

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 & CONTRACTORS**

Version: 2006

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## PURPOSE OF THE ADMINISTRATIVE AND FINANCIAL HANDBOOK

The rules outlined in this Handbook apply to Transnational Networks, Language Competencies, Reference Material & Pilot Projects awarded Community funding under the Leonardo da Vinci programme. The Handbook forms an Annex to the Agreement and, consequently, the rules contained within are contractually enforceable.

This Administrative and Financial Handbook is intended to serve both as an **aid for promoters** in submitting pre and full proposals and **as a management tool for Contractors**. It aims to:

- help Contractors to run projects efficiently;
- clarify 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 reasonable cost.

### Glossary of Terms used within this Handbook:

**Beneficiary:** any individual or organisation which benefits from the undertaking of a Leonardo da Vinci project (excluding the Contractor, Co-ordinator & Partner bodies and Sub-contracting organisations) for which there may also be foreseen and agreed financial expenditure.

**Commission:** the European Commission is responsible for the contracting of National Agencies with regard to the contracting and monitoring of Procedure B projects.

**Contractor:** any legally registered private, public or semi-public institution or body (functioning also as a Partner within the transnational Partnership) which on behalf of the other Partners associated in the request for financial support from the programme, is liable under the Agreement and is responsible for the day-to-day co-ordination and management of the project and for distributing the allocated Community funds. 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 (either in the full proposal or during contractualisation of the project).

**Co-ordinator:** this is the institution or body selected from the members of the transnational Partnership to carry out the necessary co-ordination and day-to-day management tasks at the implementation stage. This institution or body may differ from the Contractor, in which case the delegation arrangements must be clearly spelt out (either in the full proposal or during contractualisation of the project).

**Executive Agency:** the European Commission has given delegation to the Executive Agency who is responsible for the contracting and monitoring of Procedure C Projects (reference material, thematic actions and all projects led by European organisations).

**Full Proposal:** Whatever the type of measure concerned, this is the final form of the Promoter's application for financial support under the programme submitted as a file, in full, either to the National Agencies (Procedure B) or to the Executive Agency (Procedure C). In addition to the information already provided in the pre-proposal it will include a work plan (divided in work-packages and including descriptions of the quality management plan and the dissemination strategy) and a detailed financial plan for each expenditure category (indicating clearly the origin and nature of any funding which is not covered by the Leonardo da Vinci programme).

**National Agencies:** the Leonardo da Vinci National Agencies responsible, in each of the participating countries, for the contracting and monitoring of Procedure B Projects (pilot projects, transnational networks & language competencies), according to an Agreement established with the European Commission.

**Partner:** any legally registered private, public or semi-public institution or body, which is associated with the presentation of a proposal (where successful, a project) and which has signed a letter of intent (where successful, a Contractor/Partner Agreement) by which it undertakes, according to the agreed arrangements, to contribute to the implementation of the project.

**Pre-Proposal:** Whatever the type of measure concerned (with the exception of the mobility measure), this is the Promoter's first step for submitting a proposal for financial support from the programme. The contents of this must constitute a transnational initiative in compliance with the programme's objectives, formal eligibility conditions and qualitative criteria. A pre-proposal will concentrate on the following elements: aims/objectives, target group, planned results, dissemination, impact, expertise & role of the Partners and a global cost estimation of the project.

**Project:** a full proposal selected and awarded an Agreement, giving rise to Community financial support.

**Promoter:** any legally registered private, public or semi-public institution or body declaring its intention, in accordance with the set procedures, to submit a proposal (or pre-proposal) for transnational co-operation within the scope of the programme. The Promoter will become the Contractor where a proposal is accepted and a project begins.

## I. SUBMISSION OF PROPOSALS

Promoters whose pre-proposal has been selected will be invited to submit a full proposal using the official application form.

### I.1. FINANCIAL TABLES

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

- a breakdown of estimated expenditure by work package and by type of costs,
- a breakdown of estimated staff needs and costs, by Partner,
- a breakdown of estimated expenditure by type of costs and by Partner,
- a breakdown of estimated financing by type of funds (own funds, national/regional funds, Leonardo da Vinci funds, other funding sources) and by Partner.

#### Breakdown of estimated expenditure by work package and type of costs

The Promoter must specify the phases of the project and estimate the staff, operational and subcontracting costs for each phase.

#### Breakdown of estimated staff needs and costs by Partner

Five categories of staff are to be distinguished:

- A) Managers
- B) Researchers
- C) Teachers, Trainers
- D) Technical staff
- E) Administrative staff

For each category, the estimated number of working days and actual daily costs have to be declared.

#### Breakdown of estimated expenditure by type of costs and Partner

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

#### Breakdown of estimated financing by type of funds and Partner

The Promoter must state each Partner's expected sources of funding, which should match the letters of intent sent by the Partners. Details of the Partnerships own funds must be detailed along with details on local/regional/national funds, Leonardo da Vinci funds and any other sources of funding.

### I.2. ADDITIONAL DOCUMENTS

All full proposals must be accompanied by a 'Declaration of Honour'<sup>1</sup> signed by the authorised legal signatory, certifying that the Promoter:

- a) is not bankrupt, being wound up, or having its affairs administered by the courts, has not entered into an arrangement with creditors, has not suspended business activities, is not the subject of proceedings concerning such matters, nor, in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) has not been convicted of an offence concerning its professional conduct by a judgment which has the force of res judicata (i.e. final judgement has been passed);
- c) has not been found guilty of grave professional misconduct stated by any means that the contracting authority may justify;
- d) has fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which the organisation is established or with those of the country of the contracting authority or even with those of the country where the Agreement will be implemented;

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<sup>1</sup> This declaration is contained within the application form.

- e) has not been the subject of a judgment which has the force of res judicata (i.e. final judgement has been passed) for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Communities' financial interests;
- f) following another procurement procedure or grant award procedure financed by the Community budget, has not been declared to be in serious breach of contract for failure to comply with its contractual obligations;
- g) is not subject to a conflict of interest (for family, personal or political reason or through national, economic or any other interest shared with a Promoter);
- h) is not guilty of misrepresentation in supplying the information required by the Executive Agency as part of proposal selection and has not failed to provide the requested information;
- i) that the Promoter has the financial and operational capacity for successfully implementing the submitted proposal.

Selection criteria exist to allow assessment of the Promoter's financial and operational capacity to carry out the work programme and to ensure that the Promoter has sufficient and stable financial sources to undertake the foreseen activities throughout the project lifetime, this assessment will also review the capacity for the co-financing of Leonardo da Vinci funds<sup>2</sup>.

For this purpose, the Promoter must also submit the following documents:

- official proof that the Promoter exists (e.g. statutes, memorandum, articles of association);
- the official annual accounts for the previous three financial years<sup>3</sup> (not applicable to public organisations<sup>4</sup>);
- where the application for Community financial contribution exceeds €300 000, the Promoter must include an external audit report (produced by an accredited auditor) along with the full proposal. This report must certify the accounts of the last available financial year and provide an assessment of the Promoter's financial viability (not applicable to public organisations<sup>4</sup>).

These documents must be submitted along with the original version of the full proposal only. It is not necessary to include these documents with the additional copies of the full proposal.

Based upon the documents submitted by the Promoter, the National Agency or Executive Agency will undertake an assessment of the financial and organisational capacity of the Promoter and as a result of this exercise may, at any time, request that the Promoter provide:

- a bank guarantee or a third party guarantee (the third party may also then be required to prove its financial and organisational capacity for co-financing), assuring the financial resources necessary for the Promoter to complete the subsidised activities and guaranteeing the total amount of any pre-financing OR
- a joint and several guarantee of one, or even several, participating Partners in the project. In this case, the financial capacity of the Partner(s) will be checked and the Partner/s may also then be required to prove their financial capacity for co-financing.

Where, following request, a Promoter is not able to not supply the requested guarantee to the National Agency or the Executive Agency, it may be that, in exceptional cases, an Agreement can still be issued subject to certain pre-conditions and with the explicit approval of the European Commission or the Executive Agency.

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<sup>2</sup> This is due to the fact that Community financial assistance likely to be awarded to selected projects is awarded in the form of grants.

<sup>3</sup> For organisations (essentially commercial companies) which have to publish their annual financial statements this should comprise both a copy of this financial statement (a copy of the auditors certified accounts should also be supplied, where these exist) plus a copy of all related annexes. For other organisations, this should comprise a copy of the approved annual accounts including the balance sheet as certified by their internal accountant / auditors and/or agreed annually by the general assembly and/or relevant authority plus all other related documents confirming their validity (e.g. taxation statement).

<sup>4</sup> Exceptions exist solely where the Promoter is a public body, i.e. universities or other bodies (including secondary and higher education institutions) where funding is provided by the state and where this is the case, then this will be evidenced via the legal statutes of these bodies.

## II. CONTRACT FORMALITIES

Any Agreement is subject to the submission of budgetary information and a Contracting Form (refer to sections II.1 and II.2) and their acceptance by the National Agency or the Executive Agency.

### II.1. BUDGETARY INFORMATION

On the basis of the budget submitted by the Promoter, the Executive Agency, when examining and selecting proposals, with the assistance of external experts and assessments from the participating countries, will establish an estimated and consolidated budget **in the light of the project aims** and in accordance with the rules on eligibility applicable at Community level.

This estimated and consolidated budget will be the total acceptable cost, which the Executive Agency will take into consideration for execution of the project:

On the basis of the estimated and consolidated budget, the Executive Agency, in consultation with the Leonardo da Vinci Committee, will further determine the maximum Community contribution to be provided for the project. This will be expressed as a total amount (maximum Community contribution) and as a percentage (co-financing %) in relation to the estimated and consolidated budget, each of which must comply with the ceilings set by the Council Decision. Furthermore, all budgets will detail the 'maximum Community contribution towards Staff Costs'.

On the next page, an example budget is presented.

