

LIFELONG LEARNING PROGRAMME

**2007 Multilateral projects, networks, accompanying measures, and
studies and comparative research**

Financial Rules

Financial rules

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Financial rules

The following financial rules must be read together with the Call for proposal and the Guide for applicant (and in particular with the administrative and financial rules available under http://ec.europa.eu/education/archive/llp/admin_en.html), from which most of these rules are repeated.

The following Sections apply to the beneficiary and all its partners within the consortium (e.g. the rules on staff costs apply to all partners - including the beneficiary - of the consortium.)

They will be progressively illustrated with FAQ's (frequently asked questions).

1 GENERAL PROVISIONS ON ELIGIBILITY OF COSTS

The general context, nature and amount of expenditure will be considered when assessing eligibility.

To be considered as eligible costs of the action, costs must satisfy the following general criteria:

- They must relate to activities involving the **eligible countries** in the Lifelong Learning Programme (see Chapter 3.1 of General Call for Proposals 2007 Part II: Administrative and financial information¹). Any costs relating to activities undertaken outside these countries or by organisations that are not registered in an eligible country are not eligible unless they are necessary for the completion of the action and duly justified in the application form and in the report and/or agreed in advance with the Agency through the exchange of letters.
- They must be incurred by **legal bodies/institutions or by natural persons** depending on the action concerned (See Chapter 3.2 of General Call for Proposals 2007 Part II: Administrative and financial information), and in the case of consortia, by the official partners of the consortium;
- They must be **connected** with the action (i.e. relevant for the action and be directly connected with execution of the project in accordance with the approved work plan);
- They must be **necessary** for performance of the action;
- They must be **reasonable and justified** and they must accord with the principles of **sound financial management**², in particular in terms of value for money and cost-effectiveness;

¹ http://ec.europa.eu/education/programmes/llp/call_en.html

² Costs shall be defined in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness. The principle of economy requires that costs shall be defined in due time, in appropriate quantity and quality and at the best price. The principle of efficiency is concerned with the best relationship between resources employed and results achieved. The principle of effectiveness is concerned with attaining the specific objectives set and achieving the intended results.



- They must be **generated** during the lifetime of the action³ (See Chapter 1 of General Call for Proposals 2007 Part II: Administrative and financial information);
- They must be **actually incurred** by the beneficiary and be recorded in his accounts in accordance with the applicable accounting principles, and be declared in accordance with the requirements of the applicable tax and social legislation;
- They must be **identifiable and verifiable**.

The beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents. For scales of unit costs, this implies that the "number of units" must be recorded in appropriate documents (i.e. time sheets, presence lists, etc.).

Where national taxation and accounting rules do not require an invoice, an accounting document of equivalent value means any document produced in order to prove that the accounting entry is accurate and complies with the applicable accounting law.

2 *NON-ELIGIBLE COSTS*

Under no circumstance can the following types of costs be considered as eligible:

- return on capital;
- debt and debt service charges;
- provisions for losses or potential future liabilities (provisions for contractual and moral obligations, fines, financial penalties and legal costs);
- interest owed;
- doubtful debts;
- exchange losses;
- VAT, **unless** the beneficiary organisation can prove that it is unable to recover it;
- costs declared by the beneficiary and covered by another action or work programme receiving a Community grant;
- excessive or reckless expenditure;
- purchase of capital assets;
- in the case of rental or leasing of equipment, the cost of any buy-out option at the end of the lease or rental period;
- costs associated with the preparation of the application for the Lifelong Learning Programme;
- costs of opening and operating bank accounts (transfer costs are eligible);
- costs incurred in relation to any document required to be submitted with the application (audit reports, etc.).
- costs incurred by silent/ineligible partners
- contributions in kind (see article II.14.5 of the Agreement)

³ i.e. generated by an activity that takes place during the lifetime (legal duration) of the project / action. Activities taking place before or after the period specified in a Grant Agreement are not eligible for funding.



3 CATEGORIES OF ELIGIBLE DIRECT COSTS

The eligible direct costs for the action are those costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to performance of the action and which can therefore be booked to it directly.

3.1 STAFF

Costs relating to the following categories of staff are considered:

- Statutory staff, having either a permanent or a temporary employment contract with the partner;
- Temporary staff, recruited through a specialised external agency;

Costs related to staff working through subcontracting shall be included under the appropriate category (see Section 3.4).

Staff members of project partners are not allowed to operate in a subcontracting capacity for the project.

Beneficiaries should report staff costs based on real daily staff cost rates, which cannot exceed the maximum rate published in the call (see annex 3.1) Any surplus will be considered as ineligible. The veracity of these costs may be the subject of an audit.

