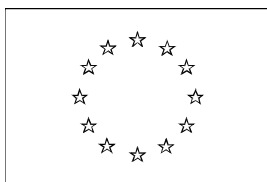


EUROPEAN COMMISSION



DIRECTORATE-GENERAL
EDUCATION AND CULTURE

LEONARDO DA VINCI PROGRAMME

**PILOT PROJECTS, LANGUAGE COMPETENCES, TRANSNATIONAL
NETWORKS AND REFERENCE MATERIAL**

ADMINISTRATIVE AND FINANCIAL HANDBOOK
for Promoters

CL/21a/99Rev4

TABLE OF CONTENTS

PURPOSE OF THE ADMINISTRATIVE AND FINANCIAL HANDBOOK	4
I. SUBMISSION OF PROPOSALS	5
II. CONTRACT FORMALITIES	6
1. DESCRIPTION OF THE CONTRACT FORM	6
2. FORMAL RULES FOR ACCEPTANCE OF THE FORM	6
3. BUDGETARY INFORMATION	7
III. OPERATIONAL MANAGEMENT OF THE PROJECT	9
III.1. AMENDMENT OF THE AGREEMENT	9
III.1.1. AMENDMENT OF THE AGREEMENT AND ITS ANNEXES	9
III.1.2. AMENDMENT OF THE PROJECT DESCRIPTION	11
III.1.3. AMENDMENT OF THE BUDGET	11
III.2. ELIGIBILITY	11
III.2.1. <u>GENERAL REMARKS</u>	11
III.2.1.1. <u>Eligibility of expenditure</u>	11
III.2.1.2. <u>Duration of the project</u>	12
III.2.2. <u>PERSONNEL COSTS</u>	12
III.2.3. <u>TRAVEL AND SUBSISTENCE COSTS</u>	13
III.2.4. <u>EXPENSES RELATING TO INFORMATION AND COMMUNICATION TECHNOLOGIES</u>	14
III.2.5. <u>PRODUCTION COSTS</u>	15
III.2.6. <u>OVERHEADS</u>	15
III.2.7. <u>OTHER COSTS</u>	15
III.2.8. <u>SUBCONTRACTING COSTS</u>	16
III.3. FINANCIAL MANAGEMENT OF THE PROJECT BY THE CONTRACTOR	17
III.3.1. <u>GENERAL REMARKS</u>	17
III.3.2. <u>BANK ACCOUNT</u>	17
III.3.3. <u>ACCOUNTING SYSTEM/INTERNAL CONTROL</u>	17
III.3.4. <u>VAT, CUSTOMS DUTIES AND OTHER TAXES ON GOODS AND SERVICES</u>	17
III.3.5. <u>EXCHANGE RATES</u>	17
III.3.6. <u>PAYMENT OF THE GRANT</u>	19
IV. REPORTS	19
IV.1. GENERAL REMARKS	19
IV.2. FORMAL REQUIREMENTS FOR THE ACCEPTANCE OF REPORTS	19
IV.3. INTERIM REPORTS	20
IV.3.1. <u>GENERAL REMARKS</u>	20
IV.3.2. <u>ACTIVITY/RESULTS REPORT</u>	20
IV.3.3. <u>FINANCIAL REPORT</u>	20
IV.4. FINAL REPORT	20
IV.4.1. <u>GENERAL REMARKS</u>	20
IV.4.2. <u>ACTIVITY/RESULTS REPORT</u>	21
IV.4.3. <u>FINANCIAL REPORT</u>	21
IV.4.4. <u>EVALUATION AND MONITORING</u>	21
IV.4.5. <u>CALCULATION OF THE FINAL COMMUNITY GRANT</u>	21
V. AUDITS	25
V.1. PURPOSE	25
V.2. DOCUMENTS REQUIRED	25
V.2.1. GENERAL REMARKS	25
V.2.2. <u>PERSONNEL COSTS</u>	26
V.2.3. <u>TRAVEL AND SUBSISTENCE COSTS</u>	26
V.2.4. <u>COSTS IN CONNECTION WITH COMPUTER AND AUDIOVISUAL EQUIPMENT</u>	26
V.2.5. <u>PRODUCTION COSTS</u>	26
V.2.6. <u>OVERHEADS</u>	26
V.2.7. <u>OTHER COSTS</u>	26
V.2.8. <u>SUBCONTRACTING COSTS</u>	26
V.3. FINDINGS AND OUTCOME	27
VI. ANNEX I	
INTERNATIONAL STANDARD CLASSIFICATION OF OCCUPATIONS	28

PURPOSE OF THE ADMINISTRATIVE AND FINANCIAL HANDBOOK

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

- help Contractors to run projects efficiently;
- clarify various matters arising from the Agreement and its annexes;
- provide practical information to which Contractors may refer at the various stages of the project;
- provide guidance for Contractors 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.

Financial management of a project is an aid to ensuring that the best results/products are produced at a moderate cost. Since activities almost always give rise to costs, the main aim is thus to identify the results/products achieved, their quality and their cost. This key concept of the **quality/cost ratio** will be central to evaluation of the project.

The rules outlined in the Handbook apply to **all the funds** administered under Leonardo Da Vinci projects. They form a set of good practices which project managers should try to follow as closely as possible. However, since a wide range of situations may be encountered, other management procedures may be justified, provided that:

- they are transparent;
- they do not run counter to the general philosophy of the Leonardo Da Vinci programme or the normal rules of good management;
- they are explained when submitting reports.

Definition of terms recurring in this handbook:

Promoter: any institution or body, private, public or semi-public declaring its intention, in accordance with the set procedures, to submit a proposal for transnational co-operation within the scope of the programme. The promoter organisation will become the contractor when the proposal is accepted and the project starts.

