



ADRION Programme

Eligibility of expenditure

Bologna, 27 September 2018

ADRION Audit trail general rules

- FLC must check that all accounting partner documents linked to the project are available and filed separately;
- FLC must check that partners have a separate accounting system and/or an adequate accounting code;
- FLC must check that a mechanism to avoid double funding (same expenditure reimbursed by different sources of funding) is in place.

In order to avoid double funding, invoices must be annulled with a stamp (or equivalent method)



The stamp must contain the following information:

- ✓ The expenditure has been co-funded by ADRION Programme;
- ✓ The number and/or the acronym of the project;
- ✓ In case of invoices or other probative document covering different cost items, a statement on the share of expenditure claimed in the concerned project;
- ✓ (For Italian PPs only): the CUP number (Codice Unico di Progetto).

In case of **electronic invoices** (or other documents with probative value), the minimum information listed above has to be incorporated in the subject and/or in the body of the electronic document

ADRION Eligibility rules: not eligible expenditure

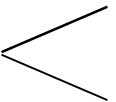
EU rules:

- In kind contributions;
- Interest on debt and Purchase of land;
- Recoverable value added tax (VAT), except where it is not recoverable under national VAT legislation;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs related to fluctuation of foreign exchange rate;
- Charges for national financial transactions;
- Revenues (conditions described in chapter 21 of the Implementation Manual).

ADRION rules:

- No **shared costs** among partners;
- Costs for **taxi**, except when no other public transport was available;
- Costs for **alcoholic** beverages;
- Costs for the creation of **a project web site**, unless present in the Application Form;
- Costs for **gifts**, except those not exceeding EUR 50 per gift; at project level, maximum EUR 500 for gifts (max EUR 3.000 for the Strategic project);
- No service providers between partners.

ADRION Preparation costs

- Preparation costs: optional, divided among (some) partners;
- Lump sum cumulatively up to:  EUR 11.800 per project (Standard)
EUR 50.000 per project (Strategic)
- Expenses incurred between 1st January 2014 and the day before the submission of the AF;
- Lump sum = no need to check related invoices;
- Expenditure is eligible in all budget lines except “*Equipment*” and reported in the “*Report 0*”;
- Controllers must check the correctness of the attributed amounts to the eligible budget lines according to the Application Form;
- In case a partner declares less than foreseen in the AF, FLC should ask for clarification;
- In case a partner, with no foreseen expenditure in the AF, submits the “*Report 0*”, the FLC should revert the report and the PP should delete it.

ADRION Budget lines

- Staff costs Real costs or Flat rate (a few partners)
- Office and administration Flat rate: 10% of staff costs
- Travel and accommodation
- External expertise and services
- Equipment Depreciation rule applies

NO Infrastructure and works

ADRION Budget lines: Staff costs – real basis (1)

- **Payment of staff** involved in activities (salary) which the body involved would not carry out if the project concerned was not undertaken, fixed in an employment document or by law, relating to responsibilities specified in the job description of the staff member concerned;
- **Payments of natural persons other than staff** working for the beneficiary under a contract other than an employment/work contract (e.g.: *co.co.pro*, *borse dottorato*, *assegni ricerca*); such a contract may be assimilated to salary payments and such costs are eligible under staff costs only when the following conditions are met:
 - The person works under the beneficiary's instructions and, unless otherwise agreed with the beneficiary, at the beneficiary's premises;
 - The result of the work carried out belongs to the beneficiary;
 - The costs are not significantly different from those for personnel performing similar tasks under an employment contract with the beneficiary;
 - The conditions under which a natural person can work under such a contract must be clarified by the PPs to the FLC through the provision of relevant information with regard to the national law and their institutional regulations in force (ADRION does not provide a generally applicable definition of the term as national regulations regarding this issue might be different from country to country).