**EXAMPLE BUDGET:**

	<b>Budget submitted by the Promoter</b>	<b>Estimated and Consolidated Budget</b>
<b>A. Staff costs</b>		
Managers	17250	16000
Researchers	62500	60000
Teachers, Trainers	76000	76000
Technical staff	38800	36250
Administrative staff	14250	14250
<b>Sub-total I</b>	<b>208800</b>	<b>202500</b>
<b>B. Operating costs</b>		
Travel	50500	50000
ICT	20000	20000
Production	75000	67500
Overheads	21000	20000
Others	1000	1000
<b>Sub-total II</b>	<b>167500</b>	<b>158500</b>
<b>C. Subcontracting costs (to be specified)</b>		
<Consultancy>	13000	12000
<Translation>	5800	4500
<Printing>	2500	2500
<b>Sub-total III</b>	<b>21300</b>	<b>19000</b>
<b>Total project cost</b>	<b>397600</b>	<b>380000</b>

In this example, the Promoter, having submitted an estimate of € 397.600, with a request for co-financing of 65 %, equivalent to € 258.440, will be advised that:

- (a) the estimated and consolidated budget, given the project aims and the means to be used has, following assessment, been established at €380.000;
- (b) the co-financing % is set at 65% of the estimated and consolidated budget;
- (c) the maximum Community contribution is set at €247.000 (65% of €380.000); this amount will be formally committed in the contract;
- (d) In establishing the estimated and consolidated budget **computer and audio-visual equipment** is restricted to a **maximum of 15%**, save in exceptional cases where duly substantiated;
- (e) In establishing the estimated and consolidated budget **sub-contracting costs** will be restricted to a **maximum of 30%**, save in exceptional cases where duly substantiated;
- (f) the maximum amount for Overheads is set at € 20.000 (this budget heading attracts 0% Community funding);
- (g) the 'maximum Community contribution towards Staff Costs', where project aims are achieved in full, is set at the Maximum Community contribution minus eligible direct costs, in this example at €247.000-(€158.500-€20.000)-€19.000= € 89.500.

The calculation of the final Community contribution is further subject to the achievement of the project aims and compliance with the eligibility rules of the Leonardo da Vinci programme, as well as the application of the co-financing percentage which will be applied to the eventual eligible expenditure as presented by the project (refer also to sections IV.4.4 and IV.4.5 of this Handbook).

## II.2. THE CONTRACTING FORM

Before the Agreement is prepared, the Promoter must complete a Contracting Form and return this to the National Agency or the Executive Agency.

This form consists of two parts:

The first part comprises the **Project Information Sheet**, which provides 'identification details' for the project, i.e. project title, proposal number, details of the Promoter, and, where applicable, details of the Co-ordinator.

The second part requests an **update on the following information**:

- the project summary;
- in case of a revision of activities, a **detailed** description of modifications; such adjustments, however, may under no circumstances modify the objectives and products/results of the project as selected by the Executive Agency;
- a list of Partners (including Promoter and Co-ordinator) and budget by Partner; herein the **official names** according to the statutes of all project Partners must be used;
- a completed Receipt Acknowledgement form.

### **II.3. CONTRACTING PROCEDURE**

For the preparation of the Agreement the following requirements must be fulfilled:

The Promoter must submit:

- a Contracting Form fully completed and signed by the person legally entitled to sign the Agreement. When filling in the form the Promoter is required to take into account the breakdown of costs of the consolidated budget and to consider the experts' comments;
- the Financial Identification Form (to be submitted along with the Contracting Form), which is to be completed and signed by the person legally entitled to sign the Agreement (or the person legally authorised to sign such documents by the organisation) and then further signed and stamped by the bank<sup>5</sup>;
- original 'Letters of Intent' from Partners (where these have not previously been submitted and/or where new or replacement Partners are introduced at the contracting stage).

Note that the National Agency or the Executive Agency may launch the contracting procedure and, therefore, request the above mentioned documents in advance of the final decision on accepted projects having been taken.

## **III. OPERATIONAL MANAGEMENT OF THE PROJECT**

### **III.1. AMENDMENT OF THE AGREEMENT AND ITS ANNEXES**

The Contractor, the National Agency or the Executive Agency may request an amendment of the Agreement, subject to the formalities described in this section.

In order for the Contractor to request an amendment, a Contract Amendment Request Form (available at: [http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2\\_en.html](http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2_en.html)) must be completed, signed (by the Contractor's legal representative) and submitted to the National Agency or the Executive Agency.

The National Agency or the Executive Agency will examine, in each case, whether or not a request amendment can be accepted and will inform the Contractor, in writing, of its decision, further advising that a Supplementary Agreement (where appropriate) may be sent in the near future. Any Supplementary Agreement will be sent to the Contractor (in 2 copies) for signature and return. The National Agency or the Executive Agency will then countersign the Supplementary Agreement and will return one copy to the Contractor.

Any request for amendment submitted by the Contractor must be sent to the National Agency or the Executive Agency in good time, before any changes are planned to take effect, and in all events one month before the end of the eligibility period as outlined in the Agreement, except in cases duly substantiated by the Contractor and accepted by the National Agency or the Executive Agency.

Where the National Agency or the Executive Agency is not informed of changes relating to the project and/or the Agreement, the Contractor shall assume sole liability for any subsequent ineligibility of activities and/or related costs.

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<sup>5</sup> Bank Accounts opened in the name of an individual are not accepted; where a non-project specific bank account is used then the Contractor must put in place an analytical accounting system which allows project specific-finances to be identified.

According to the type of amendment request, the following steps are to be taken:

### III.1.1 Change of the Contractor

Where there is a request to change the Contractor (the original and new Contractor should normally be of the same nationality) which must not alter the nature or aims of the project and which must be approved in advance by all the Partners, the following procedure must be followed:

- o The **withdrawing Contractor** must send an official letter to the National Agency or the Executive Agency, dated and signed by its legal representative, in which they declare their withdrawal as Contractor, state their reasons for withdrawal and specify whether or not they will be remaining within the project as a Partner or will be withdrawing from the project completely (in which case, it must also comply with the requirements for withdrawal of a Partner);
- o The **proposed new Contractor** must complete, sign and submit to the National Agency or the Executive Agency, a Contract Amendment Request Form containing all information on the change of the Contracting organisation, to include the following annexes:
  - a) a copy of the report from the withdrawing Contractor to the new Contractor detailing activities undertaken and all related expenditure (plus all supporting documents);
  - b) the original letter from their own organisation approving this report and undertaking to act as the new Contractor and to pursue the remaining project activities;
  - c) a copy of the legal statutes of the new organisation and valid financial statements relating to the three previous years<sup>6</sup> (not applicable to public organisations<sup>7</sup>).
- o The **proposed new Contractor** will need to undergo the same assessment of financial and organisational capacity as was undertaken with the withdrawing Contractor (and, where appropriate, a quality management assessment) which will be carried out by the National Agency or the Executive Agency;
- o Where formal approval is given and a Supplementary Agreement is thus signed by both parties, there will need to be a subsequent transfer of remaining project funds (supported by evidence of previous expenditure) from former to the new Contractor. Evidence of this transfer (e.g. confirmation issued by the bank) must be held by the new Contractor and must be available upon request by the National Agency or the Executive Agency;
- o The withdrawing and new Contractors must set out the above points in an Agreement, duly dated and signed by each organisation's legal representative, and must send a copy of this Agreement to the National Agency or the Executive Agency;
- o Each Partner must notify its agreement to the change of Contractor by means of an official letter dated and signed by its legal representative. These letters must be attached to the amendment request and submitted to the National Agency or the Executive Agency.

The **former Contractor** remains liable for project 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.

There may be other changes to the Contractor (i.e. change to the legal signatory, change of name or status of the Contractor) for which it is sufficient to initially submit a formal letter (signed by the legal representative), advising of such changes, to the National Agency or the Executive Agency.

The National Agency or the Executive Agency will formally respond to this letter advising whether these changes are acceptable and/or advising whether it is necessary to submit a Contract Amendment Request Form (where it is felt that a Supplementary Agreement is necessary).

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<sup>6</sup> For organisations (essentially commercial companies) which have to publish their annual financial statements this should comprise both a copy of this financial statement (a copy of the auditors certified accounts should also be supplied, where these exist) plus a copy of all related annexes. For other organisations, this should comprise a copy of the approved annual accounts including the balance sheet as certified by their internal accountant / auditors and/or agreed annually by the general assembly and/or relevant authority plus all other related documents confirming their validity (e.g. taxation statement).

<sup>7</sup> Exceptions exist solely where the Contractor is a public body, i.e. universities or other bodies (including secondary and higher education institutions) where funding is provided by the state and where this is the case, then this will be evidenced via the legal statutes of these bodies

### III.1.2 Partner/s Withdrawal

Where a Partner withdraws from the project Partnership, the following procedure must be followed:

- o The Contractor must complete, sign and submit to the National Agency or the Executive Agency, a Contract Amendment Request Form containing all information on the withdrawing Partner, to include the following annexes;
  - a) the original letter, dated and signed by the legal representative of the Partner withdrawing from the project, giving notice of its withdrawal and stating the reason(s) for their withdrawal;
  - b) an explanation of the effect that the Partner's withdrawal has on the project Partnership, specifically commenting upon whether the withdrawal of the Partner affects the transnational character of the project;
  - c) a report on the status of the work carried out by the withdrawing Partner, the rights acquired relating to individual products and results, the procedure for termination (including an end date), the funds already received by the Partner, a breakdown of existing expenditure and the amount to be paid back (if any).
- o Evidence of expenditure by the withdrawing Partner must be kept by the Contractor and must be available on request. The request for amendment should comment upon whether the unspent part of the budget assigned to this Partner is planned to be re-allocated to the remaining member(s) of the Partnership, although this must be fully justified and be linked only to those Partners who are to take over the tasks of the withdrawing Partner.

Where there is a change of the Co-ordinating organisation (but the Partnership remains the same), the Contractor must submit a signed Contract Amendment Request Form containing all information on the change of Partners to the National Agency or the Executive Agency, indicating that the proposed amendment concerns the Co-ordinator. Where the former Co-ordinator is leaving the project completely (i.e. is not remaining in the Partnership solely as a Partner), the requirements for withdrawal of a Partner must also be fulfilled. Where a new organisation is taking on the role of Co-ordinator, the procedure for admitting new Partners must also be followed.

### III.1.3 New / Replacement Partner/s

Where it is proposed that a new Partner joins the project Partnership, the following procedure must be followed:

- o The Contractor must complete, sign and submit to the National Agency or the Executive Agency, a Contract Amendment Request Form containing all information on the new or replacement Partner, to include the following annexes;
  - a) the original letter, dated and signed by the legal representative of the new Partner, giving notice of its intent to join the Partnership (this should be modelled upon the letter of intent submitted by existing project Partners in the submission of the project proposal);
  - b) where formal approval is given and a Supplementary Agreement is thus signed by both parties, the Contractor will be subsequently required to submit a copy of the Agreement concluded between the Contractor and the new Partner (a model Agreement is provided as an annex to the Agreement).

Where a Partner is replaced by another Partner, the Contractor must send the National Agency or the Executive Agency all the documents required under the above two sections (Partner/s Withdrawal and New / Replacement Partner/s).

