

EUROPEAN COMMISSION

DIRECTORATE-GENERAL  
EDUCATION AND CULTURE

SOCRATES PROGRAMME

**TRANSNATIONAL COOPERATION PROJECTS  
ADMINISTRATIVE AND FINANCIAL HANDBOOK  
FOR APPLICANTS  
Selection 2003**

Sub-programme	Action	
<b>COMENIUS</b>	2.1	European cooperation projects for the training of school education staff
	3	Comenius Networks
<b>ERASMUS</b>	1	Curriculum Development Projects
	3	Thematic Network Projects
		Thematic Network Projects – Dissemination
<b>GRUNDTVIG</b>	1	European cooperation projects for Adult Education and Lifelong Learning
	4	Grundtvig Networks
<b>LINGUA</b>	1	Promotion of Language Learning
	2	Development of Tools and Materials
<b>MINERVA</b>		Promotion of ODL-ICT in the Field of Education

## PURPOSE OF THE ADMINISTRATIVE AND FINANCIAL HANDBOOK

The rules outlined in the Handbook apply to grants for Transnational Cooperation Projects (TCP) under the Socrates programme: Comenius 2.1 and 3, Grundtvig 1 and 4, Lingua 1 and 2, Minerva, Erasmus 1 and 3. Thematic Networks (Erasmus 3) are subject to the specific changes detailed in Annex A. The Handbook forms an Annex to the Grant Agreement and consequently, the rules contained in it are contractually enforceable.

The Handbook is also intended to serve both as an **aid for beneficiaries and as a management tool**. It is intended to:

- help beneficiaries to run projects efficiently;
- clarify various matters arising from the Grant Agreement and its Annexes;
- provide practical information to which beneficiaries may refer at the various stages of the project;
- provide guidance for beneficiaries on handling the financial side of projects in such a way that financial statements can be readily drawn up;
- ensure the smoothest possible relations between the parties involved by setting out an operational framework for the project.

Sound financial management of a project is essential to ensuring that the best results/products are produced at a moderate cost.

Definition of terms recurring in the Handbook:

**Applicant:** any institution or body, private, public or semi-public declaring its intention, in accordance with the set procedures, to submit a proposal for a TCP. The applicant will become the beneficiary when the proposal is accepted by the Commission and a Grant Agreement is signed between the Commission and the applicant.

**Partner:** any institution or body, private, public or semi-public, which is participating in a proposal/project and which has signed a letter by which it undertakes, according to the agreed arrangements with the applicant, to contribute to the implementation of the project.

**Beneficiary:** any institution or body, private, public or semi-public, that on behalf of the partnership, has signed the Grant Agreement with the Commission for the implementation of the project. The beneficiary has the primary legal responsibility towards the Commission for the proper execution of the Grant Agreement. It is also responsible for the day-to-day co-ordination and management of the project and for distributing the Community funds allocated for this project to the other partners.

**Co-ordinator:** the person or institution selected among the members of the transnational partnership to be responsible for the necessary co-ordination and day-to-day management tasks at the implementation stage.

**Legal Representative:** the person legally authorised to enter into legal and financial commitments on behalf of the organisation to which he/she belongs.

**The Office:** the Socrates, Leonardo & Youth Technical Assistance Office. The Office is entrusted by the Commission with monitoring the execution of the Grant Agreement.

**Approved Budget:** the budget approved by the Commission at the time of assessing the proposal after the deduction of any ineligible, unnecessary or excessive items of expenditure. The Approved Budget, subject to any amendments agreed by the Commission, forms the Annex II to the Grant Agreement and will be the reference for the assessment of the Financial Report to be submitted at the end of the project (see Chapter V.iv).5).

**Financial Regulation:** Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p.1) and the Commission Regulation laying down detailed rules for the implementation of Council Regulation (EC) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357, 31.12.2002, p.1).

**Irregularity:** means an infringement of a provision of Community law or a breach of a contractual obligation resulting from an act or omission which has or would have the effect of prejudicing the general budget of the European Communities or budgets managed by it through unjustified expenditure.

## I. Definition of Approved Budget

### Budgetary information

On the basis of the budget submitted by the applicant, the Commission, when examining and selecting proposals, with the assistance of external experts, has determined the Approved Budget in the light of the project aims and in accordance with the rules on eligibility and financial evaluation as set-out in the application forms.

On the basis of the Approved Budget, the Commission has determined the Community grant to be provided for the project. This is expressed as a total amount, which must comply with the rules for the relevant part of the Socrates Programme, both in absolute terms and as a Community contribution limited to a maximum of 75% of the total eligible costs. The grant will be broken down as follows:

- a lump sum for Staff costs;
- an amount for Direct costs (expressed as a percentage of the total eligible costs for Direct costs).

The following imaginary outline budget may serve as an example:

	Budget submitted by the applicant	Approved Budget	Community grant
<b>1. Staff costs</b>	<b>90 500</b>	<b>88 235</b>	<b>(Lump sum) 55 000</b>
<b>2. Direct costs</b>			
2.1 - Travel and Subsistence	34 500	31 500	
2.2 - Equipment and materials	20 000	20 000	
2.3 - Subcontracting, consultancy and other external services	5 000	5 000	
2.4 - Other costs	13 500	13 500	
<b>Subtotal for Direct costs</b>	<b>73 000</b>	<b>70 000</b>	<b>70 000 (100%)</b>
<b>3. General Costs</b>	<b>25 000</b>	<b>11 910</b>	<b>0</b>
<b>Total</b>	<b>188 500</b>	<b>170 145</b>	<b>125 000</b>

In this example, the applicant, having proposed a budget of € 188 500, will be informed by the Commission that:

- The Approved Budget, given the project aims has been assessed at € 170 145;
- The total Community grant, subject to achievement of the project aims and compliance with the eligibility rules, will amount to € 125 000;
- Direct costs amount to € 73.000. The Community contribution for Direct costs is expressed as a total amount both in absolute terms (max. € 70 000) and as a contribution limited to a maximum percentage (100%) of the total eligible costs for Direct costs.
- General costs are cut to 7% of the overall budget or € 11 910 but will not be funded by the Community grant;
- The lump sum for Staff costs, if the final report of the project is assessed at 5 and above (see Chapter V.iv.4), will be € 55 000.

