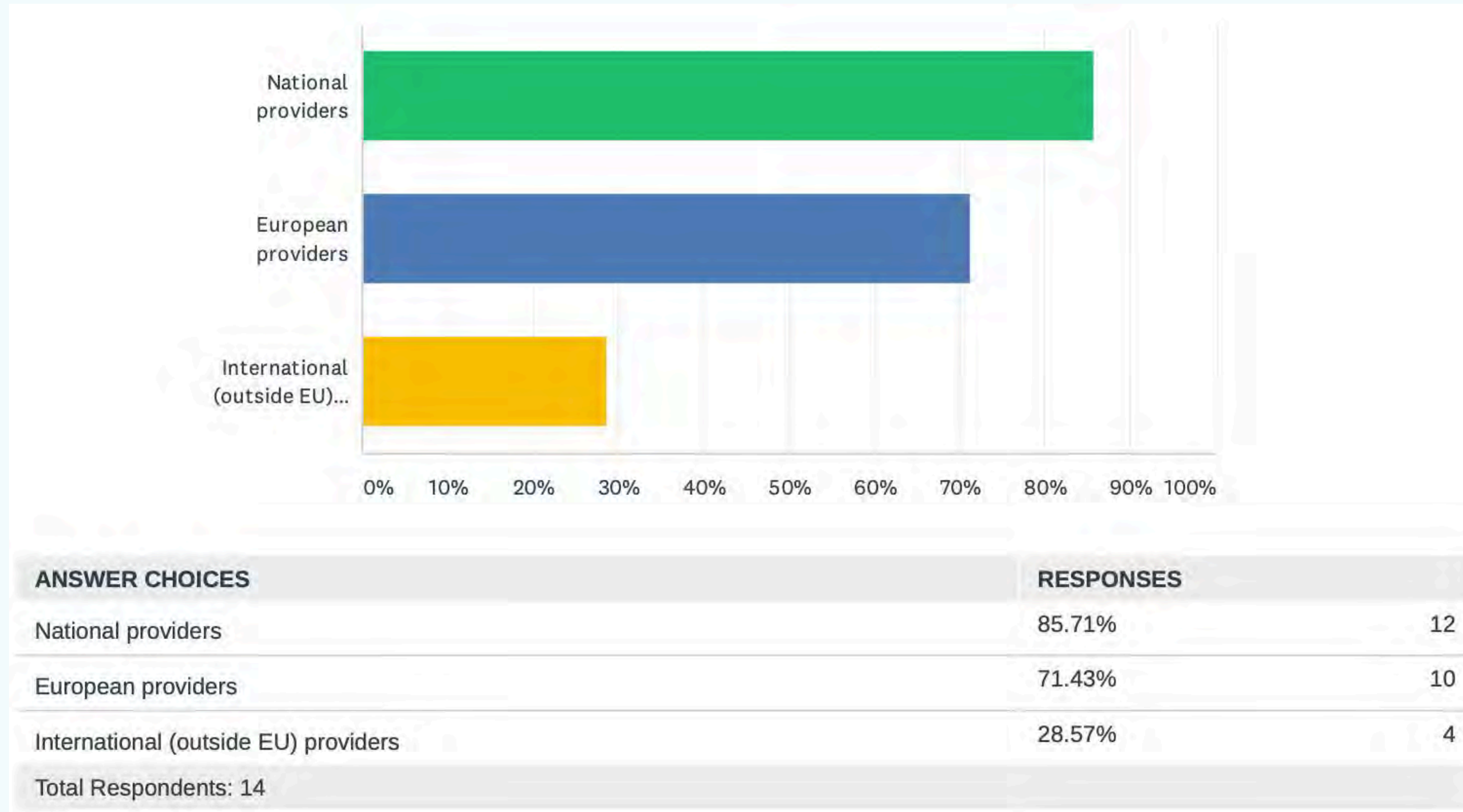
Are these rules explicitly required by the Statutes?