#### **III.1.4 Changes to Project Activities / Changes to the Work Programme**

Proposed changes to Project Activities / changes to the Work Programme must be fully justified and must not undermine the project's original nature and aims. Where such changes are to be requested, the following procedure must be followed:

- o The Contractor must complete, sign and submit to the National Agency or the Executive Agency, a Contract Amendment Request Form containing all information on the proposed changes to project activities / changes to the Work Programme;

There may be other changes to Project Activities (i.e. change to Scientific Co-ordinator, changes to the Experts planned to be involved in the project and named within the original proposal; changes solely relating to the schedule of individual Work Packages) for which it is sufficient to initially submit a formal letter (signed by the legal representative), advising of such changes, to the National Agency or the Executive Agency.

The National Agency or the Executive Agency will formally respond to this letter advising whether these changes are acceptable (this might not always be the case as these might imply a major change to the project where the role / experience of the Scientific Co-ordinator or Experts does not appear to be fully or sufficiently replaced) and/or advising whether it is necessary to submit a Contract Amendment Request Form (where it is felt that a Supplementary Agreement is necessary).

#### **III.1.5 Change of Bank Account**

Where changes are proposed to the bank account, to which Leonardo da Vinci monies are paid, the following procedure must be followed:

- o The Contractor must complete, sign and submit to the National Agency or the Executive Agency, a Contract Amendment Request Form accompanied by a new Financial Identification Sheet ([http://ec.europa.eu/comm/budget/execution/ftiers\\_en.htm](http://ec.europa.eu/comm/budget/execution/ftiers_en.htm)) bearing the original signature or the Contractor's legal representative and the signature and stamp of the bank

#### **III.1.6 Changes to the Eligibility Period**

Where changes are proposed to the eligibility period for the project i.e. the period during which project activities and expenditure are eligible, the following procedure must be followed:

- o The Contractor must complete, sign and submit to the National Agency or the Executive Agency, a Contract Amendment Request Form containing information on the background to the proposed increase/reduction in the period for eligibility and outlining the impact that such changes expect to have on the agreed project activities.

#### **III.1.7 Changes to the Reporting Schedule**

When proposing changes to the Reporting Schedule, it is sufficient to initially submit a formal letter (signed by the legal representative), advising of such changes, to the National Agency or the Executive Agency.

The National Agency or the Executive Agency will formally respond to this letter advising whether these changes are acceptable and/or advising whether it is necessary to submit a Contract Amendment Request Form (where it is felt that a Supplementary Agreement is necessary).

### III.1.8 Changes to the Budget

Where it is proposed to change budget headings (not Overheads or Staff Costs<sup>8</sup>) simultaneously<sup>9</sup> by more than 10% (of the total cost of an individual budget heading) and €5.000, and **provided the total cost of the project (estimated and consolidated budget), the maximum Community contribution and the co-financing % remain unchanged**, the following procedure must be followed:

- o The Contractor must complete, sign and submit to the National Agency or the Executive Agency, a Contract Amendment Request Form justifying the proposed changes and presenting a revised budget (the revised budget must respect the maximum ceilings for of 15% for ICT and 30% for sub-contracting), to include the following annexes;
  - a) the agreement of all project Partners to the proposed budget changes;
  - b) where formal approval is given and a Supplementary Agreement is thus signed by both parties, the Contractor will be subsequently required to submit copies of amendments to the Agreement concluded between the Contractor and the project Partners (a model Agreement is provided as an annex to the Agreement).

Example of a Revised Budget:		Original Budget (€)	Revised Budget (€)
<b>A. Staff costs</b>		<b>202500</b>	<b>202500</b>
<b>B. Operating costs</b>			
	Travel	50000	60000
	ICT	20000	18000
	Production	67500	60500
	Overheads	20000	20000
	Others	1000	4000
	Sub-total B	<b>158500</b>	<b>162500</b>
<b>C. Subcontracting costs</b>			
	[Consultancy]	12000	9000
	[Translation]	4500	3500
	[Printing]	2500	2500
	Sub-total C	<b>19000</b>	<b>15000</b>
<b>TOTAL</b>		<b>380000</b>	<b>380000</b>

*In this example there are variations to individual budget headings (an increase of more than 10% and € 5.000 to Travel; a reduction of more than 10% and € 5.000 to Production) thus requiring a request for Budget Amendment however there are no variations to Staff Costs, to Overheads Costs or to the overall Community contribution (amount and/or %), as Contractors are normally restricted from introducing such changes.*

### III.1.9 Other

When proposing other changes (not individually described within this section of the Handbook) it is sufficient to initially submit a formal letter (signed by the legal representative), advising of such changes, to the National Agency or the Executive Agency.

The National Agency or the Executive Agency will formally respond to this letter advising whether these changes are acceptable and/or advising whether it is necessary to submit a Contract Amendment Request Form (where it is felt that a Supplementary Agreement is necessary).

Such changes could include changes to the contact names / contact details within Contractor, Co-ordinator or Partner organisations.

<sup>8</sup> Only in clearly exceptional circumstances (for which the validation of the European Commission or the Executive Agency is required), can Contractors introduce changes to the budget headings for Overheads or Staff Costs, this is because maximum amounts/levels of community contribution have been fixed during contractualisation which cannot normally be changed during the course of the project.

<sup>9</sup> The rule for a maximum variation of 10% and € 5.000 should be understood as follows: an amendment of € 3.500 within a budget of € 10.000 is acceptable because, although higher than 10%, it is lower than € 5.000; if the amendment amounts to € 7.000 within a budget of € 75.000, it is acceptable because although higher than € 5.000 it is below 10%. In both cases an amendment request is not necessary. An amendment must be requested if the variation simultaneously exceeds 10% (of the total cost of a particular budget heading) and € 5.000.

## III.2. ELIGIBILITY

### III.2.1. General Remarks

In general, only costs meeting the following criteria are eligible for funding:

- 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 (Bulgaria, Romania & Turkey) (any costs relating to activities undertaken outside of these participating countries are not eligible under the Leonardo da Vinci programme)
- they must be directly connected with execution of the project in accordance with the work plan;
- they must be incurred by Partner organisations<sup>10</sup>;
- they must be actual costs i.e. the actual costs incurred must correspond to payments made by the Partnership, supported by invoices or accounting documents of equivalent value.

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

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

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

- costs incurred in respect of travel to or from countries outside the European Union, the European Economic Area and the associated countries participating officially in the programme (Bulgaria, Romania & Turkey) - Contractors should refer to the list of eligible countries listed within 'Annex I – Maximum Daily Subsistence Rates'
- costs incurred outside of the **eligibility period** (as stated within the Agreement)
- costs relating to the participation of silent Partners (further explanation provided below)
- costs having **no direct link to contractually agreed project activities**;
- expenditure which is not able to be evidenced through appropriate documentation;
- costs **already financed from another source**, in particular by other Community funds (in cases of complementary financing, this must be clearly substantiated and explained);
- purchases of capital assets, except in cases specifically provided for in this Handbook;
- payments to a third party in relation to participation in the Leonardo da Vinci programme;
- provisions for contractual and moral obligations;
- financial costs (loan interest, exchange costs, costs of opening and operating bank accounts, fines, financial penalties and legal costs);
- costs incurred in relation to Audit reports submitted with the full project proposal

The project duration is that stipulated in the Agreement, i.e. the eligibility 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.

Contractors who are unable to achieve their contractual aims within the specified period may submit to the National Agency or the Executive Agency a reasoned request for an extension of the eligibility period by up to 6 months (any request for an extension of more than six months to the eligibility period must be validated by the European Commission or the Executive Agency). A distinction must be made between a request for extension of the eligibility period, which has the effect of increasing the period within which costs are eligible and which will always be the subject of a Supplementary Agreement, and a request for an extension of the deadline for submitting interim or final reports, which may not exceed two months, which involves no extension of the eligibility period and which does not normally require an official amendment to the Agreement. Further information on how to request an amendment to the Agreement is provided within section III.1 of this Handbook.

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<sup>10</sup> Only the list of Partners as set out in the Agreement (subject to any amendments officially accepted by the National Agency, the European Commission, or the Executive Agency) is binding.

**Silent Partners:**

The Partnership may include silent Partners (although not as the Contractor or Co-ordinator of a project), which means these Partners participate in the project but have to bear all costs incurred by and related to themselves.

Silent Partners are not eligible to receive any Community funding.

Any monies received from Silent Partners, during the project eligibility period, will be considered as Income to the project and will lead to equivalent reductions being made to the maximum Community contribution.

Organisations from countries other than Member States of the European Union, the European Economic Area and the associated countries participating in the Leonardo da Vinci programme i.e. non-participating countries (a list of participating countries is provided within Annex I of this Administrative and Financial Handbook) may participate in projects as silent Partners, however their financial input must not be taken into consideration within the overall project costs. It should be noted that all activities taking place in these non-participating countries are considered as INELIGIBLE under the Leonardo da Vinci programme (to include all costs for the sub-contracting of organisations based in these non-participating countries).

**III.2.2. Staff Costs**

Staff costs comprise any salary and/or remuneration paid to persons **employed by a Partner organisation or working regularly or recurrently for the project**. This figure should include salary costs (for salaried and other staff) which are paid under the staff budget (for normal accountancy purposes) plus all the usual contributions paid by the employer, such as social security contributions, social fees, holiday payments and pension costs but must exclude any bonuses, incentive payments or profit-sharing schemes. This figure must not include costs relating to persons undertaking subcontracted tasks.

In order to draw up the budget the Promoter and the Partners will have to explain the staff costs in detail within the financial plan of the project proposal.

Staff costs must be calculated on the basis of the actual daily salary of the individual employee multiplied by the number of days worked on the project, for which Contractors must be prepared to provide evidence relating to how the daily rates for staff were calculated (e.g. via copies of payslips or official / certified accounting documentation) in addition to copies of related documentation i.e. contracts & Curriculum Vitae relating to those working for the project.

Only in clearly exceptional circumstances (for which the validation of the European Commission (proc. B) or the Executive Agency (proc. C) is required), can Contractors introduce changes to the budget heading for Staff Costs as a maximum level of community contribution will have been fixed during contractualisation and therefore cannot be changed during the course of the project.

In the final report a final statement of costs must be presented. The maximum Community contribution towards Staff Costs (or the declared amount for Staff Costs, whichever is lowest) will only be paid in full where the project achieves its contractually agreed aims (see later in this section).