The Approved Budget will be included as Annex II to the Grant Agreement between the Commission and the Beneficiary and will thereby become a reference point (subject to any amendments agreed by the Commission) for the financial assessment of the final report.

The applicant should note that the Commission in fixing the lump sum for Staff costs (Chapter 1 of the Approved Budget), compares the costs set out in the application with the work programme and the average costs for each staff category in the country concerned.

## II. Modification of the Grant Agreement

If the smooth running of the project so requires, the beneficiary may have the Grant Agreement amended during its term, subject to the formalities described below. The beneficiary must send the Commission, via the Office, a written request for such amendment, dated and signed by its legal representative. The Commission will examine, in each case, whether or not the requested amendment should be set out in a formal endorsement, and will inform the beneficiary of its decision.

Non contractual modifications (e.g. change of contact details, correction of typing errors, etc.) are not considered amendments to the Agreement.

In order to be considered by the Commission, amendment requests must be submitted to the Office at least 60 calendar days before the end of the eligibility period detailed in point A.5 of the Grant Agreement. The amendment will enter into force only once the Commission has given its approval in writing (see Article II.13 of the Grant Agreement). Approval of requests for an amendment is not automatic and beneficiaries should try to limit, as far as possible, the number of amendments requested during the duration of the Grant Agreement.

Where the amendment is approved, a formal amendment agreement will be signed.

Please note that any request for an amendment must be supported by a detailed justification and full details of the changes sought. Failure to provide such supporting documentation may considerably delay the review process and could lead to a refusal of the request.

A description of the various types of contractual amendments is given below. The purpose of the list is to draw the attention of the beneficiary to certain modifications that require formal approval by the Commission. It should also be noted that if no request for an amendment is submitted, this will cause serious difficulties at the stage of assessing the final report and in certain circumstances can result in a reduction of the final grant. The list of amendments is not exhaustive, however, and if the beneficiary is in doubt as to whether it is necessary or not to request a formal amendment or if they have any questions about the procedure to follow, clarification should be sought from the Office.

Beneficiaries should note that amendments to the Grant Agreement may also impact on the relationships between themselves and their partners. Beneficiaries are strongly advised to review any contemplated changes carefully in order to see to what extent the Agreements between themselves and their partners may need to be amended.

For any proposed amendment to the Grant Agreement, or workplan, the beneficiary should use the forms set out in Annex B of the Handbook.

### **i) Change in the partnership**

The project was approved on the basis of the partnership proposed by the applicant in the application. Any change in this partnership is therefore subject to a formal amendment procedure.

A change in the partnership may involve one of the partners or the beneficiary. The latter case is dealt with separately (see below) since it also implies a change in legal responsibility under the Agreement.

As a general rule, a change in partnership may result either from the arrival of an additional partner (which may under no circumstances lead to an increase in the grant awarded), the departure of a partner or the replacement of one partner by another.

These events can have an impact on the workplan, since the departure of one of the partners may affect the collective expertise of the partnership or result in activities being discontinued. They can also have consequences in financial terms, in particular as regards the breakdown of the overall budget and grant among partners.

It should be stressed that should a partner leave the project during the eligibility period, the expenditure incurred by that partner for the purposes of the project remains eligible, provided it relates to activities carried out before the partner's departure and that the coordinator is able to supply the relevant supporting documents.

Beneficiaries must use the forms provided in Annex B of the Handbook.

Please note that a new workplan should be submitted if the activities are modified as a result of the change.

#### **ii) Change in the Management**

A change in the management of the project may involve either a change in the beneficiary or the co-ordinator. A change in the beneficiary involves a change in the legal responsibility under the Agreement and is always subject to formal approval by the Commission. It should be noted that the new beneficiary will be responsible for all obligations under the Agreement for its entire duration (i.e. from the start of the contract until its end). In order to request a change in beneficiary, the forms provided in Annex B of the Handbook must be used.

The co-ordinator of the project has a very important part to play in both its development and its eventual successful outcome. A change in the co-ordinator is therefore subject to formal approval by the Commission. In order to request a change in the co-ordinator of the project, beneficiaries must use the forms provided in Annex B of the Handbook.

#### **iii) Change in the Workplan**

A change in the workplan is an important modification and is subject to a formal amendment procedure.

This change may involve, *inter alia*, the discontinuation/cessation of an activity, a change in the medium used (for instance, a presentation on CD-ROM replaced by a presentation on the Internet), a change in the languages of the product, not only within Lingua, but also the other actions (for instance, a good practice guide disseminated in four languages instead of the five initially planned), or a change in the structure of a product (for instance, a change in the number of modules developed for a course).

When submitting the amendment request, the beneficiary should be careful to check whether this change will have any direct impact on other aspects of the Agreement (financial aspects in particular).

Beneficiaries must use the forms provided in Annex B of the Handbook.

#### **iv) Amendments to the Budget contained in the Grant Agreement (Annex II)**

Beneficiaries are advised to read this chapter carefully to ensure they fully understand the rules with respect to changes to the budget. In case of doubt as to whether or not a proposed change in the budget needs to be submitted to the Commission for approval, it is advisable to contact the Office for clarification.

- **Direct costs:** Even without making a formal request for an amendment, changes in the amounts indicated for each budget heading under Direct costs are acceptable if they are justified and do not undermine the project's nature and aims. With the exception of subcontracting costs where special rules apply (see Chapter III.iv).4), no amendment is necessary even where there were no costs originally foreseen in the application for the item of Direct costs concerned. If, however, changes in the Direct costs budget distribution alter the nature and aims of the project, they will have to be the subject of a workplan amendment request as specified above (see point iii).
- **Transfer between staff costs and direct costs:** Beneficiaries should note that any transfers of budget between Direct costs and the lump sum for Staff costs and vice versa, is, in principle, not possible. Any such changes, regardless of the amount involved, must be the subject of a formal written request to the Commission and will only be accepted in very exceptional circumstances.