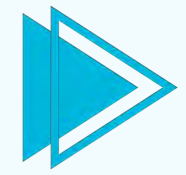


ANSWER CHOICES	RESPONSES	
Yes	66.67%	6
No	33.33%	3
TOTAL		9

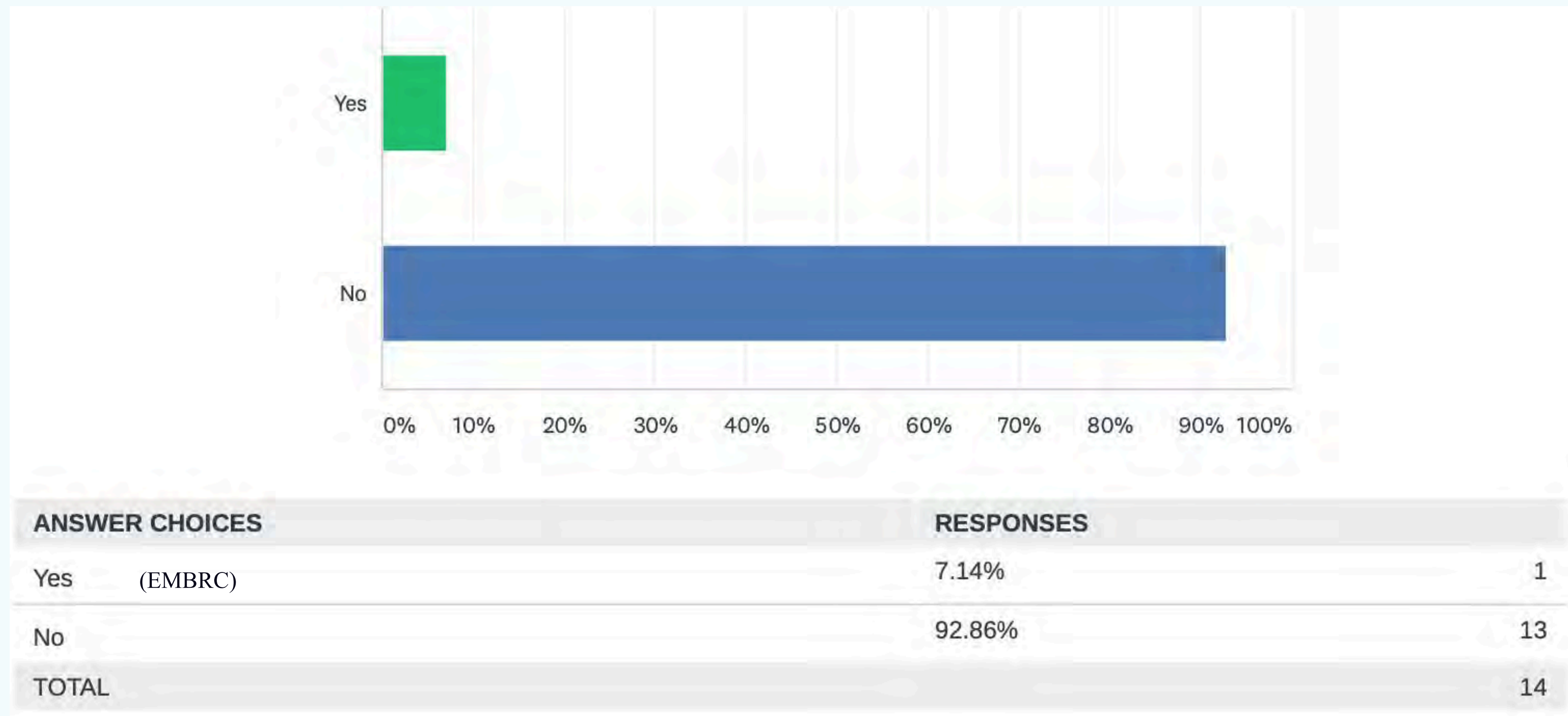


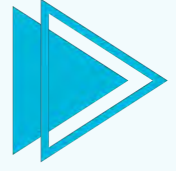
What kind of procurement area(s) are you covering?



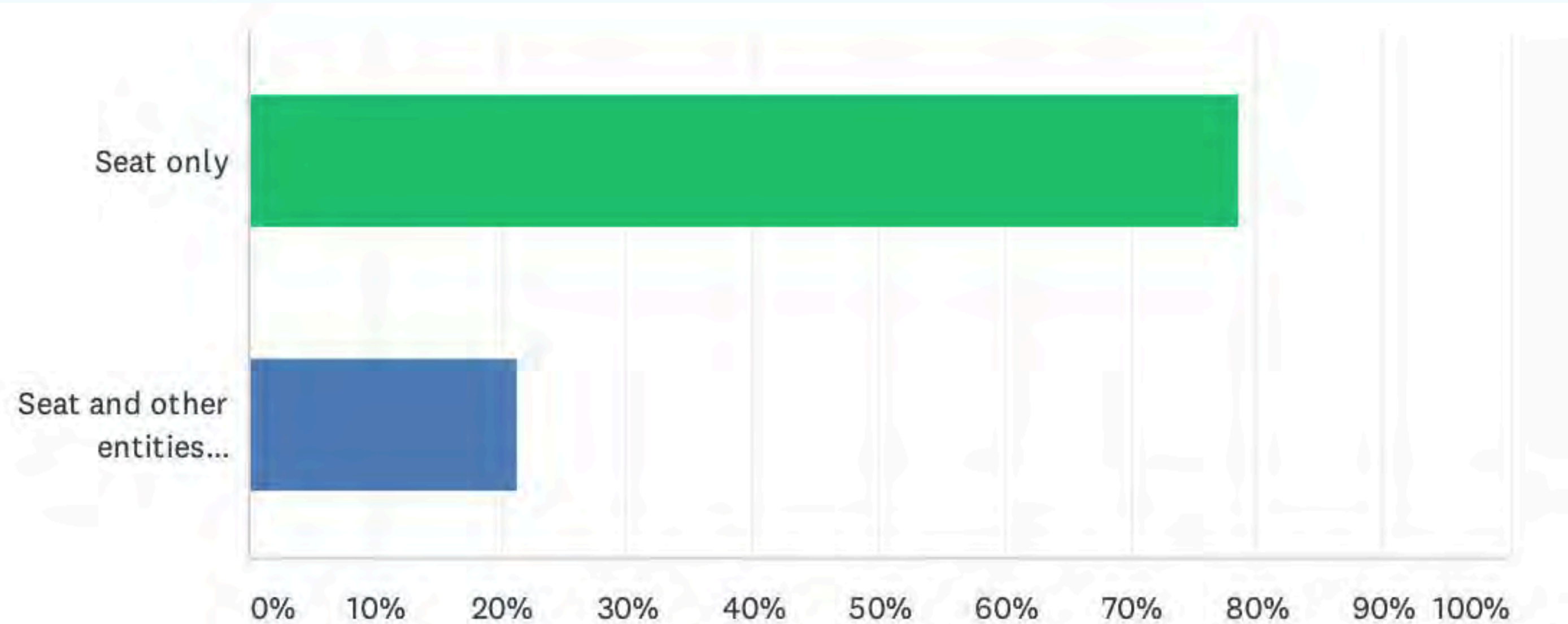


Did you try to use procurement rules for indirect procurement by the members, e.g. for in-kind contributions by Members directly or through other Entities?