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

Contractor: any institution or body, private, public or semi-public, which on behalf of the other partners associated in the request for financial support from the programme, is responsible for presenting the proposal, as the promoter organisation, and which therefore, if it is selected, is liable under the contract and is responsible for the day-to-day co-ordination and management of the project and for distributing the Community funds allocated for this project. Day-to-day co-ordination and management can be delegated to a co-ordinator, in which case the delegation arrangements must be clearly spelt out.

Co-ordinator: this is the institution or body 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. This institution or body may differ from the contractor.

I. SUBMISSION OF PROPOSALS

Applicants whose pre-proposal has been selected will be invited to complete and submit the application form.

The financial tables to be filled out by the Contractor are:

- a breakdown of estimated costs by phase and by type of cost
- a breakdown of personnel needs and estimated expenses by Partner
- a breakdown of the costs by type of cost and by Partner
- funding estimates by type of cost and by Partner.

Breakdown of the estimated costs by phase and by type of cost

The applicant must specify the various phases of the project and estimate the personnel, operational and subcontracting costs for each.

Breakdown of personnel needs and estimated expenses by Partner

Five categories of personnel¹ are to be distinguished:

- a) ISCO 1 : legislators, senior officials and managers,
- b) ISCO 210, 220 or 240 : professionals,
- c) ISCO 230 : teachers, trainers
- d) ISCO 3 : technicians and associate professionals,
- e) ISCO 4 : clerks.

For each category, state the estimated number of working days and daily labour costs.

Breakdown of the costs by type of cost and by Partner

For the project as a whole, the applicant, with the assistance of the Partners, must estimate what costs of each type the promoter and each Partner will incur.

1. Personnel costs

Transfer the total amount of previous table

2. Operating costs

- a) Travel and subsistence costs

In addition to the total for each Partner, the tenderer must attach an explanation of the basis of calculation, viz. the number, venues and dates of meetings and trips planned.

- b) Information and communication technology costs
- c) production costs
- d) overheads
- e) other costs

Section III.2 explains what costs are eligible for headings a, b, c, d and e.

3. Subcontracting costs.

Breakdown of funding estimates by Partner

The tenderer must state each Partner's expected sources of funding, which must match the letters of intent sent by the Partners.

¹ Annex 1 defines and details the personnel classification. ISCO : International Standard Classification of Occupations.

II. CONTRACT FORMALITIES

If the project submitted is sufficiently detailed, the budget is realistic and acceptable in the light of Community standards and the subsidy granted is the same as that requested by the tenderer, the contracting phase can be limited to a simple exchange of information not contained in the application form, such as bank details and the articles of association of the tenderer. This information must be sent when the signed contract is returned.

II.1. DESCRIPTION OF THE CONTRACT FORM

Before the Agreement is drawn up, the Contractor must complete a contract form and return it to the National Agency².

This form is in two parts.

The first gives details of the project, summarising all the information on the Partnership and project content which will be included in the Agreement, such as:

- name and details of the members of the Partnership, with the commercial register and VAT identification numbers for those members who have them;
- project title and acronym.

Contractors must indicate **legibly**, in block capitals, any changes that they may wish to make to these details. As regards the Partnership, they must also specify the **official names** (company names) - **written out in full** - of all the project Partners, as given in their articles of association, and the commercial register and VAT identification numbers for those Partners who have them.

The second part, which must be completed by the Contractor according to the rules set out below, contains:

- a **factual and detailed** description of the impact any reduction in the total cost would have on the project activities and/or results;
- a sheet with bank particulars;
- a budget proposal based on the total updated cost of the project;
- an form for acknowledgement of receipt;
- a model letter of intent for Partners;
- a signature form, on which the Contractor must indicate, if necessary, the names and titles of the various persons who are authorised under the terms of the articles of association to enter into commitments on behalf of the Contractor and thus to sign reports and all official documents; these persons must write their signatures opposite their names.

II.2. FORMAL RULES FOR ACCEPTANCE OF THE FORM

So that the form can be used for the preparation of the Agreement and the latter can be sent to the Contractor as soon as possible, the following formal requirements must be satisfied:

- An **original** copy of the form must be sent to the National Agency³ (photocopies will not be accepted under any circumstances).
- The form must bear **the original signature of the representative legally entitled to sign**³ of the contracting organisation. The name of this representative and his position/title within that organisation must be given below the signature, which must be accompanied by the organisation's official stamp. The National Agency⁴

- The whole of the form (i.e. all its pages) must be returned, duly completed and signed in the appropriate places.
- Any change to the pre-printed data in the form must be clearly indicated and will be checked before acceptance.
- The bank particulars sheet, details from which will be included in the Agreement, must be correctly completed and duly signed by the organisation's legal representative or financial director. The sheet must also indicate the bank account to which the Leonardo da Vinci grant is to be paid and which must be:
 - in the name of the contracting organisation (personal accounts are not acceptable under any circumstances);
 - where possible, specific to the project (in the case of a general account, the Contractor must set up an analytical accounting system allowing both expenditure and revenue connected with the project to be identified);
 - as far as possible in euros (this is strongly recommended);
 - in a Member State of the European Union or the European Economic Area or in one of the associated countries participating officially in the programme.

-

- the funding levels for the various budget headings for operating and subcontracting costs.