#### **v) Change of banking information**

Change of banking information requires a formal approval from the Commission and beneficiaries must use the forms provided in Annex B of the Handbook.

**vi) Change in the eligibility period and the deadlines for submission of reports**

As for all other amendment requests, this type of change must be requested at least 60 days before the end of the eligibility period detailed in the Grant Agreement.

The following information must be provided:

- The date on which all activities will be completed.
- A new schedule for the activities or workplan by using the forms in Annex B.

Any change to the end of the eligibility period automatically results in a change in the deadline for submission of the Final Report since a three and a half month period is allowed to prepare the Final Report.

A change to the deadline of the submission of the Final Report is also subject to a formal amendment procedure. Please note that requests to alter the deadline for the submission of the progress report will not be accepted.

### III. ELIGIBLE EXPENDITURE

#### i) General principles

The beneficiary must ensure that:

- costs are reasonable and justified and accord with the principles of sound financial management, in particular in terms of value for money and cost-effectiveness;
- all costs must be actually incurred by the partnership and are necessary for the performance of the project;
- no member organisation of the partnership may derive a profit from a grant awarded by the European Community;<sup>1</sup>
- each item of expenditure is only included under one heading of any financial report (progress or final);
- where necessary, any change to the budget contained in the Grant Agreement has been approved by the Commission in writing (see Chapter II.iv) above).

At the end of the project, all expenditure incurred for Direct costs (not just the amount covered by the grant), must be justified by invoices or accounting documents of an equivalent value. Copies of these documents must be supplied if requested by the Office.

#### ii) Eligible costs

Costs incurred by member organisations of the partnership are eligible if they:

- relate directly to the implementation of approved activities, according to the project workplan
- relate to activities involving countries officially eligible to participate in the programme
- are in accordance with the rules set out in the Handbook and the Grant Agreement.

#### iii) Ineligible costs

The following items of costs shall not be eligible and should therefore not be included under any headings in the Declaration of Expenditure:

- expenditure incurred before or after the period of eligibility for expenditure indicated in the Grant Agreement
- expenditure already funded by another source, in particular by other Community funds
- entertainment or representation expenses
- excessive or reckless expenditure
- replacement costs of persons involved in the project (i.e. the costs of hiring a replacement for the person working on the project)
- expenses for travel to countries other than those eligible to participate in the Programme, unless explicit prior written authorisation is granted by the Commission
- contributions in kind (see Article II.14.3 of the grant agreement)
- costs of invested capital and return on capital
- provisions for losses or potential future liabilities
- other interest owed
- provisions for liquidation, winding up of business or breaking off of a lease
- provisions for contractual or moral obligations
- reserve funds
- debts, doubtful debts and debt service charges
- exchange losses
- VAT, unless the Beneficiary can show that it is unable to recover it
- fines, financial penalties and costs of legal proceedings.

<sup>1</sup> See Article II.17.3 of the grant agreement.



For additional specific rules applying to Comenius 2.1 and Grundtvig 1 projects, see also the relevant paragraphs of Chapter III.iv).2.

#### **iv) Principles applied to the different categories and types of costs**

##### **iv).1 Staff costs**

Since Staff costs are covered by a lump sum, they do not need to be detailed in the final report (Declaration of Expenditure). However, in order to ensure that the co-funding principle has been respected, the beneficiary will have to declare the amount spent by the partnership for Staff costs on the project. Beneficiaries should note that any amount declared for Staff costs in excess of the amount detailed for that item in the Approved Budget, will not be taken into consideration when calculating the total eligible costs of the project.

##### **iv).2 Travel and subsistence costs**

These costs are eligible only when they are directly related to the project and concern activities, which must be clearly identifiable.

Travel and insurance costs are based on the actual costs incurred. The most economical fares must be used. Several travel agencies should be contacted in order to obtain the best possible prices.

Rail travel (first class if the participant prefers and if allowed by his/her institution) must be used for journeys of up to 400 kilometres, except in an emergency or where a sea crossing is involved.

For journeys of more than 400 kilometres (or less where a sea crossing is involved or in an emergency), air travel may be used. Apex tickets or special fares must be used as far as possible. Air travel costs higher than an economy class fare are not allowed.

In the case of travel by car, these costs are eligible, according to the following conditions:

- a) private car or taxi: the amount to be considered is limited to the cost of one equivalent first class rail fare (regardless of how many people are travelling in the car);
- b) hire car (class A except where more than two persons are travelling, in which case maximum class B may be used): the actual costs shall be applied (including petrol). However, a hired car may only be used if no other suitable transport is available.

Normal travel insurance costs are eligible.

Costs of travel to and from countries not participating in the Socrates Programme are not eligible, unless explicit prior written authorisation is granted by the Commission.

Travel and subsistence costs incurred for travel to countries not represented in the partnership but otherwise eligible to participate in the Programme, are eligible provided they are directly linked to the implementation of the project and can be shown to be a reasonable and economic use of the grant.

Travel and subsistence costs incurred by persons not specifically employed by a partner in the project or by a subcontractor, are eligible provided these costs are directly linked to the implementation of the project and can be shown to be a reasonable and economic use of the grant.

Accommodation and subsistence costs are eligible provided:

- they are indispensable and reasonable taking into consideration the place of stay;
- they are calculated in accordance with the internal regulations of the institution of the person making the journey;

- they do not exceed the maximum amounts per person per day as indicated in the following table:

Country	Maximum in €	Country	Maximum in €
BE Belgium	150	IS Iceland	183
DK Denmark	179	LI Liechtenstein	174
DE Germany	127	NO Norway	171
GR Greece	113	BG Bulgaria	157
ES Spain	141	CZ Czech Republic	214
FR France	130	EE Estonia	129
IE Ireland	165	CY Cyprus	100
IT Italy	130	LV Latvia	174
LU Luxembourg	143	LT Lithuania	126
NL The Netherlands	148	HU Hungary	136
AT Austria	122	MT Malta	86
PT Portugal	143	PL Poland	227
FI Finland	156	RO Romania	185
SE Sweden	157	SI Slovenia	148
UK United Kingdom	199	SK Slovakia	164

The amounts specified in this table include all costs associated with the stay in the country concerned. If there is no overnight stay, the amounts are reduced by 50%.