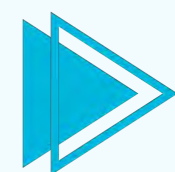




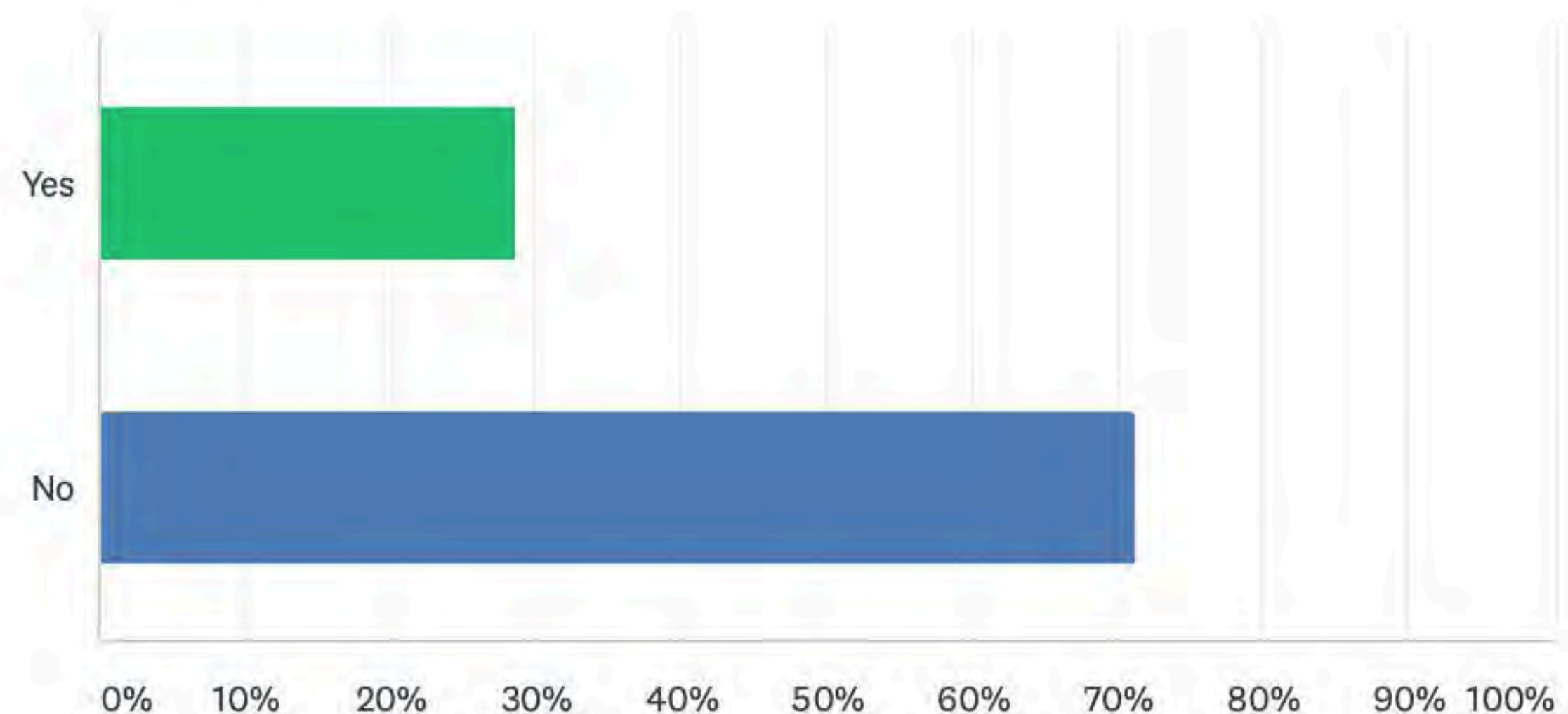
Is procurement implemented only by the Seat or also by some (all) Hubs/nodes/Representing entities?



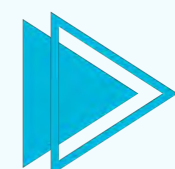
ANSWER CHOICES	RESPONSES
Seat only	78.57% 11
Seat and other entities (please state which ones)	21.43% 3
TOTAL	14



Does your ERIC have detailed ROP related to Taxation (and exemption) issues?