ADRION Budget lines: Staff costs – real basis (2)

- Costs directly linked to salary payments (such as employment taxes and social security including pensions) as covered by Regulation (EC) No 883/2004 are eligible if:
 - Fixed in an employment document or by law and with standard practices in the country and/or partner institution; these costs, generally paid at a later moment in relation to payments to staff, can be charged together with the actual payment incurred to staff as an exemption to the general rule according to which eligible costs refer to those paid by the beneficiary;
 - Not recoverable by the employer.
- Taxable **benefits** are only eligible if foreseen in the contract or by law and in line with the policy of the partner. They must be directly linked to the salary payments and figure on the payslip;
- Unjustified *ad-hoc* salary increases or **bonuses** for project purposes are **not eligible**;
- Where foreseen by the contract, **overtime** is eligible, provided it is in conformity with law and the standard practice of the partner. Overtime of an employee working part-time in the project can only be eligible if transparently and proportionally allocated to the project;
- In case of personnel specifically hired for project activities through **recruitment agencies** and if it is the recruitment agency to pay the personnel, these costs **cannot** be reported under “Staff cost”, but must be reported under “External expertise”. Recruitment must always be selected according to transparent procurement rules;
- Staff costs must be calculated **individually** for each staff member charged to the project; they can be cumulatively reported on eMS if accepted by the respective controller.

ADRION Budget lines: Staff costs – real basis overview (1)

Type of assignment	Eligible costs	Time sheets	Audit trail
Full time	100% of the gross employment costs	NO	<ul style="list-style-type: none"> • Employment/work contract or an appointment decision/contract considered as an employment document; • Job description providing information on tasks related to the project; • Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period; • Payslips or other documents of equivalent probative value; • Proof of payment of salaries and employer's contribution.
Part-time with a fixed percentage of time worked per month	The fixed percentage of the gross employment per month	NO	<ul style="list-style-type: none"> • Employment/work contract or an appointment decision/contract considered as an employment document; • Document setting out the percentage of time to be worked on the project per month (if not specified in the contract); • Monthly calculation for each reporting period; • Periodic staff report with a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period; • Job description providing information on responsibilities related to the project; • Payslips or other documents of equivalent probative value; • Proof of payment of salaries and employer's contribution.

ADRION Budget lines: Staff costs – real basis overview (2)

Type of assignment	Eligible costs	Time sheets	Audit trail
Part-time with a flexible number of hours worked per month	<p>The number of hours devoted to the project multiplied by the identified hourly rate.</p> <p>The hourly rate is calculated by dividing the latest documented annual gross employment cost/1720 hours (ref. Regulation (EU) No 481/2014)</p>	<p>YES</p> <p><u>Timesheet shall cover 100% of the actual working time of the employee)</u></p>	<ul style="list-style-type: none"> Contract or employment document (including information on the monthly working time); Job description providing information on responsibilities related to the project; Calculation of the monthly gross employment costs of the project based on the hours registered in the time sheet and the identified hourly rate; Document stating the latest total annual gross employment costs; Payslips or equivalent probative document; Proof of payment of salaries and employer's contribution.
Hourly base contract	<p>The hourly rate is calculated by dividing the latest documented annual gross employment cost/1720 hours (ref. Regulation (EU) No 481/2014)</p>	<p>YES</p> <p><u>Timesheet shall cover 100% of the actual working time of the employee)</u></p>	<ul style="list-style-type: none"> Contract or employment document (including information on the monthly working time); Job description providing information on responsibilities related to the project; Calculation of the monthly gross employment costs of the project based on the hours registered in the time sheet and the identified hourly rate; Payslips or equivalent probative document; Proof of payment of salaries and employer's contribution.

ADRION Budget lines: Staff costs – flat rate overview

Type of assignment	Eligible costs	Time sheets	Audit trail
NA	<p><u>20% of costs incurred and paid in the reporting period under all other budget lines, except “office and administration”.</u></p> <p>Cannot be modified during project life</p>	NA	<ul style="list-style-type: none">• Certification/declaration/contract that at least an employee worked on the project in the concerned period.