Within these limits, the reimbursement of accommodation and subsistence expenses may be made on an actual or fixed cost basis. However, if the internal regulations of the institution of the person making the journey impose a lower limit than the amounts detailed in the above table, the former must be used as a basis of calculation.

For Comenius 2.1 and Grundtvig 1 projects, operating and mobility costs related to the organisation of in-service training activities are only eligible for testing the courses concerned. Costs related to the organisation of the training activities themselves will be funded through mobility grants provided within the framework of Comenius 2.2. and Grundtvig 3.

Projects are required to pay for up to two trips to Brussels a year from this budget item in order to attend the Co-ordinators Meetings.

Travel and subsistence costs, within the framework of Comenius 2.1, are not considered as eligible expenditure as far as the students taking part in initial training activities are concerned.

Travel and subsistence costs for subcontractors should be charged to the heading Subcontracting costs and not to this one.

#### **iv).3 Equipment and Materials**

The costs relating to the acquisition of hardware and equipment, whether by purchase, leasing or rental, are only eligible if strictly necessary for the performance of the project.

The choice of leasing, rental or purchasing of hardware or equipment must be based on the least expensive method. Several suppliers must be contacted in order to obtain the most economic terms. If it is decided to opt for rental or leasing, the cost of any buy-out option at the end of the lease or rental period is not eligible.

When the purchase of hardware and equipment is allowed, installation, maintenance and insurance costs may also be included, limited to the proportional use of the equipment for the project. The whole of the costs for the reference period will be considered as eligible, but adapted according to the percentage of use within the scope of the project. When the purchase of hardware or equipment is allowed, expenditure is calculated as follows:

- a) for the purpose of calculating depreciation, hardware and equipment are considered as having a life expectancy of three years, where the purchase price is more than € 1 000;
- b) costs per annum are calculated on the basis of a depreciation factor of 33.33%, but adjusted to the percentage use in the project. For instance, the allowable cost in year one for a piece of equipment worth € 10 000, which is used 50 % for the project, amounts to € 1 666

$$10\,000 \times 33.33\% \times 50\% = \text{€ } 1\,666.$$

In the second year of the project, eligible costs will also be € 1 666 if the percentage use of the hardware or equipment remains the same. If the hardware or equipment is not planned to be used for the project in the second year, then no cost will be eligible (depreciation or otherwise) for that year;

- c) where the total value of the hardware or equipment does not exceed € 1 000, the full purchase value will be allowed as eligible expenditure for the relevant year, adjusted to the percentage use in the project concerned;
- d) depreciation or purchase costs will not be eligible if the hardware or equipment was purchased prior to the start of the eligibility period indicated in the Grant Agreement, except in the case of renewed projects, where the depreciation costs were allowed as eligible expenditure for the previous contractual year.

The cost of materials (e.g. software) need not be depreciated unless it is a requirement of the national law where the relevant partner is based. However, such costs will be adjusted to the percentage use in the project of the material concerned.

#### **iv).4 Cost of subcontracting, consultancy and other external services**

Any amount paid to an outside body, which is not part of a member organisation of the partnership and which carries out specific and limited work for the project, must be charged to the heading "Subcontracting costs". This includes work such as translation, interpretation and printing, carried out by bodies outside the partnership organisations.

Such expenditure may only be allowed if the staff of the member organisations of the partnership do not have the skills required for the performance of the work concerned. In order to be eligible, the subcontracting must have been fully described in the application. If no subcontracting was foreseen in the application, prior written approval from the Commission needs to be obtained if the proposed costs of the subcontracting (including travel, accommodation and subsistence costs) will exceed € 10 000 (VAT or equivalent sales tax excluded).

The only subcontracting expenditure allowed concerns costs in accordance with the provisions of the Agreement. Subcontracting Agreements must contain at least the following information:

- subject of the subcontracting
- dates of start and end of subcontracting
- amount to be paid
- detailed description of costs
- work schedule or phases
- payment procedures (one or more instalments)
- penalty clause(s) in the event of non-fulfilment of the Agreement or delays in the performance of work (if this is feasible or possible).

**None of the basic activities of the project may be subcontracted**, in order not to distort the partnership concept. Thus the Beneficiary may not subcontract the entire management and general administration of the project and no member organisation of the partnership may subcontract the whole or the greater part of the activities which were assigned to it.

If the total costs of the subcontracting (including travel, accommodation and subsistence costs) during the eligibility period for a particular kind of service (e.g. translations, publications, etc.) from a supplier exceed € 10 000 (VAT or equivalent sales tax excluded), the beneficiary or partners must obtain competitive quotes from at least three independent suppliers and be able to demonstrate that the most advantageous offer, in terms of quality and price, has been accepted. Copies of these quotations must be supplied to the Commission on request.

If the beneficiary calls on the services of an outside expert (i.e. a person not on the payroll of the organisations involved in the project) as a consultant, the costs are eligible subject to the conditions mentioned above, provided that they are strictly necessary for the performance of the project and are reasonable in amount. The consultant's fees should not normally exceed € 400 per day (VAT excluded). All the costs directly connected with sub-contracting must be declared under this budget heading, whatever their nature (for example, travel costs). The costs of an independent consultant working full-time or frequently for the project should normally be registered under Staff costs and not under subcontracting.

For translations, only expenditure directly related to translations from and into the official languages of the countries formally participating in the Socrates Programme is eligible, unless explicit prior written authorisation is granted by the Commission. Translation costs may not be higher than the market prices in the country where the translation is done.

The costs of subcontracting may not exceed an amount of 30% of the total eligible costs of the project. Any amount declared in excess of this limit will not be eligible.

### **iv).5 Other costs**

Other costs, not covered by those indicated above, may be allowed, provided they are:

- necessary for the performance of the project
- reasonable in amount
- fully documented and clearly itemised
- not indicated under another category or item of expenditure.