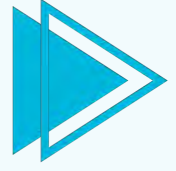


ANSWER CHOICES	RESPONSES	
Yes	28.57%	4
No	71.43%	10
TOTAL		14

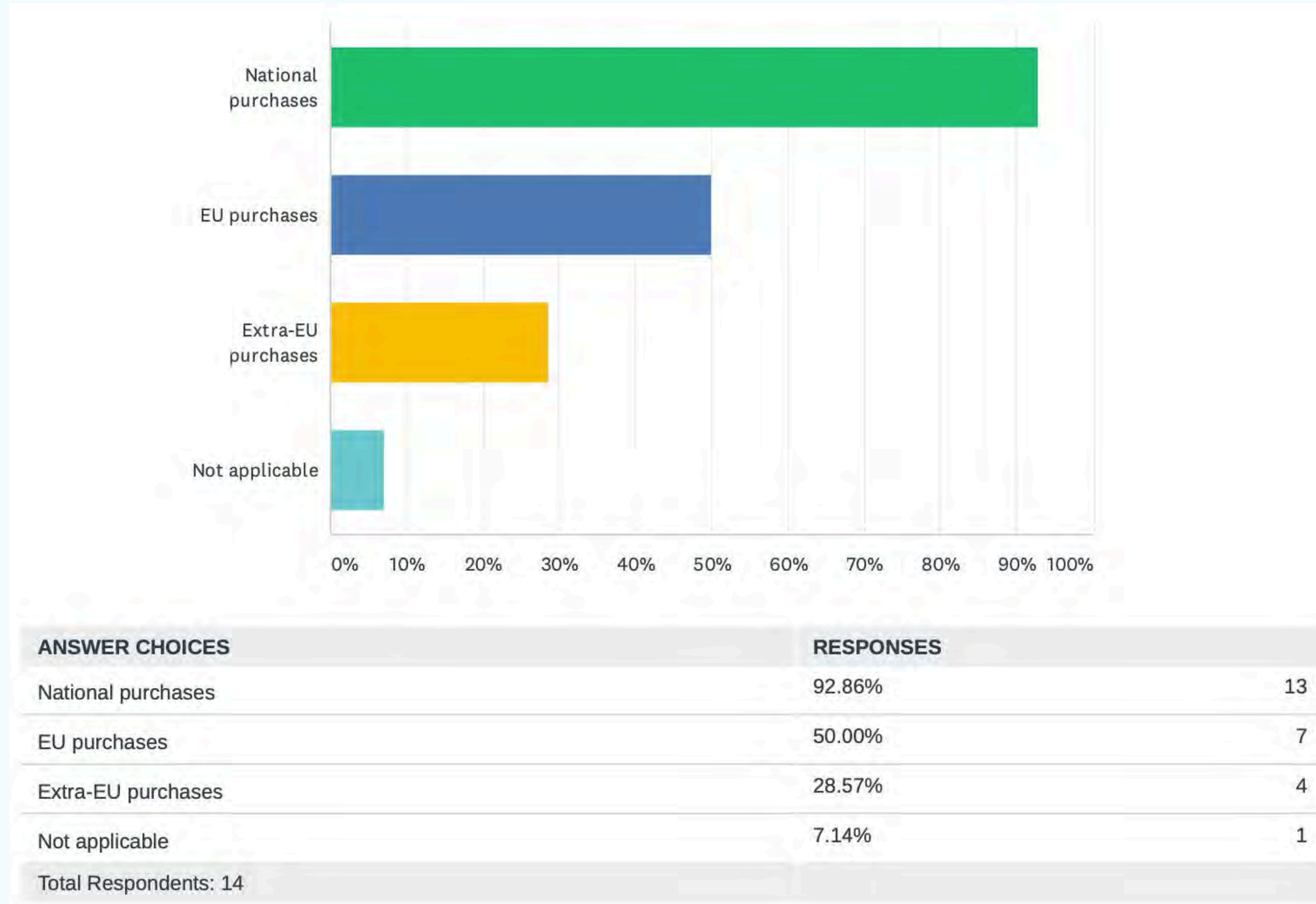


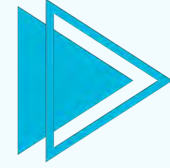
Are you still experiencing difficulties with the VAT exemption in your hosting country?

- “For each EU purchase we need an advanced approval by the Ministry of Finance...”
- “It takes a long time to get the VAT refunded.”
- “The procedure takes very long, as does explaining it to suppliers. Sometimes we don’t go through the process just because it requires so much effort.”
- “We have issues with the reverse charge, couldn’t talk to our Ministries yet.”
- “Many uncertainties for in-kind contributions and taxability of said contributions.”