ADRION Budget lines: Office and administration

- Calculated as flat rate (10% of Staff costs);
- Must refer to the list of expenditure reported in the Programme Manual (operating and administrative expenses of the structure (e.g. rent, utilities, maintenance, equipment for general office use, phone, bank charges, etc...));
- Automatically calculated (no details required);
- No accountancy requested.

ADRION Budget lines: Travel and accommodation (1)

Only travel and accommodation of **staff costs**:

- **Travel costs** (e.g. used tickets, travel and car insurance, fuel, car mileage, toll, and parking fees);
 - **Meals costs**;
 - **Accommodation costs**;
 - **Visa costs**;
 - **Daily allowances** (see conditions in the Implementation Manual).
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- Beneficiaries must always choose the most economical modes of transport;
 - Accommodation costs must be in the middle price range;
 - Exceptions must be duly justified;
 - The duration of the mission must be clearly in line with its purpose;
 - Unused travel tickets not eligible, unless “*force majeure*” and duly documented;
 - Travel and accommodation costs of external experts, speakers, institutional representatives (e.g. the mayor) and “associated partners”, are reimbursed under budget line “External expertise and services” costs;
 - Travel and accommodation costs outside the programme area, if not foreseen in the approved AF, must be reported together with the authorisation of the JS.

ADRION Budget lines: Travel and accommodation (2)

Documents to be provided to the FLC:

- Authorisation of mission with information on the destination and the start and end date of the mission;
- Proof of expenditure (e.g. invoice of travel agent, flight or train ticket, boarding pass);
- Reimbursement request from the employee either based on daily allowance or on real costs;
- Mileage calculation sheet or invoices, if an employee or company car is used; it has to include a statement of the distance covered, the cost per unit according to national or institutional rules (if applicable) and total cost;
- Other supporting documents (e.g. invitation, agenda);
- Proof of payment of costs directly paid by the beneficiary and/or proof of reimbursement to the employee (e.g. extract from a reliable accounting system of the beneficiary, bank statement).

ADRION Budget lines: External expertise and services (1)

External expertise and services provided by a public or private body or a natural person;
NO other partners acting as service providers. No partner's employees acting as external experts for other partners.

(Exhaustive list of eligible expenditure included in the Programme Manual).

Documents to be provided to the FLC :

- Evidence of the competitive procedure, including comparative evaluation of offers and criteria applied;
- Contract with a clear reference to the project and the programme;
- For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must be documented; the invoice must include a clear quantification of the days/hours charged, price per unit and total price;
- Invoice with all relevant information, with references to the project and the programme and a detailed description of the services provided.
- Deliverables produced (e.g. studies, promotional materials) or documentation of the delivery (e.g. in case of events: agenda, list of participants, photo etc.);
- Proof of payment.

ADRION Budget lines: External expertise and services (2)

In-house bodies and **cooperation agreements between public bodies** (Art. 12 Directive 2014/24/EU)

Costs related to project-related tasks sub-contracted by the beneficiary to **in-house bodies** are eligible under “External expertise and service” budget line on condition:

- they are charged on a real costs basis without any profit margin (however it is possible to include office and administrative expenditure, to be calculated as a flat rate of 10 % of eligible direct staff costs);
- sub-contracting complies with national and institutional public procurement provisions in force.

The same applies in case of **contracts for the cooperation between public bodies**.

Budget lines: Equipment (1)

It refers to equipment purchased, rented or leased by a beneficiary for project implementation and described in the application form.

- **Thematic** equipment for pilot actions;
- Equipment for **general office use** costs can be claimed only if it is used exclusively in the framework of the project. Otherwise it falls under “*Office and administration*” costs;
- Consumables related to office equipment (e.g. paper, toners etc.), are eligible under “*Office and administration*” costs;
- The existence of equipment for general office use should be verified in the framework of **on-the-spot verifications** on projects performed by FLC. In case that equipment items are not checked on-the-spot, controllers shall verify their existence by other means of verification (e.g. photo documentation).