Expenditure types eligible under this heading include:

- bank charges relating to the opening or maintaining of an account established especially for the project, as well as bank transfer and exchange costs relating to receipts and payments for eligible expenditure under the project. However, charges relating to establishing or maintaining lines of credit, overdraft or guarantee facilities are not eligible;
- the hiring of conference halls or training premises, provided that it is strictly necessary for achieving the objectives of the project;
- costs incurred in producing, translating and publishing documents, when those activities are performed by one of the member organisations of the partnership. However, these costs may not exceed those that would be normally charged on a commercial basis. They must also be fully supported by invoices from the partner concerned showing clearly how the costs have been arrived at;
- internet communication costs in duly justified cases for projects where activities require very intensive use of this type of communication. However, general communication costs for the project should be included in general costs.

### **iv).6 General costs**

This heading refers to general costs related to project management, but not identifiable as specific costs directly linked to the project, such as:

- communication costs (postage, fax, telephone, mailing, etc.)
- infrastructure costs (rent, electricity, etc.) of the premises where the project is being carried out, in proportion to the use of these premises by the project
- office supplies
- photocopies.

General costs were relevant for the calculation of the Approved Budget and Community grant at the application stage. They do not have to be detailed in the final report, and must be entirely financed by the partnership. However, in order to ensure that the co-funding principle has been respected, the Beneficiary will have to declare the amount spent by the partnership for General costs on the project. Beneficiaries should note that any amount declared for General costs exceeding the amount detailed for that item in the Approved Budget will not be taken into consideration when calculating the total eligible costs of the project. In addition, General costs may not exceed 7% of the total eligible costs of the project..

**iv).7 VAT, customs duties and other taxes on goods and services**

The beneficiary must ascertain from the competent national authorities the provisions, rules and legislation governing the taxation of project expenditure in their countries.

VAT cannot, in any case, be charged to the project unless it is a final charge, i.e. a charge that is not deductible and cannot be recovered by the beneficiary or the partners.

Like VAT, other types of taxation, duty or charges related to the project expenditure, which may arise from Community financing, are eligible costs if they are actually and finally borne by the partners concerned.

**iv).8 Assessment of Expenditure**

The method by which the costs reported in the final report are assessed is described in Chapter V.iv) of this Handbook.

## IV. FINANCIAL MANAGEMENT OF THE PROJECT BY THE BENEFICIARY

### i) Bank account

The account specified in the Grant Agreement and to which the Socrates grant will be paid should, if at all possible, be denominated in € and must be:

- in the name of the beneficiary organisation (personal accounts are not acceptable under any circumstances);
- specific to the project, where possible;
- in a Member State of the European Union or an EFTA-EEA country or one of the accession candidate countries participating officially in the programme.

Cash withdrawals from the account should be avoided and must be substantiated by receipts.

Interests gained on pre-financing payments must be declared at final report stage and will be deducted from the final payment or added to a possible reimbursement.

### ii) Accounting system / Internal control

The beneficiary must set up an analytical accounting system or an adequate internal system, which must make it possible to identify:

- the sources of project funding;
- project expenditure incurred during the eligibility period.

All transactions in the eligibility period relating to actual expenditure/income under the project must be recorded using a numbering system in which the project is given a specific identifiable number.

Although no proof of payment will be required for Staff costs at Final Report stage or in case of an audit, the beneficiary shall keep track of the time spent by the staff that have been working on the project. These records should take the form of timesheets identifying the person, his/her function, the time/period spent on the project and the kind of activity carried out.

As far as possible, the persons responsible for managing the daily activities of the project should not be the same as those responsible for its financial management.

### iii) Management of the partnership

The beneficiary must:

- enter into a written Agreement with each partner setting out the conditions for the application of the approved activities, in accordance with the terms of the Grant Agreement relating to the project;
- send a copy of the Grant Agreement, including the Annexes, to each partner;
- take all necessary measures to guarantee its partners' active cooperation, as well as their complete acceptance of all provisions of the Grant Agreement.

Any partner whose name does not appear in the original application submitted by the beneficiary or whose participation in the project has not been approved in advance in writing by the Commission (via the Office), will not be recognised as such in the framework of the Grant Agreement, and as a result, all costs relating to such a partner will not be considered eligible.

If the Commission and/or the Office so demands, the beneficiary will be required to submit a copy of the written Agreements concluded with the various partners identified in the original application or accepted in a subsequent amendment.

The Commission declines any responsibility with regard to the relations between partners, in particular and including the dividing up of the grant between the beneficiary and its partners. The fact of the Commission (or the Office) having been made aware off the Agreements concluded between the beneficiary and its partners does not in any way change the beneficiary's responsibility in this respect.

**iv) Payment of the grant**

Payment arrangements and dates are set out in the Grant Agreement.

## V. REPORTS

### i) General remarks

Reporting is a crucial phase of the project since it allows a review and qualitative and quantitative assessment of:

- the products and results achieved, relative to the aims (as regards activities/products) stated in the application;
- the costs incurred in order to achieve these results, compared with the Approved Budget (as regards the Direct Costs).

As the Progress and Final Reports are the main monitoring and evaluation tools, they must provide as complete and accurate a picture of the project as possible. Beneficiaries are therefore advised to read the report forms carefully, as soon as they receive them, so that they are familiar with the content and aware of the financial and accounting information required for their completion.

In each report, the various financial tables form a coherent whole: the figures must therefore be consistent. Before submitting the report, the beneficiary must check that the entries satisfy this requirement, referring to the explanatory notes provided in the Handbook and in the progress and final report forms.

The amounts indicated in the progress and final report forms must be expressed in € and rounded to the nearest whole number. Before submitting the reports, the beneficiary must also check that the totals and sub-totals given are arithmetically correct.

### ii) Formal requirements for reports

For a report to be assessed, the formal requirements detailed in Annex III of the Grant Agreement (progress and final report models) must be satisfied.