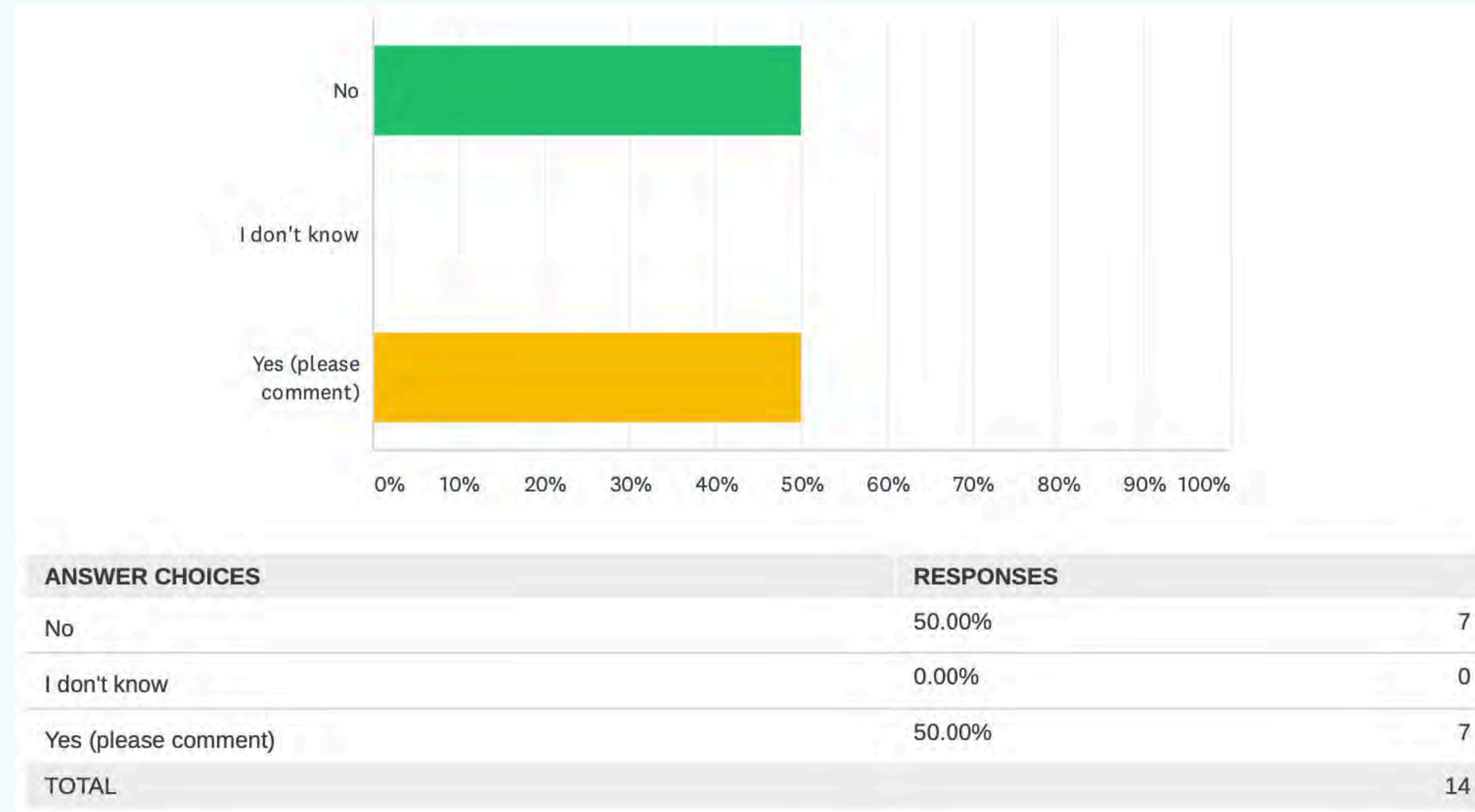


For which type(s) of purchases, has your ERIC implemented VAT exemption?

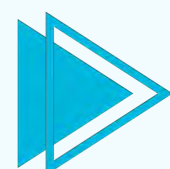




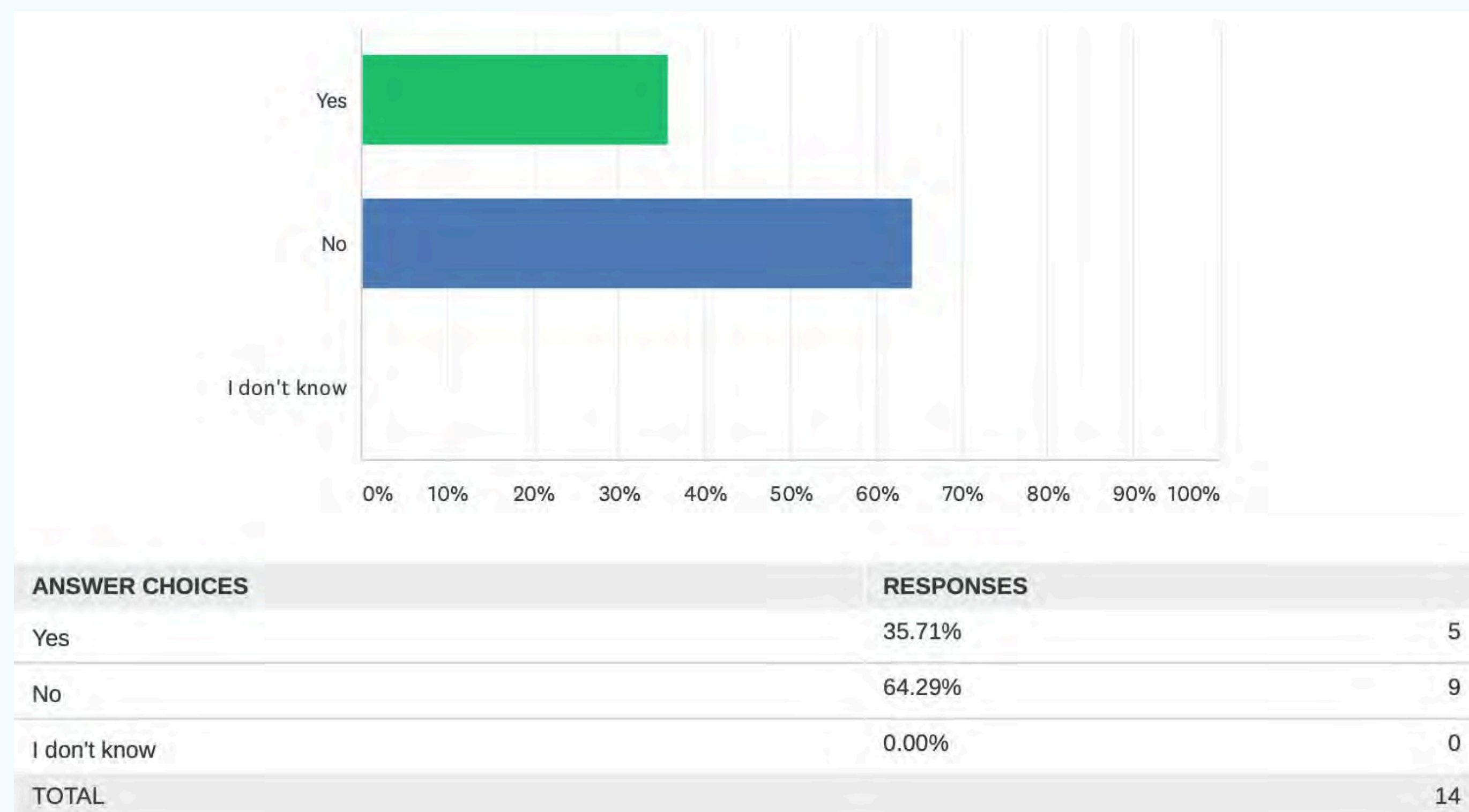
Do you purchase goods outside EU or are you planning to do so?



- The main purchases are linked to research activities jointly performed with our PF's
- Planning to do survey services in Israel
- If goods come from outside the US, we can purchase them
- Outside EU-Norway
- Specialised computer parts purchased outside the EU
- Yes, with H2020 funding
- Yes, many global suppliers provide goods and services to ESS, usually very specialised.

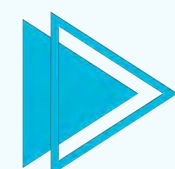


Do you have an exemption on custom taxes (importation fees) for extra-EU purchases?