Moreover, equipment is eligible if:

- It is not financed from any other financial instrument (e.g. EU, national, international);
- It is not included under any other budget line;
- It was not purchased by another PP;
- It is purchased respecting the relevant public procurement procedures;
- Purchase costs of second-hand equipment can be eligible provided that:
 - No other assistance has been received for it from ERDF/IPA Funds;
 - Its price does not exceed the generally accepted price on the market;
 - It has the technical characteristics necessary for the project;
- It was not fully depreciated at the time of project start;
- It complies with the visibility rules set by Regulation (EU) No 1303/2013 art. 115 and Commission Implementing Regulation (EU) No 821/2014. Detailed guidance regarding the requirements is provided in the Implementation Manual under Chapter *Communication activities*.

Budget lines: Equipment (2)

Documents to be provided to the FLC:

- Evidence of the selection procedure, in line with EU, national or programme procurement rules, depending on the amount contracted, including documentary evidence of the competitive procedure carried out including evidence of comparative evaluation of offers and evaluation criteria applied for awarding the contract;
- In case the purchase of equipment also includes the provision of assistance to the purchased good, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented;
- Proof of payment (e.g. extract from a reliable accounting system of the beneficiary, bank statement);
- In case of assets subject to depreciation, a calculation scheme of depreciation.

Budget lines: Equipment (3) - Depreciation

Costs in the Application Form already include the calculation of depreciation.

As a general principle, only depreciation costs can be allocated to the project. For equipment rented or leased for certain period during the project lifetime, rental or leasing costs for the respective period are eligible.

The calculation of depreciation depends from national or institutional regulations. Equipment depreciation costs are related to the time period when the equipment is used for the project purposes.

In case of equipment purchased before the project start, only the depreciation for the relevant project period is eligible.

The **full cost of equipment** is eligible when the following conditions are satisfied:

- Equipment item is exclusively used for the project implementation;

- The depreciation period is shorter than the time lap between the purchase of the equipment and the end of the project **OR**

- Equipment item is not depreciable (e.g. low value asset) according to the national legislation of the concerned partner.

ADRION Public procurement

The acquisition by means of a public contract of works, supplies or services from economic operators.

FLC and second level audit will have to check that the **contracts are in line** with the selected offers.