If the report does not meet the above criteria, the Commission may not analyse it until its formal presentation is correct. If the Commission is not able to obtain the reports in the correct format, the grant may be revoked and the beneficiary required to reimburse to the Commission the grant already paid.

### iii) Progress Report (for Agreements with a two/three-year eligibility period only)

#### iii).1 General Remarks

The purpose of the Progress Report is to take stock of progress at a particular point and to pinpoint any specific problems that the partnership has encountered so that action can be taken to allow the project's main aims to be achieved as far as possible. The beneficiary must use the forms provided for completing the Progress Report. These are attached to and form Annex III to the Grant Agreement.

#### iii).2 Description of project activities, products and results

This part of the Progress Report is intended to provide a detailed picture of the project and its progress during the period covered by the report. It must therefore include all the information detailed in the standard report form to allow a qualitative and quantitative assessment to be made.

#### iii).3 Declaration of expenditure

This part of the Progress Report consists of a general financial statement for the initial period. If the activity report demonstrates that the project is being carried out along the lines of the scheduled timetable, the analysis of the financial statements will consist of checking that 70% of the first pre-financing payment has been used up. If this percentage is not reached by the deadline to submit the progress report, the beneficiary shall submit its report nevertheless. On the other hand, the progress report cannot be submitted before the deadline, even if this percentage has been reached earlier, unless all the activities detailed in the work plan for the period covered by the progress report have been achieved. It must be remembered that in the final report the beneficiary and its partners will have to give details on the expenses incurred during the whole duration of the project.



#### **iii).4 Pre-financing payment**

Once the two parts of the report set out in V.iii).2 and V.iii).3 above, have been specifically approved by the Commission, the next pre-financing payment can be paid to the beneficiary, following the provisions of the article I.4 of the Grant Agreement.

If 70% of the first pre-financing payment had not been used up by the time the beneficiary submitted its progress report, the beneficiary can request the payment of the second instalment at a later stage by submitting a separate payment request as soon as the utilisation of the first pre-financing payment has reached 70%. This separate payment request must contain a revised version of the general financial statement submitted with the progress report so that the Commission can check the level of consumption of the first instalment. Upon approval of this financial statement, the next pre-financing payment can be paid to the beneficiary.

#### **iv) Final Report**

##### **iv).1 General remarks**

The purpose of the Final Report is to allow an overall evaluation of the project. All work must therefore be completed before it is submitted. The beneficiary must use the forms provided for submitting the final report. These forms are attached to and form Annex III to the Grant Agreement.

##### **iv).2 Description of project activities, products and results**

This part of the report form is intended to provide a detailed picture of the project and its products and results over the whole duration of the project. It must therefore include all the information detailed in the standard report form to allow a qualitative and quantitative assessment of the project to be made.

##### **iv).3 Declaration of expenditure**

This part of the Final Report consists of details of the expenditure incurred for Direct costs for the entire project duration, as well as a declaration of the expenditure incurred for Staff and General costs. This expenditure will be analysed by the Commission in order to arrive at the calculation of the final Community Grant as is detailed in chapter V.iv).5 below.

##### **iv).4 Assessment**

The assessment of the Final Report has direct consequences for the calculation of the final Community Grant.

The Final Report will be assessed by the Commission, if necessary with the assistance of experts. The Commission will assess the degree of the implementation of the project, on a scale of 0-10, by comparing the objectives, results or products achieved or produced against the objectives and aims stated in the original application (as officially amended). The assessment of the Final Report will lead to the following result:

- for ratings between 5 and 10 inclusive, the beneficiary will be entitled to the full lump sum for staff costs as detailed in the budget attached to the Grant Agreement;
- for ratings between 3 and 4 inclusive, the lump sum for staff costs will be reduced by 50%. Projects whose activities or results are significantly less than what was envisaged in the original application will fall under this category;
- for ratings between 0 and 2 inclusive, the beneficiary will be required to repay the grant in full. Projects with no or almost no activity having been carried out will fall under this category.

##### **iv).5 Calculation of the final Community grant**

For projects where the results are assessed as grade 3 or above, the Direct costs reported will be assessed by individual budget headings in order to verify if there are any ineligible items (see Chapter III of the Handbook). The ineligible items will be deducted from the amounts declared for the Direct costs in order to arrive at the eligible Direct costs. The percentage financing for Direct costs, as indicated in the Approved Budget, will then be applied to the eligible Direct costs in order to arrive at the final grant for Direct costs. This cannot exceed the maximum grant for Direct costs detailed in the Approved Budget. The examples

below will illustrate this rule.

In order to calculate the total eligible costs of the project, the amounts declared for Staff costs and General costs (subject to any deduction under Chapters V. iv).4 and III. iv).6 of the Handbook), will be added to the amount for the eligible Direct costs. If the amount of grant (lump sum for Staff costs plus the grant for Direct costs) is higher than 75% of the total eligible costs of the project, the final grant award will be reduced to this percentage.

In carrying out a review and analysis of the costs declared in the Declaration of Expenditure, the Office may ask the beneficiary for further details, justifications and copies of invoices relating to all or some of the budget headings under Direct costs. Such a request may also occur as a result of a sampling exercise carried out every year on a number of Final Reports. The beneficiary must supply the information requested within 30 days. Failure to do so, may result in a reduction or even the cancellation of the grant.

An example is given below, in order to illustrate how the final Community Grant due to the beneficiary from Socrates will be calculated. This example re-uses the figures already quoted in Chapter I to illustrate the grant allocation process.

It should be noted that the beneficiary provides no detailed information for the Staff costs. As already explained, Staff costs are not assessed on the basis of documentary proof, but according to the established lump sum and the assessment of the Final Report. Likewise, no detailed information needs to be provided for General costs, as these are to be borne by the beneficiary/the project partnership.