In assessing the proposal, the National Agency or the Executive Agency 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 Staff Costs, the declared costs will be compared with the actual daily costs (real costs) in each country taking part in the programme. Where, owing to the specific features of the project, the Promoter plans to include highly qualified staff whose individual rates are particularly high they should indicate this within the project proposal and provide all necessary explanation.

When the final report is submitted, it will be evaluated by the National Agency or the Executive and further by an independent external expert. Independent external experts will be designated by the

relevant National Agency for procedure B projects and by the Executive Agency for procedure C projects.

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.

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

Where this is consistent with the previous evaluations, the following action will be taken, for ratings:

- between 0 and 2 inclusive, the agreed maximum Community contribution towards Staff Costs, as provided by the Agreement, will be reduced by 100% (reduced to zero);
- between 3 and 4 inclusive, the Contractor will be entitled to 50% of the maximum Community contribution towards Staff Costs, as provided by the Agreement, or the declared amount for Staff Costs, whichever is lowest;
- between 5 and 10 inclusive, the Contractor will be entitled to the maximum Community contribution towards Staff Costs, as provided by the Agreement, or the declared amount for Staff Costs, whichever is lowest.

Where the results of individual evaluations differ, the National Agency or the Executive Agency will determine unilaterally and definitively the final consolidated rating.

Please refer to section IV.4.4 (Final Evaluation of Projects) of this Administrative and Financial Handbook for further information on the application of the 0-10 rating.

#### Staff Costs versus Subcontracting Costs

	Staff Costs:	Subcontracting Costs:
Definition	Salaries (including all related costs) of persons employed permanently or working regularly or recurrently for the Contractor or for a Partner organisation. These individuals are not allowed to operate in a subcontracting capacity for the project.	Costs paid to an external body or organisation carrying out a specific one-off task in connection with the project, which is also the subject of a subcontracting agreement. Please note that subcontracts can also be carried out by individuals <sup>11</sup> as long as they are not employed by a Contractor or a Partner organisation.
Financial Plan	The financial plan of the proposal should explain Staff Costs in detail. Following approval of the proposed financial plan by the National Agency or the Executive Agency a maximum Community contribution towards Staff Costs will be agreed.	Subcontracts must include all costs i.e. staff costs plus all additional costs.
Amendments	Only in exceptional circumstances (which must be clearly presented to the National Agency/Executive Agency and always validated by the European Commission or the Executive Agency), can Contractors introduce changes to the budget heading for Staff Costs as a maximum level of community contribution will have been fixed during contractualisation and therefore cannot be changed during the course of the project.	Amendments are possible during the project lifetime (see section III.1.8 – Changes to the budget).

<sup>11</sup> This refers to individuals who may be self-employed i.e. who are responsible for their own social security or social contributions, pensions and taxes. National legislation on the definition of these individuals can vary and should always be considered.

Eligibility	A maximum Community contribution towards Staff Costs is fixed during contractualisation (financial consolidation) and incorporated into the Agreement.	All Subcontracting Costs need to be evidenced at both the Interim Report and Final Report stages. Costs are eligible according to the criteria for subcontracting (see sections III.2.8 and V.2.2.8).
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### 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 only for persons directly employed by the Contractor or Partner organisations (for information on charging Travel and Subsistence Costs for other persons please refer to Section III.2.7 Other Costs and Section III.2.8 Subcontracting Costs) and only for journeys relating to **specific** and clearly **identifiable** project-related activities.

#### **TRAVEL COSTS:**

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, where this is not the case then a full explanation should be provided.

Travel Costs should include all costs for travel (rail, bus, taxi, air) from the point of origin to the point of destination and should further include any related travel insurance costs.

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

- for private vehicles (own and company cars): on the basis of the corresponding rail (or air<sup>12</sup>) fare - the price of one ticket only will be reimbursed, even where several people are travelling in the same vehicle); evidence of the corresponding rail (or air<sup>12</sup>) fare should be sought at the time of travel and documentation evidencing this (e.g. declaration of costs from a travel agent; on-line quote) should be readily available;
- for hire cars (maximum category B or equivalent) or taxis: the actual cost where this is not excessive compared with other means of travel (also taking account of any influencing factors i.e. time, excessive luggage);
- only in exceptional cases, where the above are unable to be applied, will a 'rate per mile/km' be considered; where this is the case a full explanation should be provided as to the reason for the non-application of the above-mentioned means of calculation and full documentation should be readily available to substantiate the rate applied (to include evidence of the 'organisational' or 'national' rates per mile/km and support documentation evidencing payment of the applied rate).

Any travel to or from places other than those where the members of the Partnership are located must be shown to be relevant to the project. Explanation should be provided detailing the event attended, the link to project activities and the added value of attending such an event.

It should be noted that costs for travel to or from countries outside the European Union, the European Economic Area and the associated countries participating officially in the programme (Bulgaria, Romania & Turkey) are ineligible - Contractors should refer to the list of eligible countries listed within 'Annex I – Maximum Daily Subsistence Rates'.

#### **SUBSISTENCE COSTS:**

Subsistence Costs may be financed by the project, provided:

- they are reasonable in the light of local prices,

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<sup>12</sup> Only in situations where a train journey cannot be priced (i.e. no appropriate route or service exists).

- they are calculated in accordance with the existing internal rules of the Contractor or Partner organisations, which may be on an actual cost (reimbursement of receipts) or daily allowance basis.

Subsistence Costs may not, however, exceed **the maximum daily rate** for the country being visited as detailed within Annex I – Maximum Daily Subsistence Rates.

Evidence of the applied payment system (documentation evidencing amounts reimbursed or evidence of payment of daily rates to an individual) should be readily available.

Daily Subsistence Rates include accommodation costs, meal costs and all local travel costs. In calculating the number of days for which to apply the Daily Subsistence Rate it should be noted that a FULL day normally includes an overnight stay (the National Agency may consider an exception to this rule whereby a full day's subsistence is allowed without an overnight stay, according to the internal rules of the Contractor or Partner organisations, where this is the case the Contractor will need to provide a full explanation).

Where a common lunch or dinner is provided by the host organisation and this is to be charged separately to the project then the following rules should be applied:

- for individuals outside the Contractor or Partner organisation then this should be charged under a separate heading (for information on charging Travel and Subsistence Costs for other persons please refer to Section III.2.7 Other Costs and Section III.2.8 Subcontracting Costs) – details of the beneficiaries should always be provided;
- for persons directly employed by the Contractor or Partner organisations, **either** [a] the costs should be reported as one expense and it should be then clear who the meals were provided for (with appropriate deductions being made from the Maximum Daily Subsistence Rates of the involved persons) **or** [b] the per person costs should be included in the total Subsistence Costs of these persons, which cannot in turn exceed the Maximum Daily Subsistence Rates (i.e. under no circumstances can there be a duplication of Subsistence Costs).

#### **III.2.4. Expenses Relating to Information and Communication Technologies**

ICT Costs will normally include COMPUTER costs such as connection time, subscription to internet service providers, renting of web-space, purchase/hire of hardware and/or software, purchase of consumables (disks, CD-ROM, toner cartridges) and AUDIO-VISUAL COSTS such as purchase/hire of video projectors/beamers and audio or videoconferencing equipment, purchase of consumables (transparencies, cassettes, video cassettes), provided these costs are directly relevant to the project.

Exceptionally, costs relating to the maintenance/repair of equipment (where purchased or rented during the project period) and costs relating to improving the efficiency of an IT system (e.g. the networking of computers) can be charged, where duly substantiated.

Only actual costs necessary for the completion of the project can be claimed under the Agreement, and these should always be substantiated. Under no circumstances can costs relating to 'human resources or support' be charged under this heading, such costs should be considered under 'Staff Costs' or 'Subcontracting Costs'.

For hardware costs (purchase, rental or leasing) the Contractor, complying with the terms of the Agreement, must:

- 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, (Bulgaria, Romania & Turkey) 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 eligibility period (costs relating to equipment purchased prior to the start of the Agreement will not be accepted), at a rate which reflects the degree and duration of use within that period (i.e. if the equipment is used regularly within an organisation for many different tasks/activities then the Contractor or Partner organisation ought to be able to demonstrate how the relevant usage for the project (%) was calculated e.g. one day per week thus 20% or half of the time thus 50%);
- Where equipment is purchased, the Contractor must apply a maximum annual depreciation rate of 33.33% for computer and audio-visual equipment worth less than €10.000 and a maximum annual depreciation rate of 20% for equipment worth over €10.000 (calculations should be based upon the final cost<sup>13</sup> of individual items). Note, where national legislation or an organisation's own rules demand a lower percentage for depreciation, then this must be observed.

Example:

Final cost of equipment (purchased): €1.000  
 Assumed service life: 3 years (36 months) – *based upon a value of less than € 10.000*  
 Permissible monthly depreciation would be €1.000 / 36 = €27.78  
 Duration of the Agreement: 01/12/2002 to 30/11/2004 (*i.e. 24 months*)

Date of invoice: 01/05/2003  
 Period of use for the project: Maximum of 19 months

Supposing the equipment is used half time for the project, the rate of use will be 50%.

The total amount payable for depreciation under the Leonardo da Vinci grant will then be:

$(€27.78 \times 19) \times 50\% = €263.91$

Any equipment purchased should normally be itemised in the Contractor or Partner organisation's inventory list and bear an inventory number.

Contractors must abide by the principles of sound financial management when deciding to rent, lease or purchase equipment and must be able to justify their choice.

As regards subscription to internet service providers and internet connection time then these should only be charged where costs are 'individually identifiable' and where support documentation is able to be provided.

As with hardware, connection time should be charged to the project at a rate which reflects the degree and duration of use (i.e. if the internet is used regularly within an organisation for many different tasks/activities then the Contractor or Partner organisation ought to be able to demonstrate how the relevant usage for the project (%) was calculated e.g. one day per week thus 20% or half of the time thus 50%).

### III.2.5. Production Costs

These are costs related to the production, by a member of the Partnership, of the contractually agreed products/results as stipulated in the project aims. This can include the printing of marketing/publicity materials and/or publications; the production of CD-ROM, the purchase of product-related consumables (reams of paper for printing of publications, blank CD-ROM, etc.) and even costs related to the production of a seminar or conference (where the seminar is a foreseen product/result and where task-related costs are easily identifiable). Production Costs should not however include costs for human resources or support.

<sup>13</sup> *Dependent upon whether VAT is included – refer to section III.3.4 of this Handbook*

Under this heading, costs can be included where, within the same organisation, inter-departmental charging exists, e.g. charges relating to tasks/activities undertaken by a part of the organisation not specifically involved in the project. Where this is the case, evidence should be provided of an existing system for inter-departmental charging and under no circumstances should these charges exceed the market rates. The costs of human resources or support should not be charged to the project excepting where a 'unit charge' exists comprising a staffing element (e.g. a set 'unit cost' for the printing or copying of materials).