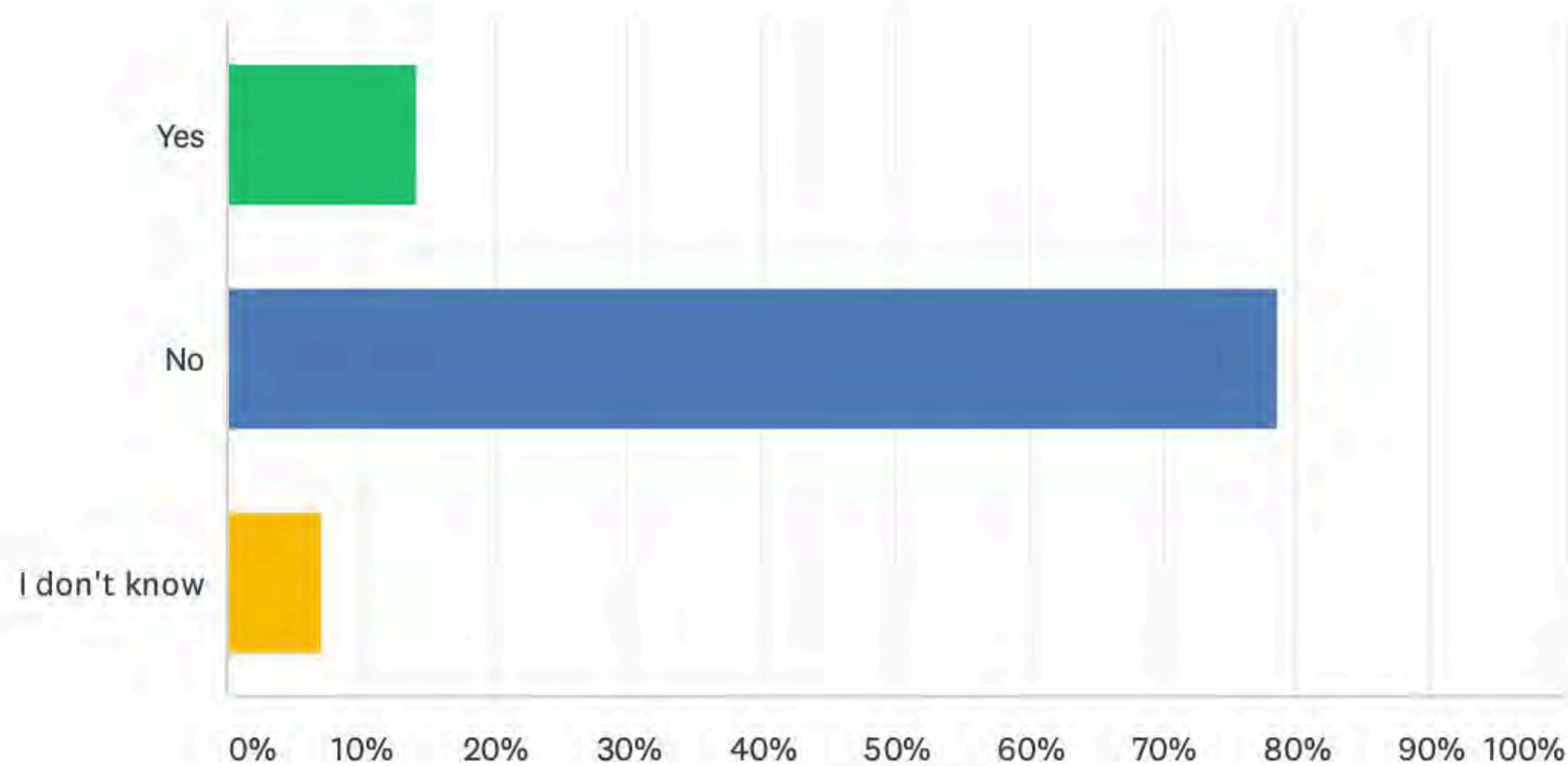


Countries with exemption and goods concerned:

- **Italy:** samples, consumables for research activities, IT equipment
- **Netherlands:** the procedure for getting the exemption is very complicated, to be followed for each purchase
- **Finland:** scientific equipment



Do you have a customs procedure for moving the goods purchased by the ERIC from the importing country to another EU member state?



ANSWER CHOICES	RESPONSES	
Yes	14.29%	2
No	78.57%	11
I don't know	7.14%	1
TOTAL		14

Task 3.3 & 3.4

Employment, Secondment, Recruitment

Task leaders

EATRIS, EU-OPENSREEN

Recruitment

- Majority of ERICs have put in place:
 - ✓ Formal recruitment procedure
 - ✓ Equal opportunity policy
 - ✓ Job advertisement policy
- 50% of respondents said they needed **external help** to develop these.

► Recruitment challenges

- Difficulty attracting talent for communications roles/ senior level positions
- Cost of living in cities where ERIC is based - difficulty to attract candidates for lower paid positions
- Onboarding process is resource intensive for ERIC with usually smaller teams
- Hiring process for a non-European citizen
- Difficulty to identify suitable candidates for technician and operator positions.

► Employment

- Large majority of ERICs do not have a dedicated HR department or dedicated person.
- 2/3 respondents have formal function descriptions available or a formal remuneration policy established.
- Slightly more than half of respondents can contract insurances and pensions directly for employees.