The following imaginary outline budget may serve as an example:

	Budget submitted by the promoter	Estimated eligible expenditure	Community support	%
A. Personnel costs				
ISCO 1	52 350	50 705		
ISCO 210, 220 or 240	7 100	6 920		
ISCO 230	2 000	2 000		
ISCO 3	8 800	8.360		
ISCO 4	20 250	20 250		
<u>Sub-total I</u>	<u>90 500</u>	<u>88 235</u>	<u>57 000</u>	
B. Operating costs				
1. Travel	34 500	31 500	31 500	100%
2. ICT	20 000	20 000	20 000	100%
3. Production	5 000	5 000	5 000	100%
4. Overheads	13 500	13 500	0	0%
5. Others	0	0	0	0%
<u>Sub-total II</u>	<u>73 000</u>	<u>70 000</u>	<u>56 500</u>	<u>80.7%</u>
C. Subcontracting costs				
1. Translation	25 000	20 000	20 000	100%
<u>Sub-total III</u>	<u>25 000</u>	<u>20 000</u>	<u>20 000</u>	<u>100%</u>
Total project cost	188 500	178 235	133 500	74.9%

In this example, the promoter, having sent an estimate of € 188 500, will be told when the contract forms are returned that:

- the estimated eligible expenditure, given the project aims and the means to be used, has been assessed at € 178 235;
- the total Community grant, subject to achievement of the project aims and compliance with the eligibility rules, will amount to € 133 500, i.e. 74.9% of the estimated eligible expenditure;
- the lump sum for personnel costs, if the project aims are achieved, will be € 57 000;
- travelling expenses will be 100% funded up to a maximum of € 31 500;
- ICT costs will be 100% funded up to a maximum of € 20 000;
- production costs will be 100% funded up to a maximum of € 5 000;
- overheads are assessed at € 13 500, but will attract no Community funding;
- translation costs will be 100% funded up to a maximum of € 20 000.

III. OPERATIONAL MANAGEMENT OF THE PROJECT

III.1. AMENDMENT OF THE AGREEMENT

III.1.1 AMENDMENT OF THE AGREEMENT AND ITS ANNEXES

If the smooth running of the project so requires, the Contractor may have the Agreement amended during its term, even after it has been signed, subject to the formalities described below. The Contractor must send the National Agency⁵ a written request for such amendment, dated and signed by its legal representative. The National Agency⁶ will examine, in each case, whether or not this amendment should be set out in a formal endorsement, and will inform the Contractor of its decision.

The formal steps to be taken are as follows:

- If a basic change is to be made in the general performance of the work programme, the development of training products/results or the planned dissemination arrangements, the Contractor must send a prior request for authorisation to the National Agency⁶, explaining the reasons for the proposed change.
- If a Partner withdraws, provided that this does not alter the nature and transnational character of the project, the Contractor must send the National Agency⁶:
 - an explanation proving that the partner's withdrawal does not alter the transnational character of the project;
 - the original of the official letter, dated and signed by the representative legally entitled to sign of the Partner organisation withdrawing from the project, giving notice of its withdrawal and stating the reason(s);
 - a statement of the status of the work carried out by the withdrawing Partner, of the rights that the latter has acquired in respect of the product/result of the project and of the funds that the Partner has received, as well as the amount repaid, if any;
 - official evidence of termination of the contract with the withdrawing Partner (e.g. a copy of the letter of termination) and, where appropriate, of the repayment of funds.

The National Agency⁶ will notify its formal acceptance or non-acceptance of the documents received and will authorise or not the withdrawal of the Partner.

Evidence of expenditure by the withdrawing Partner must be kept and must be available on request. The unspent part of the budget earmarked for this Partner may, with the prior approval of the Agency⁶, be reallocated to the member(s) of the Partnership who are to take over the tasks of the withdrawing Partner.

- If a new Partner joins, the Contractor must send the National Agency⁶:
 - the original of the official letter of commitment, dated and signed by the representative legally entitled to sign of the organisation wishing to join the project;
 - the information sheet for new Partners;
 - together with the next report, a copy of the contract concluded between the Contractor and the new Partner (see Annex IV.3 to the Agreement).

⁵ *The Commission for activities covered by procedure C: reference material, thematic actions, joint actions and projects of European organisations.*

The National Agency⁶ must notify its assent to the new Partner's joining.

- If a Partner is replaced by another Partner, the Contractor must send the National Agency⁶ all the documents required under both the above sections.
- If there is a change of contracting organisation (but the other Partners remain the same and the original and new contracting organisations are of the same nationality), and provided that this does not alter the nature or aims of the project and is approved by all the Partners and the National Agency⁶, the following procedure must be followed:
 - The withdrawing Contractor must send the National Agency⁷ an official letter, dated and signed by its representative legally entitled to sign, in which it stands down as Contractor, states its reasons and specifies whether or not it is joining the list of Partners or is withdrawing from the project completely (in which case, it must also comply with the requirements for withdrawal of a Partner).
 - The Contractor must attach a dated and signed statement of the current status of work and expenditure and of the funds to be transferred to the new Contractor.
 - A report of the withdrawing Contractor's activities and expenditure, with all supporting documents, must be sent to the new Contractor.
 - The latter must send the National Agency⁷ an official letter, dated and signed by a legal representative, in which it approves the report from the former Contractor and undertakes to act as Contractor and to pursue such activities from that date, and must attach the *information sheet for new Contractors* and the *bank particulars sheet*, duly completed and signed.
 - An official document substantiating the transfer of funds (e.g. a transfer order signed by the bank) and the agreement of the former and new Contractors to this transfer must be sent to the National Agency⁷.

The former and new Contractors should set out the above points in an agreement, duly dated and signed by each organisation's representative legally entitled to sign, and to send a copy to the National Agency⁷.

- Each Partner must notify its agreement to the change of Contractor by means of the original of an official letter dated and signed by its legal representative. These letters must be attached to the documents mentioned above.

The former Contractor remains liable for management during its period as Contractor, up to the end of the period of legal liability, i.e. five years after the end of the project.

- If there is a change of co-ordinating organisation (but the Partnership remains the same), the Contractor must send the National Agency⁷ a letter accompanied by the *information sheet for new Co-ordinators*. If the former Co-ordinator is leaving the project completely (i.e. is not joining the list of Partners), the requirements for withdrawal of a Partner must also be fulfilled. If a new organisation is taking on the role of Co-ordinator, the procedure for admitting new Partners must also be followed.
- If there is a change in the bank account to which the Leonardo da Vinci grant is paid, the Contractor must inform the National Agency⁷ in a letter accompanied by a new *bank particulars sheet* bearing the original signature of the contracting organisation's legal representative.