This heading should not under any circumstances include costs relating to the daily management and administration of the project (e.g. photocopying of working documents) which should be included under Overheads Costs, nor should it include costs for which external or third-party subcontracts have been established (e.g. an external contract for the printing of a project publication) which should be included under 'Subcontracting Costs'.

Exceptionally, where a project is undertaking a survey or study, and where this is an agreed product/result of the project, then costs relating to the production and undertaking of the survey or study can be included under this heading. These costs, having been foreseen and contractually agreed, can include mailing costs and costs relating to the undertaking of telephone questionnaires or surveys. All costs however should be able to be individually identified to be able to be charged to the project and should not include any costs related to the daily management and administration of the project (see previous paragraph).

All items charged under this heading should be able to be supported through evidence of actual expenditure, either in the form of an invoice, or where inter-departmental charging exists, via evidence of related tariffs/costs and via evidence of the inter-departmental transfer of project money.

### **III.2.6. Overheads**

Overheads can include the following costs, provided they are **specific to the project**:

- daily communications (fax, telephone, mail, etc.);
- photocopying;
- office materials / stationery / office consumables;
- bank costs relating to the transfer of funds (this excludes account management costs).

Note, however, that the following expenditure will not be accepted in any event:

- expenditure on rent, heating, electricity, water or any other accommodation costs normally paid for by the Contractor or Partner organisations;
- structural costs with no obvious link to the project;
- office equipment or furniture.

A maximum amount of not more than **7% of the total eligible direct costs of the project** will be allowed as Overheads which will be provided for in full by the projects own funds or via local/national/regional contributions (to be specified during the contracting of the project). Community funds will provide 0% contribution under this heading.

Only in clearly exceptional circumstances (for which the validation of the European Commission or the Executive Agency is required), can Contractors introduce changes to the budget heading for Overheads as a maximum amount will have been fixed during contractualisation and therefore cannot be changed during the course of the project.

### **III.2.7. Other Costs**

This heading allows for costs not falling into any other category of expenditure to be claimed under the Agreement, provided these costs are considered necessary to the proper performance of the tasks/activities as foreseen and contractually agreed.

Costs under 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 project;
- they must not involve any fundamental change in the scope and content of the project;
- they must be eligible under the Agreement;
- they must be clearly identifiable.

Costs under this heading can include:

- press releases and advertisements (one-off costs);
- purchase of copyrights and other Intellectual Property Rights (IPR);
- hire of rooms (for information/testing sessions, seminars, conferences, etc.), although not within Contractor or Partner organisations own premises;
- purchase of information materials (books, studies, electronic data);
- conference fees; meeting registration costs;
- travel and subsistence costs relating to beneficiaries (experts with no subcontract, pilot trainees, social Partners etc.);
- rental of exhibition space;
- taxes connected with the publication of project materials e.g. CD-ROM;
- catering costs for a meeting or other event (where those being provided for are not members of the Contractor or Partner organisations);
- certification costs;
- bank guarantee costs (only where a bank guarantee is specifically requested by the National Agency or the Executive Agency and only in relation to the eligibility period as stated in the Agreement);
- audit costs (as required by the programme and restricted only to those audits taking place during the eligibility period as stated in the Agreement).

Where unsure as to the eligibility of costs under this heading then Contractors are advised to contact the National Agency or the Executive Agency for clarification.

### **III.2.8. Subcontracting Costs**

Any amount paid to an external body<sup>14</sup> or organisation carrying out a **specific one-off task** in connection with the project (e.g. translation, expert consultancy, interpretation, design & printing, conference/seminar organisation) must be charged against Subcontracting Costs.

Additional information on the division of costs between Staff and Subcontracting Costs is provided within section III.2.2 of this Administrative and Financial Handbook.

These costs are normally admissible only where staff within the member organisations of the project Partnership do not have the required skills.

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<sup>14</sup> This can include individuals who may be self-employed i.e. who are responsible for their own social security or social contributions, pensions and taxes as long as they are not also employed by a Contractor or Partner organisation. National legislation on the definition of these individuals can vary and should always be considered.

Exceptionally organisations may decide that it is necessary to subcontract activities which may be achievable within another part of their own organisation – beyond that of the participating body – which for reasons of cost, availability or timing are deemed more appropriate to subcontract to a third party, where this is the case a detailed explanation should be provided.

Only Subcontracting Costs in conformity with the Agreement are admissible. Where a Contractor or Partner enters into a subcontracting agreement, it must draw up an Agreement within which the subcontractor undertakes to abide by the main Agreement concluded with the National Agency or the Executive Agency. All subcontractors must be located in the Member States of the European Union or the European Economic Area or in the associated countries participating officially in the programme (Bulgaria, Romania & Turkey).

Subcontracting agreements (to be provided along with relevant invoices at all reporting stages of the project) must include, as a minimum, the following information:

- purpose of the Agreement;
- dates on which the Agreement begins and ends;
- amount to be paid;
- detailed description of the costs on which this figure is based;
- work schedule/completion phases;
- payment arrangements (one or more advance payments, staggered payments, etc.);
- clauses in respect of non-performance or late completion.

Exceptionally, where it is not possible to conclude a full subcontracting agreement, for example, the subcontracting of printing activities, then as a minimum, evidentiary documentation (e.g. quotation and final invoice) should be provided and should aim to include the majority of the above information demands.

**It is not permissible to subcontract all of the project activities**, as this would distort the concept of the project Partnership. For this reason, the Contractor may not subcontract the management and general administration of the project and the Partners may not subcontract all or most of the activities for which they are responsible.

Audit and supporting accountancy activities may, however, be charged to the project where necessary.

Subcontracting agreements with an expected final cost<sup>15</sup> of more than €10.000 per 'subcontract' or 'subcontracted organisation', must be put out to tender by the Contractor (and should further consider the rules in place in the 'country of tender') with the conclusion of the tender further being approved by the Partnership. Copies of tender documentation are to be provided along with copies of relevant subcontracting agreements and related invoices at all reporting stages of the project.

All travel and subsistence costs, relating to subcontracting organisations (e.g. attendance of subcontractors at Partner meetings, travel costs associated specifically with subcontracted tasks/activities) should be included under this heading and an allowance should normally be made within any formal agreement. These costs cannot be submitted under the heading Travel and Subsistence.

Translation costs (working documents, products/results, etc.) are normally allowed for translations to and from the official languages of the European Union, the European Economic Area and the associated countries participating in the programme (Bulgaria, Romania & Turkey).

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<sup>15</sup> *Dependent upon whether VAT is included – refer to section III.3.4 of this Handbook*

Exceptionally, dispensation may be given for translation of working documents, products and results into additional languages (beyond those of the countries participating in the Leonardo da Vinci programme), however all translation tasks and contractually agreed results would need to be fully outlined within the related project Agreement.

Translation tasks undertaken both within the Partnership (i.e. undertaken by a staff member of the Contractor or Partner organisations and charged to the project as Staff Costs) and via a third party subcontract must bear relevance to the foreseen and contractually agreed aims and activities of the project.

### **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. This requires that the Contractor sets up an accounting system that also includes all Partners' expenses (see section III.3.3 – Accounting System/Internal Control).

#### **III.3.2. Bank Account**

The account specified in the Agreement and to which the Community funding will be paid must be presented according to the requirements set out in section II.3 of this Handbook.

Where possible, a separate Bank Account should be established for the project. Where this is not possible, then as a minimum all income/expenditure relating to the project must be easily able to be identified within the account to which Leonardo da Vinci funds are paid (refer also to section III.3.3 of this Administrative & Financial Handbook).

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

The Contractor can only change their project bank account where an official amendment request is submitted (using the Contract Amendment Request Form) and formally accepted by the National Agency or the Executive Agency (refer to section III.1 of this Handbook).

Costs relating to account management are ineligible, however bank costs relating to the transfer of funds (i.e. payments to Partners) are eligible under the budget for Overheads.

Any interest earned in relation to pre-financing paid to the project (either by the Contractor or by individual Partners) must be declared within the relevant table of the final financial report for eventual reimbursement to the National Agency or the Executive Agency.

#### **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 eligibility period (as stated in the Agreement).

All transactions within the eligibility period, relating to actual expenditure/income under the project, must be recorded systematically using a numbering system which specifically identifies the project.

#### **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 and related 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.

Community funding is not paid in relation to the provision of a particular product or service and as such, when received as income by a Contractor or Partner, should not be subject to any tax deduction.

### III.3.5. Exchange Rates

All amounts given in the project reports must be expressed in Euro.

Where a Euro account is held, the Contractor and Partners must report expenditure at the amount(s) debited in Euro from their account.

Where accounts are held in national currency, then the Contractor and Partners should normally use the following model:

#### *For Interim Reports and for Final Reports relating to 12 and 18 month projects*

For all costs incurred, whatever the source of the funds used (i.e. Community funding, own funds, local/regional/national funds), the Contractor must use the **exchange rate applied by the bank to convert the first pre-financing payment** into national currency.

Example:

(1 <sup>st</sup> ) Pre-financing (Euro)	Bank rate	(1 <sup>st</sup> ) Pre-financing (DKK)
40.000	7,5	300.000

The rate to convert project expenditure in DKK to EUR will therefore be **7,5**.

#### *For Final Reports relating to 24, 30 and 36 month projects*

For all costs incurred **during the second project period**, whatever the source of the funds used (i.e. Community funding, own funds, local/regional/national funds), the Contractor or Partners must use **the exchange rate applied by the bank to convert the second pre-financing payment** into national currency.

Example:

Pre-financing (Euro)	Bank rate	Pre-financing (DKK)	
First project period	40.000	7,5	300.000
Second project period	40.000	7,0	280.000
TOTAL	<b>80.000</b>		<b>580.000</b>

The rate to convert project expenditure in DKK to EUR during the second period will thus be **7,0**.

For Contractors or Partners unable to use this conversion method (e.g. in countries where the Euro conversion rate fluctuates significantly), then the Contractor or Partner must state what exchange rate or rates have been used, and must further explain why (in certain cases, the National Agency or the Executive Agency may request evidence or justification of the exchange rates applied).