The rate of the country in which the partner organisation is registered will be applied, independent of where the tasks will be executed (i.e. a staff member of an organisation of Country A working (partly) in Country B will be budgeted on the basis of the rates of Country A).

Real daily staff cost rates are based on average rates corresponding to the Beneficiary's usual policy on remuneration, comprising actual salaries plus social security charges and other statutory costs included in the remuneration. Non statutory costs like bonuses, lease car, expense account schemes, incentive payments or profit-sharing schemes are excluded.

3.2 TRAVEL AND SUBSISTENCE

3.2.1 Travel costs

Travel costs for staff taking part in the action are considered, provided that they are in line with the partner's usual practices on travel costs⁴. Costs may be claimed only for journeys directly connected to **specific** and clearly **identifiable** project-related activities. For information on charging Travel Costs for non-staff members please refer to Sections 3.4 'Subcontracting Costs' and 3.5 'Other Costs'.

⁴ For Comenius Multilateral projects involving mobility activities during Initial Teacher Training: Travel costs (based on real costs) and subsistence costs will be recorded separately under "Other Costs".



Reimbursement must be based on real costs, independent of the means of travel chosen (rail, bus, taxi, plane, hire car). Partners are required to use the cheapest means of travel (e.g. use Apex tickets for air travel and take advantage of reduced fares, where this is not the case then a full explanation should be provided).

The travel cost for a journey should include all costs and all means for travel from the point of origin to the point of destination (and vice versa) and may include visa fees, travel insurance and cancellation costs.

Expenses for private car travel (personal or company cars), where substantiated and where the price is not excessive, will be refunded as follows (whichever is the cheapest):

- Either a rate per km in accordance with the internal rules of the organisation concerned up to a max of EUR 0.22.
- Or price of a rail, bus or plane ticket. Only one ticket shall be reimbursed, independently of the number of people travelling in the same vehicle.

For hire cars (maximum category B or equivalent) or taxis: the actual cost where this is not excessive compared with other means of travel (also taking account of any influencing factors i.e. time, excessive luggage). Reimbursement takes place independently of the number of people travelling in the same vehicle.

3.2.2 Subsistence costs

Subsistence costs for staff taking part in the action are eligible⁵.

The reported expenses should respect the maximum rate published in the Call (see annex 3.2.2). Any surplus will be considered as ineligible. The rate to be applied is the one from the destination country, i.e. where accommodation costs are incurred. Costs may be claimed only for journeys directly connected to **specific** and clearly **identifiable** project-related activities. For information on charging Subsistence Costs for non-staff members please refer to Sections 3.4 'Subcontracting Costs' and 3.5 'Other Costs'.

Reimbursement must be based on the existing internal rules of the partner organisations, which may be on an actual cost (reimbursement of receipts) or daily allowance basis.

In either case, proof of attendance and overnight accommodation will be required to substantiate declared costs.

Subsistence rates cover accommodation, meals and all local travel costs (but not local travel costs incurred to travel from point of origin to point of destination,).

A full day normally includes an overnight stay. In duly substantiated cases, a full day's allowance without an overnight stay may be allowed with a pro rata reduction for accommodation.

⁵ For Comenius Multilateral projects involving mobility activities during Initial Teacher Training: Travel costs (based on real costs) and subsistence costs will be recorded separately under "Other Costs".



A corresponding reduction must be applied if accommodation, meals and local travel costs are provided for by a third party.

3.3 EQUIPMENT

Purchase, rent or lease of equipment (new or second-hand), including the installation, maintenance and insurance costs, are considered:

- Only when specific and necessary for achieving the goals of the project/action. Proposed equipment costs must always be duly justified. The rules for procurement under Section 3.4 apply.
- Provided that it is written off in accordance with the tax and accounting rules applicable to the beneficiary and generally accepted for items of the same kind. Only the portion of the equipment's depreciation corresponding to the duration of the action and the rate of actual use for the purposes of the action may be taken into account. The beneficiary shall explain the rules applied. If the nature and/or the context of its use justify different treatment, this should be duly justified.

All equipment related to the administration of the project (i.e. PC's, portables, etc.) and all equipment purchased before the start of a project is covered by indirect costs of the project (See Chapter 4).

The total reported expenses for equipment may not exceed 10% of the total direct costs reported for the project.

3.4 SUBCONTRACTING

Costs entailed by procurement contracts for the purposes of carrying out a part of the action are considered when awarded by a partner to an external body, organisation or individual⁶ (only if not employed by any of the Partner organisations of the consortium).

In order to maintain the concept of the project partnership, the management and the general administration of the project may not be subcontracted.

Costs are based on a verifiable estimate or, if the subcontractor is identified, on the basis of an offer. The estimate/offer will cover all costs (i.e. staff costs plus travel costs, etc.).