⁶ The Commission for activities covered by procedure C: reference material, thematic actions, joint actions and projects of European organisations.

- Likewise, any request for extension of the contract period⁷, i.e. the period during which project activities and expenditure are eligible, must be made officially by the Contractor. If this request is approved, a written reply will be sent.

III.1.2 AMENDMENT OF THE PROJECT DESCRIPTION

Some changes may be accepted if they are justified and do not undermine the project's nature and aims. Reasons must be given for the *proposal to revise activities/results*, which must be sent to the National Agency⁸ and must be approved in advance by it.

III.1.3. AMENDMENT OF THE BUDGET

Provided the total cost remains unchanged, changes in the amounts given for each budget heading may be acceptable if they are justified and do not undermine the project's nature and aims. If, however, headings are to be changed simultaneously by more than 10% and € 5 000⁹, the Contractor must send a proposal to National Agency⁸ in advance in the form of a new *revised budget*, justifying the proposed changes. This revised budget must be approved in advance by the National Agency⁸. The National Agency⁸ also reserves the right, after evaluation and financial checking, to refuse any major change that is not satisfactorily explained and to demand repayment of the portion of the grant corresponding to that change.

These budget changes may not affect the Community contribution to personnel costs, since it has been set as a lump sum and will remain unchanged throughout the course of the project.

III.2. ELIGIBILITY

III.2.1. GENERAL REMARKS

III.2.1.1. Eligibility of expenditure

In general, only costs meeting the following criteria are eligible for co-financing:

- they must relate to activities involving the Member States of the European Union and/or the European Economic Area and/or the associated countries participating officially in the programme;
- they must be directly connected with execution of the project in accordance with the plan of work;
- they must be incurred by member organisations of the Partnership¹⁰;
- they must be actual costs, apart from the lump sums permitted by this Handbook, i.e. the actual costs incurred must correspond to payments made by the Partnership, supported by receipted invoices or accounting documents of equivalent substantiating effect.

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

⁷ The date on which the contract period ends must not be confused with the date of submission of the final report.

⁸ The Commission for activities covered by procedure C: reference material, thematic actions, joint actions and projects of European organisations.

⁹ The rule of maximum variation of 10% and 5000 euros has to be understood as follows : if the variation is of 3500 euros on a budget of 10000 euros, it is acceptable because although higher than 10% it is lower than 5000 euros ; if the variation is of 7000 euros on a budget of 75000 euros, it is acceptable because although higher than 5000 euros its lower than 10%. In both cases a written amendment is not necessary. An amendment must be asked and done if the variation is simultaneously more than 10% and 5000 euros.

¹⁰ Only the list of Partnership members as set out in the Agreement, subject to any amendments officially accepted by National Agency, is binding.

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

Some costs will in all cases be considered ineligible, in particular:

- costs incurred in respect of, or for travel to, countries outside the European Union and the European Economic Area, with the exception of the associated countries participating officially in the programme;
- costs incurred outside the **contract period**;
- costs having **no direct link with the project**;
- **unnecessarily high** costs which are unsubstantiated or which are rejected by the National Agency¹¹;
- costs not covered by lump-sum provision which are **not substantiated by appropriate accounting documents** and which do not appear in the project's accounts;
- costs **already financed from another source**, in particular by other Community funds (in cases of complementary financing, this must be clearly substantiated and explained);
- any unwarranted subcontracting costs that yield no added value for the project;
- purchases of capital assets, except in cases specifically provided for in this Handbook;
- payments to a National Agency or an intermediary for participation in the Leonardo da Vinci programme;
- contributions in kind for which there are no suitable accounting documents and which do not appear in the project accounts;
- costs of invested capital;
- provisions for possible future losses or debts;
- provisions for liquidation, termination of activities, breach of lease or social security obligations;
- provisions for contractual and moral obligations;
- amounts placed in reserve;
- debts owed;
- bad debts;
- financial costs (loan interest, exchange costs and other purely financial costs);
- costs of opening and operating bank accounts, bank transfers and other bank charges;
- fines, financial penalties and legal costs.

III.2.1.2. Duration of the project

The project duration is that stipulated in the Agreement, i.e. the contract period. Only costs incurred as part of the project and during this period will be regarded as eligible. Costs incurred before or after will not be eligible.

Promoters who in certain circumstances are unable to achieve their aims within the specified period may submit to the National Agency¹² a reasoned request for an extension of the contract period. After considering the promoter's arguments, the National Agency¹² may if it sees fit agree to an endorsement to the original Agreement, extending the contract period by not more than six months. Any request for an extension of more than six months in relation to the original agreement must be approved by the Commission, but the endorsement will be issued by the National Agency¹². A distinction must be made between a request for extension of the contract period, which has the effect of increasing the period within which costs are eligible and which must always be confirmed by an endorsement, and a request for an extension of the deadline for submitting interim or final reports, which may not exceed two months, involves no extension of the contract period and does not require an endorsement to the Agreement.

III.2.2. PERSONNEL COSTS

Since personnel costs are covered by a lump sum, they need not be accounted for in the final report, the lump sum being due if the project achieves its aims. What is meant by "achieving the aims" is explained in due course.

Nevertheless, in order to draw up the budget, the tenderer and Partners will have to take account of

¹¹ *The Commission for activities covered by procedure C: reference material, thematic actions, joint actions and projects of European organisations.*

what will be allowed as personnel costs, viz. any remuneration paid to persons **attached to a member organisation of the Partnership or working regularly or recurrently for the project** (whatever their status).

Personnel costs must be calculated on the basis of the actual daily salary/fee of the employee/service provider, multiplied by the number of days worked on the project. Where applicable, this figure must include all the usual contributions paid by the employer, such as social security contributions, but must exclude any bonuses, incentive payments or profit-sharing schemes.