### **III.3.6. Payment Arrangements**

For projects exceeding 18 months duration, a pre-financing payment representing 40% of the maximum Community contribution will be paid to the Contractor within 45 calendar days of the date when the latter of the two parties signs the Agreement. The Contractor may request a second pre-financing payment representing an additional 30% of the maximum Community contribution at the time of the submission of the Interim Report. The second pre-financing payment shall be made to the Contractor within 45 calendar days of the date of approval of these documents by the National Agency or the Executive Agency. However, further pre-financing will only be authorised where the Contractor justifies having used more than 70% of the pre-financing payments already received. For projects where the duration is less than or equal to 18 months, a pre-financing payment representing 70% of the maximum Community contribution shall be made to the Contractor within 45 calendar days of the date when the latter of the two parties has signed the Agreement.

All requests for payment of the balance shall accompany the Final Report and shall present a final breakdown of costs actually incurred according to the structure of the budget in addition to a complete summary statement of both expenditure and income relating to the project.

Where the final grant does not exceed € 750 000, the Contractor personally certifies that the financial documents submitted to the National Agency or the Executive Agency conform to the financial provisions of the Agreement, that the declared costs are real and the declared income is exhaustive.

Where the final grant exceeds € 750 000, the Contractor is also required to submit an external audit report on the accounts of the project. The purpose of the audit is to certify that the financial documents submitted by the Contractor to the National Agency or the Executive Agency conform to the financial provisions of the Agreement, that the declared costs are real and the declared income is exhaustive. An independent body or expert, officially empowered to undertake account inspection assignments, should conduct this external audit.

All payments (including pre-financing payments) are subject to the final assessment of the project where a rating of 0-10 will be applied and whereupon all expenditure will be checked for eligibility against the Leonardo da Vinci programme rules (as defined in the Agreement and its' annexes).

For projects where a financial guarantee has been requested, alternative payment and reporting models may be used (to be specified within the Agreement).

## **IV. MONITORING & REPORTING**

### **IV.1. GENERAL REMARKS**

The National Agency or the Executive Agency will actively monitor the progress of projects throughout their life cycle. Such monitoring can involve visits to the Contractors premises, attendance at partner meetings and/or contact with the Contractor and/or Partner organisations, in order to discuss project progress and or the achievement of the foreseen and contractually agreed activities/results.

Monitoring will allow the National Agency or the Executive Agency to support Contractors in dealing with any changes which may occur during the project life cycle and will further support approaches towards the dissemination of information on the project and its' results and with regard to the potential sustainability of project results.

Evaluation is a crucial phase for projects 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 'maximum Community contribution towards Staff costs' where results are very poor;
- the means used to achieve these results in relation to the contractually agreed budget (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, 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 this Administrative and Financial Handbook and in the respective report form.

**The amounts given within the Report Forms must be expressed in EUR 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.**

Self-calculating financial tables are also available, for submission with the Interim Report (minimal financial tables G.1-G.3 or full financial tables G.1-G.8) and the Final Report (full financial tables G.1-G.8). These tables can be downloaded from:

[http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2\\_en.html](http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2_en.html)

## IV.2. FORMAL REQUIREMENTS FOR THE ACCEPTANCE OF REPORTS

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

- the **original** of the report form must be sent, together with a photocopy. It is also recommended to send an electronic copy by email;
- the report form must bear **the original signature of the representative legally entitled to sign**<sup>16</sup> on behalf of the Contractor. The representative's name and position/title in the organisation must be given below the signature, which must be accompanied by the organisation's official stamp (where one exists);
- the report form must be returned in full (i.e. in all its pages), duly completed and signed at the appropriate place;
- the financial report must be correctly completed according to the presented tables, and presented in a consolidated report form. An exception is made where a Contractor chooses to complete the self-calculating financial tables (downloadable from: [http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2\\_en.html](http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2_en.html)) whereupon the self-calculating tables should be printed and annexed to the report form;
- the following documents must be attached to the form:
  - copies of the contracts concluded with all project Partners (including the Co-ordinator), where not previously provided to the National Agency or the Executive Agency. These contracts should represent all current and previously involved project Partners. The Contractor must number these contracts using the serial number allocated to each in the financial report;
  - copies of any subcontracting agreements and related invoices (or, where not concluded, evidence of payment) relating to Subcontracting Costs;
  - copies of evidence relating to Bank Transfers (bank statements, official bank transfer confirmation as provided by Banking Institution)

If a report does not meet the above criteria, the National Agency or the Executive Agency will not evaluate the report until its formal presentation is correct. Contractors will therefore be contacted and asked to either re-submit the report (in part or in full) or to provide the minimum supporting documents. During this period of re-submission (full or part report; supplementary documentation), the assessment period for the report will be suspended.

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<sup>16</sup> The representative legally entitled to sign means the person authorised to enter into legal and financial commitments on behalf of the Contractor.

Where invoices are presented in a language other than the working language of the project it might be useful to provide a short description (1-2 lines) of the content of the invoice.

Where invoices are presented in a currency other than EUR the method and rate of calculation should be added to the invoice.

Upon submission of the Final Report, projects may be subject to Financial Control, which can be either FULL (submission of evidence for all declared expenditure) or MINIMAL (submission of evidence for selected expenditure). Where a project is selected to undergo FULL Financial Control the Contractor will be immediately informed, following the receipt of their Final Report, of the requirement to submit copies of all invoices/evidence of expenditure. The assessment period for the Final Report will be suspended during the allowed delay for the submission of any supplementary documentation.

### **IV.3. INTERIM REPORT**

*(applicable to 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 Agreement is for 24, 30 or 36 months, is to take stock of progress at a 'halfway point' and to identify any specific problems that the Partnership has encountered so that action can be taken to allow the project aims to be fully achieved.

The interim report must be submitted using the dedicated report form, which is available to download at: [http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2\\_en.html](http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2_en.html).

In submitting the Interim Report the Contractor may request a further pre-financing payment corresponding to a 30% of the maximum Community contribution (see section III.3.6 of this Handbook).

The Interim Report must always be submitted by the deadline mentioned in the agreement and not at an earlier date, even where more than 70% expenditure (relating to the initial pre-financing) has been achieved.

Where the minimum of 70% expenditure (relating to the initial pre-financing) has not been achieved by the deadline for the submission of the Interim Report, the Interim Report should be submitted anyhow, with the Contractor then submitting a request for further pre-financing as soon as this % has been achieved. This supplementary payment request must be supported by a revised version of the Interim Report Financial Tables (G.1-G.3 or G.1-G.8) in line with what was submitted with the original Interim Report. This will allow the National Agency or Executive Agency to re-check the level of project expenditure.

#### **IV.3.2. Activity/Results Report**

The first part of the interim report form is known as the **activity/results report** and is intended to provide a detailed picture of the project and its progress during the first period. It must therefore include, as a minimum, the following information to allow both a qualitative and a quantitative assessment by the National Agency or Executive Agency :

- a schedule of work carried out and summary of changes in past project activities;
- a work programme and schedule of proposed activities, including a summary of expected variations, relating to the second period;
- a summary of changes relating to the project Partnership e.g. Partner replacement, Partner withdrawal, introduction of new Partners, changes to task and budget allocation amongst the Partners (where these exist);
- a detailed report on the implementation and progress of the project, according to the agreed work packages, including a brief review of the roles of the various Partners in the various stages;

- a summary of the Partner meetings that have taken place, including a presentation of the key results of these meetings;
- information on the methodology and bibliography (Reference Materials projects only);
- a report on existing measures for the dissemination and transfer of interim project results;
- a progress report on the achievement products/results (to include submission of **one original and one copy** of all interim products/results);
- information on the internal and external evaluation procedures (where appropriate).

During assessment of the Activity/Results Report, there may be occasions where the National Agency or Executive Agency decides to suspend the approval of this report until the Contractor can evidence that the planned and foreseen activities have taken place within the project.

### IV.3.3. Financial Report

The second part of the interim report consists of a general balance sheet and presentation of project accounts for the initial period.

Where only minimal financial tables<sup>17</sup> (Tables G.1-G.3) are presented at the interim report stage then the analysis of the project accounts will be moderate and only consist of checking that a certain level of expenditure has been achieved and that there are no areas of expenditure outside of the contractually agreed budget. Where all financial tables (Tables G.1-G.8) are presented at the interim report stage then a full financial assessment will take place. The National Agency or the Executive Agency may decide to request that all financial tables (Tables G.1-G.8) be submitted by the Contractor.

Independent of the level of financial information provided at the Interim Report stage, in the submission of the Final Report the Contractor is required to report upon expenses incurred during the whole eligibility period.

During assessment of the Financial Report, there may be occasions where the National Agency or Executive Agency decides to suspend the approval of the Financial Report until the Contractor can evidence that all expenditure and related financial information is correct.

## 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 contracted project activity** must be completed before the Final Report is submitted. This does not however propose that activities must end once the project is over, in fact the opposite, as the Leonardo da Vinci programme encourages both sustainability and potential mainstreaming of the project products and results. Where there are difficulties in completing project activities within the agreed timescale then a project extension should be sought. Please refer to section III.1 of this Administrative and Financial Handbook for further information on Amendments to the Agreement (note that all requests for Amendment to the Agreement must be submitted at least one month before the end of the eligibility period as outlined in the Agreement, except in cases duly substantiated by the Contractor and accepted by the National Agency or the Executive Agency)..

The final report must be submitted using the dedicated report form, which is available to download at: [http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2\\_en.html](http://ec.europa.eu/comm/education/programmes/leonardo/new/leonardo2_en.html).

The analysis of the Final Report will include:

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<sup>17</sup> The Annex to the Interim Report (Breakdown of Staff Costs) must be completed, signed & submitted for ALL contracted Partner organisations (even where a Contractor has selected to only submit minimal financial tables (Tables G.1-G.3)).

- an appraisal of the quality of the results of the project (this analysis includes verification of the conformity of the activities carried out compared with the forecast activities at the time of contractualisation and an analysis of the quality of each of the products / individual results of the project);
- an evaluation of the eligibility of declared expenditure and adherence to the budget of the project;

- a verification of the transfer of the Leonardo da Vinci funds to the Partners, so as to make sure that no major reduction of the European dimension has occurred, that the minimum European dimension has been respected and that changes made did not have any negative impact on the overall quality of the project;
- a verification of all the sources of financing of the project including the own resources of each Partner and other possible income.
- a verification of the measures taken to assure the dissemination of the project results

Where a Contractor submits a Final Report requesting a final grant of less than € 750 000, the Contractor personally certifies that the financial documents submitted to the National Agency or the Executive Agency conform to the financial provisions of the Agreement, that the declared costs are real and the declared income is exhaustive.