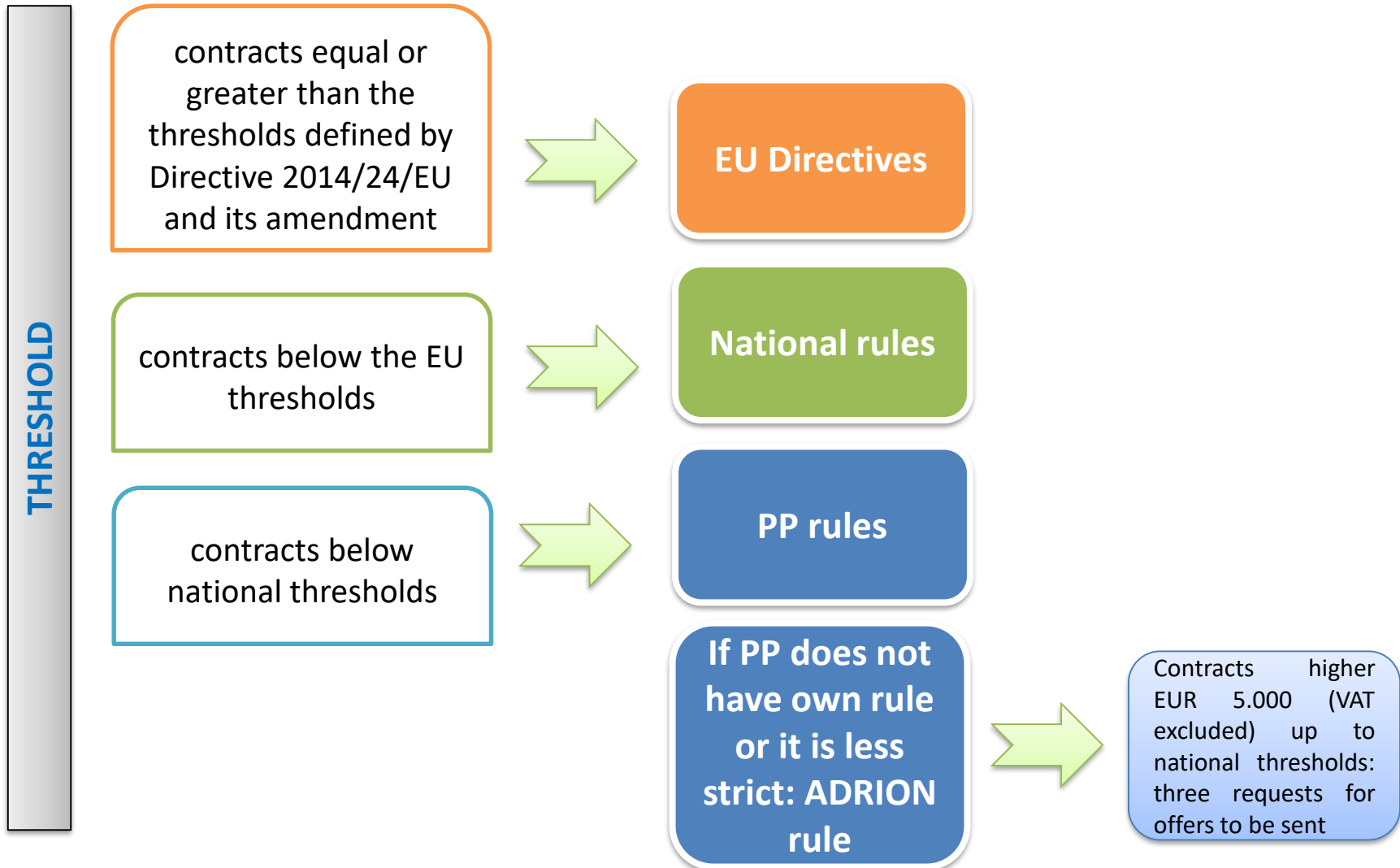
Detailed guidance on public procurement can be found in the EC document *“Guidance for practitioners on the avoidance of the most common errors in public procurement of projects funded by the European Structural and Investment Funds”*.

ADRION rule for **ERDF** partners: Below the thresholds of **EUR 5.000** a payment may be made against invoice without prior acceptance of a tender.

PRAG rule for **IPA** partners: Below the thresholds of EUR **2.500** a payment may be made against invoice without prior acceptance of a tender.

ADRION Public procurement – ERDF partners

When awarding public contracts, contracting authorities shall apply the national procedures in conformity with Article 26, Directive 2014/24/EU - Choice of procedures:



ADRION Public procurement – IPA partners

IPA partners = PRAG rules:

<p>SERVICE CONTRACTS</p>	<p>≥ EUR 300 000</p> <p>International tender restricted procedure</p>	<p><EUR 300 000 but >EUR 20 000</p> <p>Simplified procedure</p>		<p>≤ EUR 20 000 but > EUR 2 500</p> <p>Single tender</p>
<p>SUPPLY CONTRACTS</p>	<p>≥ EUR 300 000</p> <p>International open</p>	<p>< EUR 300 000 but ≥ EUR 100 000</p> <p>Local open tender procedure</p>	<p>< EUR 100 000 but > EUR 20 000</p> <p>Competitive negotiated procedure</p>	<p>≤ EUR 2 500</p> <p>A payment may be made against invoice without prior acceptance of a tender</p>

Joint Secretariat

ADRIATIC- IONIAN PROGRAMME 2014-2020:

info@interregadrion.eu

www.interregadrion.eu

Tel. +39 051 5278886

Viale Aldo Moro 30, 40127 Bologna