► Employment

- 50% of ERIC respondents said they have staff in more than one country.
- However, no challenges identified in the survey by those ERICs...apart from Euro Spallation Source
 - Taxation and social security
 - Migration challenges with staff mobility
 - In-kind secondees

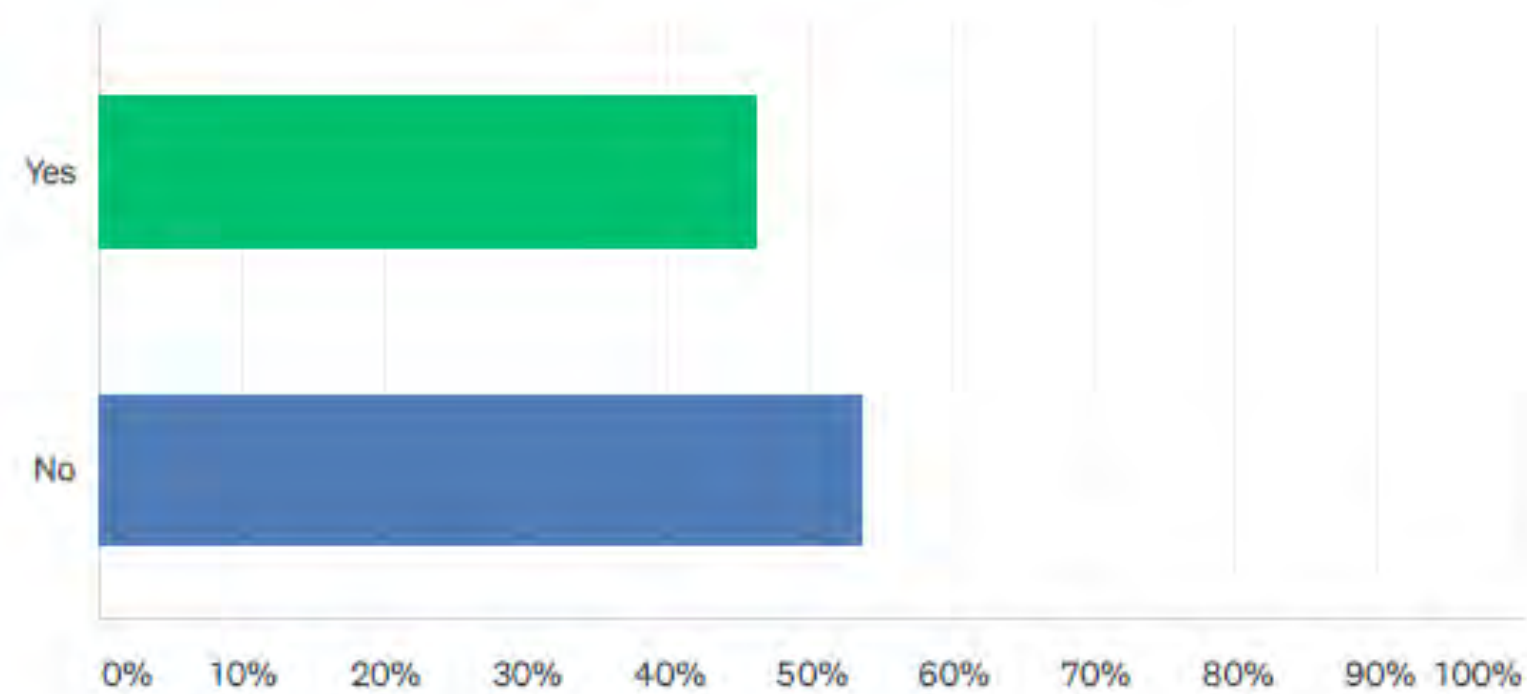
▶ Other employment challenges

- **Salary parity** - scales aligned with academic salaries, not competitive enough with commercial entities or other RI to attract or retain talent
- Reliance on host organization for every aspect of employment – impact on speed of ERICs' operations + limited maneuver for career development

▶ In-kind personnel

Q26 Does your ERIC consider personnel seconded by other Entities (e.g. representing Entities) as “IKC”?