Where a Contractor submits a Final Report requesting a final grant which exceeds € 750 000, the Contractor is also required to submit an external audit report on the accounts of the project (not applicable to public organisations<sup>18</sup>). The purpose of the audit is to certify that the financial documents submitted by the Contractor to the National Agency or the Executive Agency conform to the financial provisions of the Agreement, that the declared costs are real and the declared income is exhaustive. An independent body or expert, officially empowered to undertake account inspection assignments, should conduct this external audit.

Costs relating to this audit are eligible to be submitted within the project accounts as long as the funds are formally committed up to and including the final day of the project eligibility period. Any funds committed beyond the eligibility period will not be able to be considered.

#### IV.4.2. Activity/Results Report

The first section of the report, known as the **activity/results report** is intended to provide a detailed picture of the project. It must therefore include, as a minimum, the following information to allow both a qualitative and a quantitative assessment by the National Agency or Executive Agency :

- a summary of the project outcomes/results;
- a summary of the achievements of the project (to include references to the innovative aspects of the project, the usefulness of the transnational approach and the potential sustainability of the end products/results);
- a summary of changes relating to the project Partnership e.g. Partner replacement, Partner withdrawal, introduction of new Partners, changes to task and budget allocation amongst the Partners (where these exist);
- a detailed report on the overall implementation of the project, according to the agreed work packages, including a brief review of the roles of the various Partners in the various stages;
- a summary of the Partner meetings that have taken place, including a presentation of the key results of all Partner meetings;
- information on the methodology and bibliography (Reference Materials projects only);
- a report on the measures adopted for the dissemination and transfer of final project results, including, where applicable, measures adopted for the protection of end products/results;
- a detailed presentation of the end products/results (to include submission of **one original and one copy** of all end products/results);
- information on the internal and external evaluation procedures (where appropriate);
- an account and explanation of the proposed roles of the various members of the Partnership as regards intellectual property rights relating to the end products/results;

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<sup>18</sup> *Exceptions exist solely where the Contractor is a public body, i.e. universities or other bodies (including secondary and higher education institutions) where funding is provided by the state and where this is the case, then this will be evidenced via the legal statutes of these bodies*

- information regarding any potential commercial exploitation, as agreed by the Partnership and a description of the potential involvement of new or additional Partners in this activity.

Following the assessment of the final project report (activities/results and individual products/results) an overall rating of 0-10 will be awarded. Further information on the implications of this final rating is provided within section IV.4.4 of this Administrative and Financial Handbook.

#### IV.4.3. Financial Report

The second part of the Final Report<sup>19</sup> consists of a balance sheet and presentation of project accounts for the entire project duration.

In the submission of the Final Report, Contractors are required to provide a breakdown of final project expenditure by source (to include national/regional funds, Leonardo da Vinci funds and other funding sources), Contractors are also required to declare all or any income generated by the project within the Final Report (to include any interest earned on project pre-financing).

##### Example: Breakdown of Final Project Expenditure by Source and Partner:

	Total	%	P1	P2	P3
Amount requested from Leonardo da Vinci	247 000	65%	87 000	80 000	80 000
National contribution					
Regional contribution	10 000		0	10 000	0
Other sources (please specify)					
Partners' own funds	123 000		40 000	36 000	47 000
Other Community programmes*					
Total financing = Total cost of project	380 000		127 000	126 000	127 000

\* only applicable to pre-accession countries

#### IV.4.4. Final Evaluation of Projects

The National Agency or the Executive Agency reserves the right to suspend payment of the balance, if the form and/or content of the final report does not conform with the Leonardo da Vinci programme rules.

Additionally, the consequences of the evaluation of project activities and end products/results should also be borne in mind.

The final report will be evaluated by the National Agency or the Executive Agency and by an independent external expert. This independent external expert will be designated by the relevant National Agency for procedure B and by the Executive Agency for procedure C. All persons carrying out evaluations will assign an overall rating, on a scale from 0 to 10, in respect of achievement of the overall project activities and end products/results i.e. as a verification of conformity with respect to the contractually agreed objectives.

Where the overall rating awarded by the National Agency, the Executive Agency or the independent external expert/s lies between 0 and 4 inclusive, a further evaluation will be obtained from a second independent external expert. Where this is consistent with one or more of the previous evaluations (resulting in a final rating of 0-4 inclusive), the following action will be taken:

- for ratings between 0 and 2 inclusive (where little or no activities have been undertaken, where no evidence is provided in relation to the achievement of project goals, where the project has simply not achieved its original goals and/or where products/outputs/results do not appear to have been developed), the agreed maximum Community contribution towards Staff Costs, as

<sup>19</sup> The Annex to the Final Report (Breakdown of Staff Costs) must be completed, signed & submitted for ALL contracted Partner organisations

provided by the agreement, will be reduced by 100% (reduced to zero) during the calculation of the final Community grant;

- for ratings between 3 and 4 inclusive (where there is a significant reduction in the products/results presented by the project against those which were originally foreseen and contractually agreed), the contractually agreed 'maximum Community contribution towards Staff Costs' (or the declared amount for Staff costs, whichever is lowest) will be reduced by 50% during the calculation of the final Community grant.

Where the rating awarded by the National Agency, the Executive Agency or the independent external expert/s lies between 5 and 10 inclusive (where the assessment of both activities and products/results is deemed acceptable and where there are no major concerns, relating to conformity to the agreed work programme and achievement of concrete products/results), the contractually agreed 'maximum Community contribution towards Staff Costs' (or the declared amount for Staff costs, whichever is lowest) will be considered during the calculation of the final Community grant.

Where the results of individual evaluations differ, the National Agency or the Executive Agency will determine unilaterally and definitively the final consolidated rating.

#### IV.4.5. Calculation of the Final Community Grant

In order to calculate the Final Community Grant, the evaluation will consider the final statement of declared (actual) expenditure, as submitted by the Contractor, less any ineligible costs and adjusted for Overheads and Staff Costs (the latter based upon the final project rating).

As regards eligibility, financial evaluation will consider:

- the eligibility of individual items submitted under Travel and Subsistence, ICT, Production, Other Costs & Subcontracting - these items will be checked for eligibility against the rules of the Leonardo da Vinci programme (as defined in the Agreement and its' annexes) and for their relation to the project activities as described in the Final Report; Contractors may be requested, at any point, to provide additional information, documentation and/or clarification in relation to the final project accounts;
- the observance of the rule on the variation between individual budget headings (variations to the contractually agreed budget headings will be allowed up to a maximum of € 5000 or 10%, whichever is the highest).

This initial evaluation will result in a final statement of expenditure considered eligible for Community funding – this amount is referred to as Eligible Expenditure.

Additional adjustments may be required in relation to the declared (actual) expenditure, following the application of the project rating (0-10), thus, for ratings:

- between 0 and 2 inclusive, the agreed maximum Community contribution towards Staff Costs, as provided by the Agreement, will be reduced by 100% (reduced to zero);
- between 3 and 4 inclusive, the Contractor will be entitled to 50% of the maximum Community contribution towards Staff Costs, as provided by the Agreement, or the declared amount for Staff Costs, whichever is lowest;
- between 5 and 10 inclusive, the Contractor will be entitled to the maximum Community contribution towards Staff Costs, as provided by the Agreement, or the declared amount for Staff Costs, whichever is lowest.

With regard to Overheads Costs, the Community contribution will be 0% and this will be considered in the calculation of the final Community grant.

Following the above evaluation stages, the resulting figure will represent the maximum Leonardo da Vinci contribution towards eligible expenditure – this amount is referred to in the examples as C3.

The Final Community Grant is then agreed as the **minimum** of the following amounts (C1, C2, C3):

- the maximum Community contribution (amount) as detailed within the Agreement (C1)

- the amount resulting from application of the maximum % co-financing (as detailed within the Agreement) against the total Eligible Expenditure (C2)
- the maximum Leonardo da Vinci contribution with respect to the Eligible Expenditure (C3)

Upon calculation of the Final Community Grant, taking into account the cumulative amount of pre-financing already transferred to the Contractor, the following may take place:

- payment of the balance;
- reimbursement of Community funds to the National Agency or the Executive Agency.

A number of examples of final financial evaluations are provided overleaf:

<b>EXAMPLE 1</b>	<b>Contractual Budget</b>	<b>Declared (Actual) Expenditure</b>	<b>Ineligible 1</b>	<b>Ineligible 2</b>	<b>Eligible Expenditure</b>	<b>LDV Reduction</b>	<b>LDV Expenditure Ceiling</b>
<b>A. STAFF COSTS</b>	<b>202500</b>	<b>202500</b>	<b>0</b>		<b>202500</b> (a)	<b>113000</b> (a)	<b>89500</b> (a)
<b>B. OPERATING COSTS</b>							
Travel	50000	48000	350 (b)	0	47650		47650
ICT	20000	30000	0	5000 (c)	25000		25000
Production	67500	59000	0	0	59000 (d)		59000 (d)
Overheads	20000	20000			20000 (e)	<b>20000</b> (e)	0 (e)
Other	1000	3500	0	0	3500 (f)		3500 (f)
<b>SUB-TOTAL B</b>	<b>158500</b>	<b>160500</b>	<b>350</b>	<b>5000</b>	<b>155150</b>		<b>135150</b>
<b>C. SUB-CONTRACTING</b>							
Subcontracting [1]	10000	11000					
Subcontracting [2]	5000	6000					
Subcontracting [3]	4000	8000					
<b>SUB-TOTAL C</b>	<b>19000</b>	<b>25000</b>	<b>0</b>	<b>1000</b> (g)	<b>24000</b>		<b>24000</b>
<b>TOTALS</b>	<b>380000</b>	<b>388000</b>	<b>350</b>	<b>6000</b>	<b>381650</b> (h)	<b>133000</b>	<b>248650</b> (i)

Maximum Community Contribution towards Staff Costs	89.500	Eligible Expenditure <sup>(h)</sup>	381.650
Maximum Community Contribution <b>(C1)</b>	247.000	Co-financing % applied to Eligible Expenditure <b>(C2)</b>	248.073
Maximum % Co-financing	65%	LDV Expenditure Ceiling <b>(C3)</b> <sup>(i)</sup>	248.650
<b>FINAL COMMUNITY GRANT: MIN (C1, C2, C3): €247.000</b>			