Ex-ante project evaluation will take account of the declared number of days required to carry out the project and the daily costs declared by each member of the Partnership. With regard to the daily personnel costs, the declared costs will be compared with the average costs for each category (ISCO1, ISCO2, ISCO3 and ISCO4) in each country taking part in the programme. Moreover the **maximum** permitted amounts, for a full-time day with all charges included, are in principle € 450 for ISCO1, € 300 for ISCO210-220-240 or 230, € 250 for ISCO3 and € 125 for ISCO4. If, owing to the specific features of the project, the promoter plans to include highly qualified staff whose individual rates are higher than the maxima established, he/she will have to indicate it and provide all necessary explanations when submitting his/her proposal.

For reference, the personnel categories are as follows:

ISCO 1: Legislators, senior officials and managers
ISCO 210, 220 or 240: Professionals
ISCO 230: Teachers, trainers
ISCO 3: Technicians and associate professionals
ISCO 4: Clerks.

When the final report is submitted to the National Agency¹², it will be evaluated both by that Agency¹³ and by an independent external expert.

The external independent experts will be designated by each Member State for the proposals coming under procedure B, and by the Commission for those coming under procedure C.

The persons carrying out these evaluations will assign an overall rating, on a scale from 0 to 10, to the project results in the light of aims stated in the proposal.

If the rating awarded by the National Agency¹³ or external expert lies between 0 and 4, a further evaluation must be obtained from a second independent external expert.

If this is consistent with the previous evaluations, the following action will be taken:

- for ratings between 0 and 2 inclusive, the promoter will be required to repay the grant in full;
- for ratings between 3 and 4 inclusive, the lump sum for personnel costs will be reduced by 50%;
- for ratings between 5 and 10 inclusive, the promoter will be entitled to the full lump sum, as provided by the contract.

If the evaluations differ, the National Agency¹³ will determine unilaterally and definitively the final lump sum for personnel costs due to the promoter.

III.2.3. TRAVEL AND SUBSISTENCE COSTS

Reimbursement may be claimed under the Leonardo da Vinci programme only for journeys directly linked to the project, and relating to **specific** and clearly **identifiable** activities.

Allowable travel costs under the Agreement will be the **real** travel costs. The Partnership is required to use the cheapest means of travel, and its members will thus have to make every effort to use Apex tickets for air travel and take advantage of reduced fares.

Expenses for car travel, where substantiated and where the price is not excessive, will be refunded as follows:

- for private vehicles: on the basis of the corresponding rail or air fare (the price of one ticket only will be reimbursed, even where several people are 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.

¹² *The Commission for activities covered by procedure C: reference material, thematic actions, joint actions and projects of European organisations.*

Any travel to places other than those where the members of the Partnership are located must be shown to be relevant to the project.

Subsistence costs may be financed by the project, provided:

- they are reasonable in the light of local prices;
- they are calculated in accordance with the Partner organisations' internal rules, which may be on an actual cost or daily allowance basis.

They may not, however, exceed **the lower of the daily rates below**:

-

The Contractor, complying with the terms of the Agreement, must then:

- give preference, when purchasing or renting, to equipment manufactured or at least assembled in a Member State of the European Union or the European Economic Area or in one of the associated countries participating officially in the programme, where such equipment is available on the market;
- compare the prices of different suppliers to see which offers the best value for money (taking account of price and quality);
- charge against the project only the cost of equipment purchased or rented during the contract period, at a rate which reflects the degree and duration of use within that period. Where equipment is purchased, the Contractor must apply an **annual depreciation rate of not more than 33.33%** for computer and audio-visual equipment worth less than € 10 000 and **not more than 20%** for equipment worth over € 10 000.

Example:

Total value of equipment purchase: € 1 000.
Assumed service life: three years (36 months).

III.2.7. OTHER COSTS

It may be possible for other additional or unforeseen costs not falling into any of the above categories to be claimed under the Agreement, with the consent of the National Agency¹⁴, provided they are considered necessary to the proper performance of the work specified in the Agreement and involve no fundamental change in the work's scope or content.

Costs that the Contractor charges to this heading must therefore meet the following criteria:

- they must not be covered by any other budget heading;
- they must be necessary to the proper performance of the work;
- they must not involve any fundamental change in the scope and content of the work;
- they must be eligible under the Agreement;
-

associated countries is also eligible. Likewise, the translation of the project results into the languages of the associated countries is eligible solely for the purpose of disseminating these results¹⁶.

Any other type of subcontracting cost, if justified, must be entered in these columns.

III.3 FINANCIAL MANAGEMENT OF THE PROJECT BY THE CONTRACTOR

III.3.1. GENERAL REMARKS

As project selection is based on an overall assessment of each project, project management must cover **the whole of the budget and costs** incurred.

III.3.2. BANK ACCOUNT

The account specified in the Agreement and to which the Leonardo da Vinci grant will be paid must satisfy the requirements set out in section II.2 of this Handbook.

Cash withdrawals from the account should be avoided and must in any case be substantiated by the corresponding bank documents (receipts, etc.).

III.3.3. ACCOUNTING SYSTEM/INTERNAL CONTROL

Contractors 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 contract period.

All transactions in the contract period relating to actual expenditure/income under the project must be recorded systematically using a numbering system specific to each European project.

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

III.3.4. VAT, CUSTOMS DUTIES AND OTHER TAXES ON GOODS AND SERVICES

Contractors must ascertain from the competent national authorities the provisions, rules and legislation governing the taxation of training activities 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 Contractor or the Partners.

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

III.3.5. EXCHANGE RATES

As the amounts given in the reports must be expressed in euros, Contractors will have to carry out currency conversions. The exchange rates used to draw up the reports must be based on the exchange rates used for bank transactions.

Two types of situation may arise:

- for accounts in euros: the Contractor must enter the amounts debited in euros from its accounts;
- for accounts in national currencies, the Contractor must use the following rates.