	Approved Budget as per the Grant Agreement	Community grant	Declared expenditure (final report)	Eligible <sup>2</sup> expenditure	Community Grant
<b>1. Staff costs</b>	<b>88 235</b>	<b>55 000</b>	<b>88 235</b>	<b>88 235</b>	<b>55 000</b>
<b>2. Direct Costs</b>					
2.1 – Travel and subsistence	31 500		39 175	39 175	
2.2 – Equipment and materials	20 000		21 135	21 135	
2.3 – Subcontracting, consultancy and other external services	5 000		5 000	3 950	
2.4 - Other costs	13 500		5 000	5 000	
<b><u>Subtotal for Direct costs</u></b>	<b>70 000</b>	<b>70 000</b>	<b>70 310</b>	<b>69 260</b>	<b>69 260 (100%)</b>
<b>3. General costs</b>	<b>11 910</b>	<b>0</b>	<b>11 000</b>	<b>11 000</b>	<b>0</b>
<b>Total</b>	<b>170 145</b>	<b>125 000</b>	<b>169 545</b>	<b>168 495</b>	<b>124 260</b>
<b>Final Grant</b>					<b>124 260</b>

When the Grant Agreement was signed, the beneficiary accepted the Approved Budget and the amount and breakdown of Community Grant as a basis for achieving the aims specified in the project. The final grant for the project is € 124 260, calculated on the following basis:

- Since the assessment of the Final Report has shown that the project has been carried out satisfactorily, the lump sum of € 55 000 for Staff costs is allowed.
- The beneficiary has declared an amount for Staff costs of € 88 235. As this amount is not more than the amount detailed in the Approved Budget for this item, it is accepted and no further verification will be made at this stage. Note that if the Beneficiary had declared an amount of € 90 000, only the amount of € 88 235 would have been taken into consideration when calculating the total eligible costs of the project.
- The beneficiary has declared an amount of € 11 000 for General costs. As this amount is not more than the amount detailed in the Approved Budget and does not exceed 7% of the total eligible costs of the project, it is accepted and no further verification will be made at this stage.

<sup>2</sup> Eligibility will be checked for the budget headings, which are not lump sums, namely travel and subsistence costs, equipment and material costs, subcontracting and other costs.

- Although the beneficiary has spent more on travel and equipment and less on other costs as compared with the Approved Budget, the expenditure is declared eligible as the beneficiary has demonstrated in the Final Report that the change is reasonable and necessary and did not undermine the aims of the project.
- For subcontracting costs € 5 000 are reported. Of this € 1 050 has been considered as ineligible expenditure. It should be noted that subcontracting costs cannot exceed 30% of the total eligible costs of the project. In this example, the limit would be € 50 548.
- The total eligible expenditure for Direct costs, after deduction of all ineligible amounts, comes to € 69 260.

At the end of the content and financial assessment, the final eligible costs of the project amount to € 168 495. Since the percentage of Community funding for Direct costs is 100%, the grant for Direct costs will cover € 69 260. Since the grant proposed of € 124 260, is less than 75% of the total eligible costs of the project, the final grant will be maintained at € 124 260. For example, if the final eligible costs had been reduced to € 160 000, the final grant would have been reduced to € 120 000 (i.e. 75% of € 160 000).

If, in the above example, the original percentage of Community funding for Direct costs had been 80%, the grant for Direct costs would cover only € 55 408 (i.e. 80% of € 69 260).

If, in the above example, the final report of the project had been scored as 0 - 2, then the beneficiary would be required to repay the grant received.

If, in the above example, the final report of the project had been scored between 3 and 4, then the lump sum for staff costs would be reduced to € 27 500. As a result of this reduction and prior to the financial analysis described above, the maximum amount of the grant would have been cut down to € 96 760.

### **iv).6 Payment of balance**

Once the two parts of the report set out in V.iv).2 and V.iv).3 above have been specifically approved by the Commission, the final balance can be paid to the beneficiary following the provisions of the article 1.4 of the Grant Agreement. If the final grant is less than the total of the amounts already received as pre-financing payments, then the beneficiary shall reimburse to the Commission the sums paid in excess.

Interests gained on pre-financing payments must be declared in the final report. They will be deducted from the final payment or added to a possible reimbursement.

### **iv).7 Appeals**

If the beneficiary does not agree with the final grant awarded or the reimbursement claimed by the Commission, then it may submit an appeal to the Office. In order to be valid, the appeal must be in writing and sent to the Office within 60 days of the date of the settlement letter. The beneficiary should set out fully the grounds upon which it disputes the decision of the Commission, together with copies of any relevant supporting documents or justifications upon which it relies. The grounds of the appeal must be based on new elements or facts which were not taken into consideration when the Final Report was originally analysed. It should be noted that the Commission may reject an appeal which is not submitted within the 60 day period or which does not contain the necessary justifications or documentation.

The appeal will be decided by the Commission and the result, together with the reasons, will be communicated to the Beneficiary, normally within 4 months of the date of the submission of the appeal.

Further information on the appeal procedure can be found on the Socrates Project Website.

### **v) Additional Progress Reports**

In addition to the reports detailed in this Chapter, the Commission may, at any time, request the beneficiary to produce an additional report on the progress of the project to date, covering both its technical and financial aspects. The purpose of these additional reports is to verify that the project is being managed in accordance with the rules set out in the Handbook and to ensure that sufficient progress is being maintained between the official reporting periods.

## VI. SUPPORTING DOCUMENTS & AUDITS

### i) Purpose

As set out in the Grant Agreement, an operational and/or financial audit can be carried out on the spot by the Commission, the Office or the Court of Auditors of the European Union, and any person authorised by them, at any time. In such cases, the Beneficiary will be notified that an inspection visit is to be made.

On receipt of this notification, the beneficiary is advised to ensure that all the original documentation likely to be examined by the auditors is available and, if necessary, contact the project partners in order to collect any documents that may be missing. The audit will cover not only expenditure committed by the beneficiary but also the costs borne by the whole of the partnership.

The purpose of these audits is twofold: firstly, to check that the project's financial reports presented for payment are consistent with the beneficiary's basic accounts and to ensure that Community funds have been spent in accordance with the Grant Agreement and its Annexes and that the project has been carried out;

Secondly, audits provide a good opportunity for contact and dialogue between the auditors and the beneficiary. If any management problems are found, the auditors will work with the beneficiary to seek a solution and, if necessary, improve existing internal procedures in order to make the best possible use of Community funds. The auditors will be open to any comments and/or suggestions that the beneficiary and the partners may wish to make.