The Beneficiary shall award the contract to the tender offering best value for money, that is to say, to the tender offering the best price-quality ratio, in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid any conflict of interests.

The following specific Community rules with regard to procurement apply:

⁶ This refers to individuals who may be self-employed i.e. who are responsible for their own social security or social contributions, pensions and taxes. National legislation on the definition of these individuals can vary and should always be considered. Covers also consultants, who provide one off services for which a fee is received.



- Contracts with a value below EUR 200 can be paid simply on presentation of an invoice;
- Contracts with a value between EUR 200 and EUR 3.500 are subject to a restricted procedure involving one tenderer (i.e. it is sufficient to seek for one offer only);
- Contracts with a value between EUR 3.500 and EUR 25.000 are subject to a procedure involving at least three tenderers;
- Contracts between EUR 25.000 and EUR 60.000 are subject to a procedure involving at least five tenderers;
- For contracts of a value over EUR 60.000, national rules with regard to procurement apply.

The total reported costs for subcontracting may not exceed 30% of the total direct costs reported of the project.

3.5 OTHER

Costs arising directly:

- from requirements imposed by the Grant Agreement are eligible (dissemination of information, specific evaluation of the action, audits, translations, reproduction, website, etc.), including the costs of any financial services (especially the cost of financial guarantees).
- from the realisation of specific actions or of products/results of the action/project are eligible (i.e. the organisation of seminars (where the seminar is a foreseen as a product/result and where task-related costs are easily identifiable), the production of proceedings of a seminar, the production of a video, the purchase of product-related consumables (reams of paper for printing of publications, blank DVD), etc.

Only activities which are specific and necessary for achieving the goals of the project/action are considered.

When travel and/or subsistence costs are reimbursed to third parties (speakers, etc.), the rules applicable to staff of partners will be applied (see Section 3.2).

All costs that are realised through subcontracting shall be mentioned under Section 3.4

Are also considered as other costs, costs which are not covered by the other categories. Some examples are: one-off costs for press releases and publicity, purchase of copyrights and other Intellectual Property Rights, purchase of information materials (books, studies and electronic data), conference fees; meeting registration costs; rental of exhibition space, etc.

All costs related to the administration of the project (i.e. consumables, supplies, photocopying costs, telephone costs, internet access, paper, etc.) are covered by indirect costs of the project (See Chapter 2.4).



4 *INDIRECT COSTS*

The eligible indirect costs for the action are those costs which, with due regard for the conditions of eligibility described above, are not identifiable as specific costs directly linked to performance of the action which can be booked to it direct, but which have nevertheless been incurred in connection with the eligible direct costs for the action. They may not include any eligible direct costs.

The indirect costs of the action eligible for Community funding is a flat-rate amount set at a maximum of 7% of the total amount of eligible direct costs. The corresponding costs need not to be justified by accounting documents.

In principle, indirect costs shall **not** be eligible under a project grant awarded to a beneficiary who already receives an operating grant from the Commission during the period in question.

Examples of indirect costs are:

- All costs for equipment related to the administration of the project (i.e. PC's, portables, etc.)
- Communication costs (postage, fax, telephone, internet access, mailing, etc.)
- Infrastructure costs (rent, electricity, etc.) of the premises where the project is being carried out
- Office supplies
- Photocopies



5 *CALCULATION OF THE FINAL COMMUNITY GRANT*

Please refer to section II.17 of the agreement for more information on the calculation of the final grant.

In short, the final grant is determined as follows:

Declared expenditures from the final statement	
LESS	Ineligible costs found during assessment of your final statement. Costs may be ineligible by nature or Limited by application of the "10% rule" (article I.3.4 of the agreement) or Limited by maximum ceilings from the Call (Equipment & Subcontracting and indirect costs) or Limited by maximum rates from the Call (Staff & Subsistence)
X	percentage of co-financing from the agreement (article I.3.3)
LIMITED	to the maximum Community contribution from the agreement (article I.3.3)

See two examples of calculation in annex.

Be also aware of the so called "non profit" rule defined in article II.17.4 of the Agreement. Indeed, to avoid profit, the calculated grant will be reduced accordingly if:

Final Community grant + other sources of financings (own funds not incl.) Is higher than Declared expenditures from the final statement

Please note also that the grant may be reduced in case of weak implementation of the project (article I.10.2 of the Agreement).

Finally, the balance payment or recovery will be calculated as follows:

Final Community Grant	
LESS	Pre-financing amounts already received
LESS	Interests earned on pre-financing amounts (article II.16.4 of the Agreement)
EQUAL	Balance payment if positive or Recovery if negative



6 *CHECKS AND AUDITS*

Please refer to section II.19 of the agreement for more information on possible checks and audits.