¹⁶ This rule also applies if the translation is made by a member of the Partnership and the costs so incurred are charged against personnel costs.

Final reports for one-year contracts and interim reports

The Contractor must use the **exchange rate applied by the bank to convert the first advance** into national currency. If it cannot use this conversion method, it must be able to state what exchange rate or rates have been used, and why.

Example:

<u>First advance</u> (euros)	<u>Bank rate</u>	<u>First advance</u> (DKK)
40 000	7.5	300 000

The rate to be used to convert costs in DKK back to euros will therefore be **7.5**.

Final reports for two-year contracts

For all costs incurred **during the second 12-month period**, whatever the source of the funds used, the Contractor must use **the exchange rate applied by the bank to convert the second advance** into national currency. If it cannot use this conversion method, it must be able to state what exchange rate or rates have been used, and why.

Example:

<u>Advances</u> (euros)		<u>Bank rate</u>	<u>Advances</u> (DKK)
First period	40 000	7.5	300 000
Second period	40 000	7	280 000
TOTAL:	= 80 000		= 580 000

The rate to be used to convert costs in DKK back to euros during the second period will thus be **7**.

The same method must be used for cross-rates.

Example:

<u>First advance</u> (euros)	<u>Bank rate</u>	<u>First advance</u> (DKK)
40 000	7.5	300 000

Supposing that, during the first period, DKK 30 000 has been transferred to a Partner with a bank account in GBP (pounds sterling):

<u>Amount transferred in DKK</u>	<u>Bank rate</u>	<u>Amount converted into GBP</u>
15 000	10.6125	1413.43
15 000	10.55	1421.80
TOTAL: = 30 000		= 2835.23

The rate to be used to convert expenditure in GBP during the first period back into DKK will be an average rate obtained by dividing the total expenditure in DKK by the corresponding sum in GBP, i.e. DKK 30 000 /GBP 2835.23 = **10.5811**.

The rate to be used to convert expenditure in GBP during the first period back into euros will therefore be: 10.5811/7.5= 1.41.

Variations in exchange rates will not alter the Community grant.

III.3.6. PAYMENT OF THE GRANT

Payment arrangements and dates will be laid down in the Agreement.

However, for Contractors' information and to allow them to plan their budgets, it can be indicated that grant transfers will be made as follows:

- for twelve or eighteen-month projects: 70% on signature of the Agreement and 30% on receipt and acceptance of the final report;
- for twenty-four, thirty or thirty-six month projects: 40% on signature of the Agreement, 30% on receipt and acceptance of the interim report and 30% on receipt and acceptance of the final report.

IV. REPORTS

IV.1. GENERAL REMARKS

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

- the results achieved against the aims (as regards activities/products), with implications for the whole of the grant if results are unacceptable and for the lump sum for personnel costs when results are very poor;
- the means used to achieve these results in relation to the revised budget (as regards the financial aspect of the operating and subcontracting costs).

As the interim and final reports are the main evaluation tools, they must provide as true a picture of the project as possible. Contractors 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 Contractor must check that the entries satisfy this requirement, referring to the explanatory notes provided in the Administrative and Financial Handbook and in the form.

The amounts given in this form must be expressed in euros and rounded to the nearest whole number. Before submitting the reports, the Contractor must also check that the totals and sub-totals given are arithmetically correct.

IV.2. FORMAL REQUIREMENTS FOR ACCEPTANCE OF REPORTS

For a report form to be accepted and evaluated, the following formal requirements must be satisfied:

- The **original** of the form must be sent, together with a photocopy.
- The form must bear **the original signature of the representative legally entitled to sign** ¹⁷ of the contracting organisation. The representative's name and position/title in the contracting organisation must be given below the signature, which must be accompanied by the organisation's official stamp.
- The form must be returned in full (i.e. all its pages), duly completed and signed at the appropriate place.
- The financial report must be correctly completed according to the model, and presented in a consolidated form.
- *The tables of transfers of funds must be completed by each member of the Partnership and must be **original, dated, signed by the legal representative** and stamped with the organisation's official stamp.*
- The following documents must be attached to the form:

¹⁷ *The representative legally entitled to sign means the person authorised to enter into legal and financial commitments on behalf of the organisation to which he belongs..*

- Copies of the contracts concluded with the project Partners (including the Co-ordinator, if any). The Contractor must number these using the serial number allocated to each in the financial report.
- Copies of any subcontracting agreements.
- Copies of all invoices relating to subcontracting costs.

If the report does not meet the above criteria, the National Agency¹⁸ may not evaluate it until its formal presentation is correct.

IV.3. INTERIM REPORT

(for 24, 30 and 36-month contracts only)

IV.3.1. GENERAL REMARKS

The purpose of the interim report, relating to the first 12, 15 or 18 months depending on whether the

IV.4. FINAL REPORT

IV.4.1. GENERAL REMARKS

Since the purpose of the final report is to allow an **overall** evaluation of the project, **all work** must be completed before it is submitted.

IV.4.2. ACTIVITY/RESULTS REPORT

The final report must be made on the form provided for the purpose, which will be sent to the Contractor in due course. It has a first section, known as the **activity/results report** and is intended to provide a detailed picture of the project. It must therefore include at least the following information to allow a qualitative and quantitative assessment:

- a one-page summary of the project developments/activities;
- a one-page summary of the products/results achieved and completed;
- a detailed report on the implementation and progress of the project, including a brief review of the roles of the various Partners in the various stages;
- a description and two copies of the products/results, compared with the project aims as initially submitted;
- information on any interaction or complementarity with other projects, programmes and/or networks;
- the internal evaluation procedure;
- measures to disseminate and transfer the results of the project, including, where applicable, measures to protect the project results;
- an account and explanation of the proposed roles of the various members of the Partnership as regards the intellectual property rights to the project and its results/products;
- any plan for commercial exploitation agreed by the Partnership and involvement of new Partners or other organisations in this activity;
- a schedule of work carried out.