The main assessment criterion is transparency. It is essential for the auditors to have access to full, accurate and properly documented information.

### ii) Documents required

#### ii).1 *General remarks*

In principle, supporting documents must satisfy the following conditions:

- Documents from the beneficiary must be **original and dated**;
- Documents from the partners must be certified copies of the original. The Commission reserves the right to have originals made available to it at any time.

Proforma invoices will not be accepted, except for expenditure committed and not yet paid, in which case the Beneficiary will have to provide proof of payment at a later date. For payments, which have already been made, only final invoices will be accepted and the Beneficiary must be able to supply bank statements or other proof of payment.

As a general rule, the beneficiary must provide the auditors with all bank documents. The beneficiary and partner organisations' accounting records, analytical accounts and annual statements must also be available.

In its Agreements with the other members of the partnership, the beneficiary must require each partner to supply the documents substantiating declarations of expenditure for the cost headings not covered by a lump sum. This will enable the beneficiary to check the information it supplies in the various financial tables for which it is responsible.

If the beneficiary cannot provide adequate supporting documents for project-related expenditure or if the supporting documents available do not satisfy the requirements set out in this chapter, the auditors reserve the right to exclude the costs in question from total eligible expenditure.

The supporting documents required for each type of cost are described in the following paragraphs.

### **ii).2 Staff costs**

Since staff costs are covered by a lump sum, the beneficiary will not be required to produce supporting financial accounting documents such as salary slips, bank statements, employment contracts, etc. However, although the Commission will not audit any financial records related to Staff costs, the auditors may request the beneficiary to provide them with timesheets of the staff that have been working on the project in order to be able to justify the time that has been spent on the project and, as a consequence the partnership's contribution to it.

#### Audits during the project's life:

In this case, the beneficiary can demonstrate only that the project is proceeding as provided for in the contract and that the direct costs prove that it is in progress.

#### Ex-post audits:

At this stage, the beneficiary can produce the project results.

### **ii).3 Travel and subsistence costs**

Travel costs must be justified as follows:

- for train travel: on the basis of original tickets (if originals have to be retained for tax purposes, certified copies must be produced);
- for air travel: on the basis of original tickets or boarding passes (if originals have to be retained for tax purposes, certified copies must be produced);
- for travel in a private vehicle: on the basis of a statement from the rail company or airline confirming the train or air fare for the journey;
- for travel in a hired vehicle: on the basis of the invoice;
- for taxi journeys: on the basis of the receipt and an expense form (or equivalent).

Subsistence costs, including accommodation and meals, will be reimbursed on an actual or fixed cost basis and may not exceed either the daily rate per person applied by the organisation to which the person travelling belongs, or the maximum daily rate per person specified in the table in chapter III.iv).2 of the Handbook, whichever is the smaller.

### **ii).4 Equipment and material costs**

In the case of equipment and material costs only actual costs will be covered by the Socrates programme. This means that there must be a suitable system for identifying the costs arising from the use of equipment. Invoices for the purchase of hardware and equipment, along with the standard depreciation tables, if applicable, must be available for inspection by the auditors. If hardware or equipment is leased or rented, the beneficiary must produce the lease or rental Agreements for verification by the auditors.

### **ii).5 Subcontracting costs**

If the beneficiary and/or the partners in the project, use the services of a subcontractor, they must be able to produce the Agreement concluded with the latter, the invoice(s) paid and any other supporting document connected with the subcontracting costs set out in the Final Report. The Commission reserves the right not to accept all or part of such expenses if they do not satisfy the eligibility requirements set out in the Handbook (see chapter III).

### **ii).6 Other costs**

Only actual costs as shown by the corresponding invoices can be charged to the project.

### **ii).7 General costs**

The beneficiary will not be required to produce supporting documents for general costs.

**iii) Findings and outcome**

Audit Reports are internal Commission information and are confidential. However, the beneficiary will be informed in writing of the audit findings within a period of four months from the date of when the audit was carried out. The audit will lead to one of the following results:

- The audit is entirely satisfactory: the auditors have found no significant shortcomings in the financial management or other aspects of the project;
- Ineligible expenses have been found: these will entail either a reduction of the balance to be paid, or a demand for repayment to the Commission, depending on the amount involved

### Special provisions for ERASMUS Thematic Networks

All the terms, rules and conditions set out in the Handbook will apply to Thematic Network Projects (TN) and Thematic Network Projects - Dissemination (TND), except for the specific changes detailed below:

#### 1. DEFINITION OF TERMS RECURRING IN THE HANDBOOK

**Applicant:** any higher education institution or body eligible to participate in Erasmus declaring its intention, in accordance with the set procedures, to submit a proposal for a TN and TND. The applicant will become the beneficiary when the proposal is accepted by the Commission and a Grant Agreement is signed between the Commission and the applicant.

**Beneficiary:** any higher education institution or body eligible to participate in Erasmus, that on behalf of the partnership, has signed the Grant Agreement with the Commission for the implementation of the project. The beneficiary has the primary legal responsibility towards the Commission for the proper execution of the Grant Agreement. It is also responsible for the day-to-day co-ordination and management of the project and for distributing the Community funds allocated for this project to the other partners.

#### 2. CHAPTER II MODIFICATIONS – POINT VI CHANGE IN THE ELIGIBILITY PERIOD

It should be noted that requests to extend the eligibility period for a current TN will not normally be accepted when the project has been approved for a renewal.

#### 3. RENEWALS (TN only)

TN projects are approved for a duration of one year. This period may be renewed, subject to the express approval of the Commission, pursuant to a renewal application for a maximum of two further periods of one year. In no event may a TN project exceed a three year duration in total. The deadline for submitting a renewal application is the 1st March of each year.

#### 4. THEMATIC NETWORK PROJECTS - DISSEMINATION

After the final year of a TN project the network can apply for an extra year for dissemination of their results / outcomes.