Answered: 13 Skipped: 1



ANSWER CHOICES

Yes

RESPONSES

46.15%

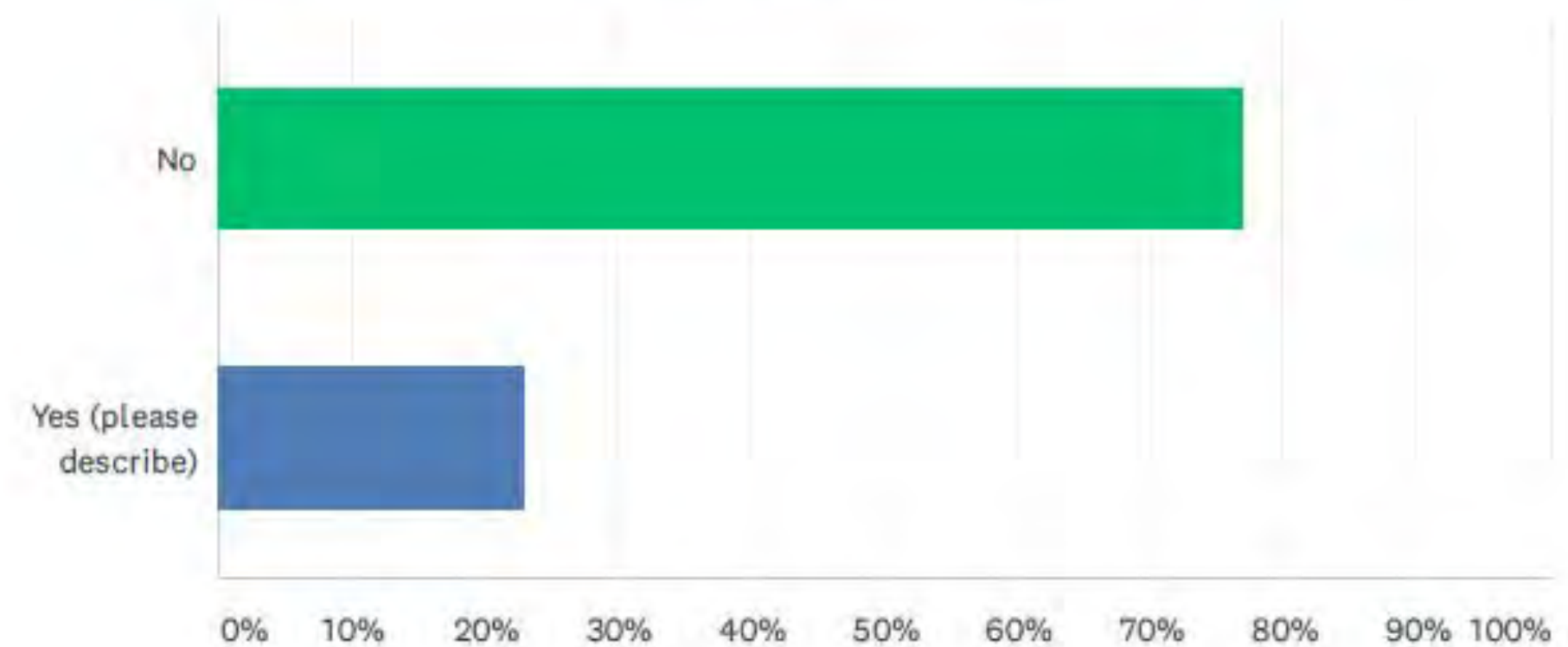
No

53.85%

TOTAL

Q27 Does your ERIC have a legal framework in place for IKC?

Answered: 13 Skipped: 1



ANSWER CHOICES

No

RESPONSES

76.92%

10

Yes (please describe)

23.08%

3

TOTAL

13

Task 3.6

Insurance, contracting and intellectual property

Lorna Ryan, task leader
European Social Survey

► Insurance, Contracting, IPRs

Art 10 Statutes

The Statutes of an ERIC shall contain at least....

(f) the liability regime, in compliance with 14(2)

(g) the basic principles covering: ... (iv) the intellectual property rights policy

Art 14 Liability and Insurance

1. An ERIC shall be liable for its debts
2. The financial liability of the members shall be limited to their respective contributions provided to the ERIC
3. If the financial liability of the members is not unlimited, the ERIC shall take appropriate insurance to cover the risks specific to the construction and operation of the infrastructure.... (ERIC Regulation (Reg 723/2009))

We asked:	16 ERICS responded, inc 1 non ERIC
Insurance policies?	No - 2 ERICs
What policies?	Professional indemnity; third party liability, cyber-insurance; travel insurance; health insurance, premises and equipment
Approximate cost?	€2, 000 - €371,000
Expert help engaged?	Yes – 3 ERICs
Designated member of staff dealing with this?	Yes – 6 ERICs

We asked:	16 ERICs responded, inc 1 non -ERIC
Contract with external providers (products & services, consultants)	No - 2 ERICs
Total value, p.a.	€25,000 - €200M
Types of suppliers (Answered as ‘types of supplies)	individuals, SMEs, multi-nationals (Legal, IT, accounting and auditing, communication)
Expert help engaged?	Yes – 3 ERICs
Designated member of staff dealing with this?	Yes – 6 ERICs
Does the ERIC conclude contracts on behalf of its nodes?	2- the ERIC concludes the contracts on behalf of nodes 4- the nodes conclude the contracts themselves

We asked:	16 ERICS responded, inc 1 non ERIC
IPR policy, addition to statutes? Available?	5 - 3 now available on websites (European Spallation Source ERIC, INSTRUCT ERIC, EMSO)
How are IPR addressed in course of operations?	Mainly claim full ownership by ERIC (e.g. EMSO, ESS ERIC)
Types of IPR	Patents – 4; copyright – 3; design right – 2; database right -4; trademark -4, ‘other’ – 7 – software standards, public (CC)
Specific IPR policy for H2020 participation?	9 – No General grants policy; reference to rules established in CAs
Expert help engaged?	4 – Yes; 9 – No [sometimes, if filing a patent]
Designated staff ?	2-Yes; 11-No

We asked:**16 ERICS responded**

Are there any other challenges your ERIC faces with IPRs, contracting and insurance arrangements?

12 responses: 8: No; 4 provided comments:

“No, but we never feel that we are in full control of this aspect, and the advice solicited never cover all the issues.”

“Not at this time, but as the ERICs activities ramp up and increase, including contracts with the private sector, this may require additional resources”

“The extension of some benefits (insurances) to employees hired abroad.”

“IPRs are important in respect of the arrangements with suppliers of tools; contracting includes OJEU tendering activities. Insurance is affected by the context of the hosting institution (university).”

▶ Future activities in interviews

Insurance: Further details on cover obtained

Aim: Produce a checklist on insurance needs for ERICs with different organisational set-ups (e.g. direct/indirect employers)

Contracting: Further details of contracts

Aim: Produce a listing of key suppliers to ERICs; ordered listing of goods and services

IPRs: Further details on IPR management issues in ERICs

Aim: Produce details of IP and licenses obtained

Next steps

▶ Next steps

Face-to-face/remote interviews (Spring)

- ERICs-to-be & established ERICs (1 or 2 rep. per org)
- Address survey topics in more depth
- Collect more insights on needs/best practices

Next steps

Two face-to-face workshops for exchange of best practices

JUNE 22 – AMSTERDAM

HR, Administration and Finance

JUNE 23 – AMSTERDAM

Quality Management

Opening of registrations in March.

▶ Open discussion – what do we need?

- **FAQ's** for HR, administrative, finance questions available on ERIC Forum website?
- **Checklists** for particular topics – e.g. insurance needs; employment contracts?
- **Templates?**
- **Reference contact points** in each country?
- **Webinars?**
- **Min. 1 workshop per year?**

**Thank you &
Get in touch!**

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