IV.4.3. FINANCIAL REPORT

The second part of the final report consists of a balance sheet reporting expenditure over the entire project duration.

IV.4.4. EVALUATION AND MONITORING

The National Agency¹⁹ reserves the right to suspend or reduce payment of the balance, or to require refunding of the Community funds, if the form and/or content of the final report does not conform with the Leonardo Da Vinci programme rules.

The consequences of the project results evaluation should also be borne in mind.

The final report will be evaluated by the National Agency¹⁹ and by an independent external expert.

This independent external expert will be designated by the Member State for procedure B and by the Commission for procedure C. The persons carrying out these evaluations will assign an overall rating, on a scale from 0 to 10, to the project results in the light of aims stated in the proposal.

If the rating awarded by the National Agency¹⁹ or external expert lies between 0 and 4, a further evaluation must be obtained from a second independent external expert.

If this is consistent with the previous evaluations, the following action will be taken:

- for ratings between 0 and 2 inclusive, the promoter will be required to repay the grant in full;
- for ratings between 3 and 4 inclusive, the lump sum for personnel costs will be reduced by 50%;
- for ratings between 5 and 10 inclusive, the promoter will be entitled to the full lump sum, as provided by the contract.

If the evaluations differ, the National Agency¹⁹ will determine unilaterally and definitively the final lump sum for personnel costs due to the promoter.

¹⁹ *The Commission for activities covered by procedure C: reference material, thematic actions, joint actions and projects of European organisations.*

IV.4.5. CALCULATION OF THE FINAL COMMUNITY GRANT

	Budget estimate submitted by the promoter	Proposed estimated eligible expenditure	Community support	%
A. Personnel costs				
ISCO 1	52 350	50 705		
ISCO 210, 220 or 240	7 100	6 920		
ISCO 230	2 000	2 000		
ISCO 3	8 800	8.360		
ISCO 4	20 250	20 250		
Sub-total I	90 500	88 235	57 000	
B. Operating costs				
1. Travel	34 500	31 500	31 500	100%
2. ICT	20 000	20 000	20 000	100%
3. Production	5 000	5 000	5 000	100%
4. Overheads	13 500	13 500	0	0%
5. Others	0	0	0	0%
Sub-total II	73 000	70 000	56 500	80.7%
C. Subcontracting costs				
1. Translation	25 000	20 000	20 000	100%
Sub-total III	25 000	20 000	20 000	100%
Total project cost	188 500	178 235	133 500	74.9%

When the contract was concluded, the promoter accepted the proposed estimated eligible expenditure and the amount and breakdown of Community support as a basis for achieving the aims specified in the project.

The project results evaluation by the National Agency²⁰ and the external expert had a positive outcome.

	Proposed estimated eligible expenditure	Community support	%	Eligible ²¹ (final report)	Community grant
A. Personnel costs					
ISCO 1	50 705			54 360	
ISCO 210, 220 or 240	6 920			6 920	
ISCO 230	2 000			2 000	
ISCO 3	8.360			9 390	
ISCO 4	20 250			20 730	
Sub-total I	88 235	57 000		93 400	57 000
B. Operating costs					
1. Travel	31 500	31 500	100%	30 675	30 675
2. ICT	20 000	20 000	100%	21 135	21 135
3. Production	5 000	5 000	100%	3 950	3 950
4. Overheads	13 500	0	0%	13 500	0
5. Others	0	0	0%	0	0
Sub-total II	70 000	56 500	80.7%	69 260	55 760
C. Subcontracting costs					
1. Translation	20 000	20 000	100%	17 500	17 500
Sub-total III	20 000	20 000	100%	17 500	17 500
	178 235	133 500	74.9%	180 160	130 260

The final Leonardo Da Vinci grant for the project is € 130 260, on the following basis:

- Since achievement of the project aims has been positively assessed, the lump sum of € 57 000 for personnel costs is allowed.
- Since travel and subsistence costs amount to € 30 675 and are 100% funded, Community support under this heading is € 30 675.

²⁰ The Commission for activities covered by procedure C: reference material, thematic actions, joint actions and projects of European organisations.

²¹ Eligibility will be checked for the budget headings which are not lump sums, namely travel and subsistence costs, information and communication technology costs, production costs, other costs and subcontracting costs.

- (c) At € 21 135, ICT costs are less than 10% above the estimated eligible expenditure, and are 100% funded. Community support is therefore € 21 135.
- (d) Production costs amount to € 3 950 and are 100% funded. Community support is thus € 3 950.
- (e) Subcontracting costs are € 17 500 and are 100% funded, attracting Community support of € 17 500.

If the amounts of Community support under the various budget headings were to add up to more than the maximum Community grant, in this case € 133 500, the final grant would of course be limited to € 133 500.

V. AUDITS

V.1. PURPOSE

As set out in the Agreement, an operational and/or financial audit can be carried out on the spot by the National Agency, the Commission or the Court of Auditors of the European Union. In such cases, Contractors will be notified that an inspection visit is to be made.

On receipt of this notification, Contractors are advised to ensure that all the original documentation likely to be examined by the auditors is available and, if necessary, contact their Partners in order to collect any original documents that may be missing. The audit will cover not only expenditure committed by the Contractor 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 Contractor's basic accounts and to ensure that Community funds have been spent in accordance with the Agreement and its annexes, that the aims of the project have been achieved and that the products/results have been generated.

Secondly, audits provide a good opportunity for contact and **dialogue** between the auditors and the Contractor. If any management problems are found, the auditors will work with the Contractor 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 Contractor and the Partners may wish to make.

The main evaluation criterion is **transparency**, rather than strict compliance with contract rules. It is essential for the auditors to have access to full, accurate and properly documented information.

Lastly, **the audit will cover the use of funds from all sources.**

V.2. DOCUMENTS REQUIRED

V.2.1. GENERAL REMARKS

In principle, supporting documents must satisfy the following conditions if they are to be taken into consideration:

- they must be **original and dated**; documents from the Partners will of course be copies, the original being held by the Partner concerned;
- they must come from third parties and not have been produced internally, except in the cases discussed above.

Proforma invoices will not be accepted, except for expenditure committed and not yet paid, in which case the Contractor 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 Contractor will have to be able to supply bank statements or other proof of payment.

As a general rule, the Contractor must provide the auditors with all bank documents. The contracting organisation's accounting records, analytical accounts and annual statements must also be available.

In its agreements with the other members of the Partnership, the Contractor must require each member to supply the documents substantiating declarations of expenditure for the cost headings not covered by a lump sum. This will enable the Contractor to check the information it supplies in the various financial tables, for which it is responsible. The Contractor must be able to produce any supporting document asked for in connection with an audit or other request for information.

If the Contractor cannot provide adequate supporting documents for project-related expenditure or if the supporting documents available do not satisfy the requirements set out in this section, 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.

V.2.2. PERSONNEL COSTS

Since personnel costs are covered by a lump sum, promoters will not be required to produce supporting documents.

However, two cases must be distinguished: audits conducted during a project's life and audits after the project has been completed.

Audits during the project's life:

In this case, the promoter can demonstrate only that the project is proceeding as provided for in the contract and that the other costs (operating and subcontracting costs) prove that it is in progress.

Ex-post audits:

At this stage, the promoter can produce the project results. Auditors must contact the National Agency, which will provide them with a copy of the project results evaluation. They will also have access to the documents substantiating other costs (operating and subcontracting costs) to underpin their assessment of the lump sum.

V.2.3. TRAVEL AND SUBSISTENCE COSTS

Travel costs will be reimbursed as follows:

- for train travel: on the basis of original tickets;
- for air travel: on the basis of original tickets and boarding passes;
- 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 a lump-sum basis and may exceed neither the daily rate per person applied by the organisation to which the person travelling belongs nor the maximum daily rate per person specified in the table in section III.2.3 of this Handbook.

V.2.4. COSTS IN CONNECTION WITH COMPUTER AND AUDIO-VISUAL EQUIPMENT

Invoices for hardware must be available.

In the case of connection costs, software and other kinds of computer and audio-visual costs, only actual, and not lump-sum, costs will be covered by the Leonardo da Vinci programme. This means that there must be a suitable system for identifying the costs arising from the use of computer equipment and that the Contractor must as far as possible provide the corresponding supporting documents.

V.2.5. PRODUCTION COSTS

Invoices must be available.

V.2.6. OVERHEADS

Since overheads are covered by a lump sum which may amount to 7% of the total estimated project cost (which is thus fixed at the time of the tender and cannot change in the course of the project), no supporting documents need be produced.

V.2.7. OTHER COSTS

Here again, only actual costs as shown on the corresponding invoices can be charged to the project.

V.2.8. SUBCONTRACTING COSTS

If Contractors 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 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 Agreement.

V.3. FINDINGS AND OUTCOME

Contractors will be informed of the audit findings. These will be based on the transparency of the project and its general quality:

- The audit is entirely satisfactory.
- Some information/documents were not available at the time of the audit. The Contractor will then be asked to send them by post. Depending on the nature of the information/documents required, the outcome will be either as above or as below.
- 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 and the time at which the audit is carried out.

Audit findings are internal Commission information and are confidential.

ANNEX 1 - International Standard Classification of Occupations (ISCO-88 (COM))

- 100 Legislators, senior officials and managers**
- 110 Legislators and senior officials**
- 111 Legislators and senior government officials
- 114 Senior officials of special-interest organisations
- 120 Corporate managers**
- 121 Directors and chief executives
- 122 Production and operation managers
- 123 Other specialist managers
- 130 Managers of small enterprises**
- 131 Managers of small enterprises

- 200 Professionals**
- 210 Physical, mathematical and engineering science professionals**
- 211 Physicists, chemists and related professionals
- 212 Mathematicians, statisticians and related professionals
- 213 Computing professionals
- 214 Architects, engineers and related professionals
- 220 Life science and health professionals**
- 221 Life science professionals
- 222 Health professionals (except nursing)
- 223 Nursing and midwifery professionals
- 230 Teaching professionals**
- 231 College, university and higher education teaching professionals
- 232 Secondary education teaching professionals
- 233 Primary and pre-primary education teaching professionals
- 234 Special education teaching professionals
- 235 Other teaching professionals
- 240 Other professionals**
- 241 Business professionals
- 242 Legal professionals
- 243 Archivists, librarians and related information professionals
- 244 Social science and related professionals
- 245 Writers and creative or performing artists
- 246 Religious professionals
- 247 Public service administrative professionals

- 300 Technicians and associate professionals**
- 310 Physical and engineering science associate professionals**
- 311 Physical and engineering science technicians
- 312 Computer associate professionals
- 313 Optical and electronic equipment operators
- 314 Ship and aircraft controllers and technicians
- 315 Safety and quality inspectors
- 320 Life science and health associate professionals**
- 321 Life science technicians and related associate professionals
- 322 Health associate professionals (except nursing)
- 323 Nursing and midwifery associate professionals
- 330 Teaching associate professionals**
- 331 Primary education teaching associate professionals
- 332 Pre-primary education teaching associate professionals
- 333 Special education teaching associate professionals
- 334 Other teaching associate professionals
- 340 Other associate professionals**
- 341 Finance and sales associate professionals
- 342 Business services agents and trade brokers
- 343 Administrative associate professionals
- 344 Customs, tax and related government associate professionals
- 345 Police inspectors and detectives
- 346 Social work associate professionals
- 347 Artistic, entertainment and sports associate professionals

- 400 Clerks**
- 410 Office clerks**
- 411 Secretaries and keyboard-operating clerks
- 412 Numerical clerks
- 413 Material-recording and transport clerks