- (a) Staff Costs are declared in full at €202.500 and since achievement of the project aims has been positively assessed (a rating of 6,5 was awarded and no reductions applied following a review of related evidence), the agreed maximum Community contribution of €89.500 towards Staff Costs is allowed in full. In calculating the final Community grant this shows as a reduction of €113.000 to Staff Costs (non-Leonardo contribution)
- (b) Ineligible 1: Travel and Subsistence Costs amount to €48.000, however €350 is considered ineligible following the assessment of individual items (maximum daily rates for subsistence were exceeded up to a value of €350) – eligible expenditure under this heading is therefore €47.650
- (c) Ineligible 2: ICT Costs amount to €30.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or €5.000 whichever is the highest, thus €5.000 is considered ineligible) – eligible expenditure under this heading is therefore €25.000
- (d) Production Costs amount to €59.000; there are no ineligible costs thus the whole amount is considered as eligible expenditure.
- (e) Overheads Costs are declared and considered in full at €20.000. In calculating the final Community grant this shows as a reduction of €20.000 to Overheads (non-Leonardo contribution)
- (f) Other Costs amount to €3.500; there are no ineligible costs thus the whole amount is considered as eligible expenditure
- (g) Ineligible 2: Subcontracting Costs amount to €25.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or €5.000 whichever is the highest, thus €1.000 is considered ineligible – eligible expenditure under this heading is therefore €24.000

<b>EXAMPLE 2</b>	<b>Contractual Budget</b>	<b>Declared (Actual) Expenditure</b>	<b>Ineligible 1</b>	<b>Ineligible 2</b>	<b>Eligible Expenditure</b>	<b>LDV Reduction</b>	<b>LDV Expenditure Ceiling</b>
<b>A. STAFF COSTS</b>	<b>202500</b>	<b>202500</b>	<b>0</b>		<b>202500</b> (a)	<b>157750</b> (a)	<b>44750</b> (a)
<b>B. OPERATING COSTS</b>							
Travel	50000	48000	350 (b)	0	47650		47650
ICT	20000	30000	0	5000 (c)	25000		25000
Production	67500	59000	0	0	59000 (d)		59000 (d)
Overheads	20000	20000			20000 (e)	<b>20000</b> (e)	0 (e)
Other	1000	3500	0	0	3500 (f)		3500 (f)
<b>SUB-TOTAL B</b>	<b>158500</b>	<b>160500</b>	<b>350</b>	<b>5000</b>	<b>155150</b>		<b>135150</b>
<b>C. SUB-CONTRACTING</b>							
Subcontracting [1]	10000	11000					
Subcontracting [2]	5000	6000					
Subcontracting [3]	4000	8000					
<b>SUB-TOTAL C</b>	<b>19000</b>	<b>25000</b>	<b>0</b>	<b>1000</b> (g)	<b>24000</b>		<b>24000</b>
<b>TOTALS</b>	<b>380000</b>	<b>388000</b>	<b>350</b>	<b>6000</b>	<b>381650</b> (h)	<b>177750</b>	<b>203900</b> (i)

Maximum Community Contribution towards Staff Costs	89.500	Eligible Expenditure (h)	381.650
Maximum Community Contribution (C1)	247.000	Co-financing % applied to Eligible Expenditure (C2)	248.073
Maximum % Co-financing	65%	LDV Expenditure Ceiling (C3) (i)	203.900
<b>FINAL COMMUNITY GRANT: MIN (C1, C2, C3): €203.900</b>			

- (a) Staff Costs are declared in full at €202.500 and since achievement of the project aims has been assessed as not satisfactory (a rating of 3 was awarded), the agreed maximum Community contribution of €89.500 towards Staff Costs is reduced by 50%. In calculating the final Community grant this shows as a reduction of €157.750 to Staff Costs (non-Leonardo contribution plus reduction of 50% to the agreed maximum Community contribution of €89.500)
- (b) Ineligible 1: Travel and Subsistence Costs amount to €48.000, however €350 is considered ineligible following the assessment of individual items (maximum daily rates for subsistence were exceeded up to a value of €350) – eligible expenditure under this heading is therefore €47.650
- (c) Ineligible 2: ICT Costs amount to €30.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or €5.000 whichever is the highest, thus €5.000 is considered ineligible) – eligible expenditure under this heading is therefore €25.000
- (d) Production Costs amount to €59.000; there are no ineligible costs thus the whole amount is considered as eligible expenditure.
- (e) Overheads Costs are declared and considered in full at €20.000. In calculating the final Community grant this shows as a reduction of €20.000 to Overheads (non-Leonardo contribution)
- (f) Other Costs amount to €3.500; there are no ineligible costs thus the whole amount is considered as eligible expenditure
- (g) Ineligible 2: Subcontracting Costs amount to €25.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or €5.000 whichever is the highest, thus €1.000 is considered ineligible – eligible expenditure under this heading is therefore €24.000

<b>EXAMPLE 3</b>	<b>Contractual Budget</b>	<b>Declared (Actual) Expenditure</b>	<b>Ineligible 1</b>	<b>Ineligible 2</b>	<b>Eligible Expenditure</b>	<b>LDV Reduction</b>	<b>LDV Expenditure Ceiling</b>
<b>A. STAFF COSTS</b>	<b>202500</b>	<b>202500</b>	<b>0</b>		<b>202500</b> (a)	<b>202500</b> (a)	<b>0</b> (a)
<b>B. OPERATING COSTS</b>							
Travel	50000	48000	350 (b)	0	47650		47650
ICT	20000	30000	0	5000 (c)	25000		25000
Production	67500	59000	0	0	59000 (d)		59000 (d)
Overheads	20000	20000			20000 (e)	<b>20000</b> (e)	0 (e)
Other	1000	3500	0	0	3500 (f)		3500 (f)
<b>SUB-TOTAL B</b>	<b>158500</b>	<b>160500</b>	<b>350</b>	<b>5000</b>	<b>155150</b>		<b>135150</b>
<b>C. SUB-CONTRACTING</b>							
Subcontracting [1]	10000	11000					
Subcontracting [2]	5000	6000					
Subcontracting [3]	4000	8000					
<b>SUB-TOTAL C</b>	<b>19000</b>	<b>25000</b>	<b>0</b>	<b>1000</b> (g)	<b>24000</b>		<b>24000</b>
<b>TOTALS</b>	<b>380000</b>	<b>388000</b>	<b>350</b>	<b>6000</b>	<b>381650</b> (h)	<b>222500</b>	<b>159150</b> (i)

Maximum Community Contribution towards Staff Costs	89.500	Eligible Expenditure <sup>(h)</sup>	381.650
Maximum Community Contribution (C1)	247.000	Co-financing % applied to Eligible Expenditure (C2)	248.073
Maximum % Co-financing	65%	LDV Expenditure Ceiling (C3) <sup>(i)</sup>	159.150
<b>FINAL COMMUNITY GRANT: MIN (C1, C2, C3): €159.150</b>			

- (a) Staff Costs are declared in full at € 202.500 and since achievement of the project aims has been negatively assessed (a rating of 1 was awarded), the agreed maximum Community contribution of € 89.500 towards Staff Costs is reduced by 100% (reduced to zero). In calculating the final Community grant this shows as a reduction of € 202.500 to Staff Costs (non-Leonardo contribution plus 100% reduction to the agreed maximum Community contribution of € 89.500)
- (b) Ineligible 1: Travel and Subsistence Costs amount to € 48.000, however € 350 is considered ineligible following the assessment of individual items (maximum daily rates for subsistence were exceeded up to a value of € 350) – eligible expenditure under this heading is therefore € 47.650
- (c) Ineligible 2: ICT Costs amount to € 30.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or € 5.000 whichever is the highest, thus € 5.000 is considered ineligible) – eligible expenditure under this heading is therefore € 25.000
- (d) Production Costs amount to € 59.000; there are no ineligible costs thus the whole amount is considered as eligible expenditure.
- (e) Overheads Costs are declared and considered in full at € 20.000. In calculating the final Community grant this shows as a reduction of € 20.000 to Overheads (non-Leonardo contribution)
- (f) Other Costs amount to € 3.500; there are no ineligible costs thus the whole amount is considered as eligible expenditure
- (g) Ineligible 2: Subcontracting Costs amount to € 25.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or € 5.000 whichever is the highest, thus € 1.000 is considered ineligible – eligible expenditure under this heading is therefore € 24.000

<b>EXAMPLE 4</b>	<b>Contractual Budget</b>	<b>Declared (Actual) Expenditure</b>	<b>Ineligible 1</b>	<b>Ineligible 2</b>	<b>Eligible Expenditure</b>	<b>LDV Reduction</b>	<b>LDV Expenditure Ceiling</b>
<b>A. STAFF COSTS</b>	<b>202500</b>	<b>180000</b>	<b>0</b>		<b>180000</b> (a)	<b>90500</b> (a)	<b>89500</b> (a)
<b>B. OPERATING COSTS</b>							
Travel	50000	48000	350 (b)	0	47650		47650
ICT	20000	30000	0	5000 (c)	25000		25000
Production	67500	59000	0	0	59000 (d)		59000 (d)
Overheads	20000	20000			20000 (e)	<b>20000</b> (e)	0 (e)
Other	1000	3500	0	0	3500 (f)		3500 (f)
<b>SUB-TOTAL B</b>	<b>158500</b>	<b>160500</b>	<b>350</b>	<b>5000</b>	<b>155150</b>		<b>135150</b>
<b>C. SUB-CONTRACTING</b>							
Subcontracting [1]	10000	11000					
Subcontracting [2]	5000	6000					
Subcontracting [3]	4000	8000					
<b>SUB-TOTAL C</b>	<b>19000</b>	<b>25000</b>	<b>0</b>	<b>1000</b> (g)	<b>24000</b>		<b>24000</b>
<b>TOTALS</b>	<b>380000</b>	<b>365500</b>	<b>350</b>	<b>6000</b>	<b>359150</b> (h)	<b>110500</b>	<b>248650</b> (i)

Maximum Community Contribution towards Staff Costs	89.500	Eligible Expenditure <sup>(h)</sup>	359.150
Maximum Community Contribution (C1)	247.000	Co-financing % applied to Eligible Expenditure (C2)	233.448
Maximum % Co-financing	65%	LDV Expenditure Ceiling (C3) <sup>(i)</sup>	248.650
<b>FINAL COMMUNITY GRANT: MIN (C1, C2, C3): €233.448</b>			

- (a) Staff Costs are declared at less than foreseen and contractually agreed at € 180.000 and since achievement of the project aims has been positively assessed (a rating of 6,5 was awarded and no reductions applied following a review of related evidence), the agreed maximum Community contribution of € 89.500 towards Staff Costs is allowed in full. In calculating the final Community grant this shows as a reduction of € 90.500 to Staff Costs (non-Leonardo contribution based upon the agreed maximum Community contribution of € 89.500)
- (b) Ineligible 1: Travel and Subsistence Costs amount to € 48.000, however € 350 is considered ineligible following the assessment of individual items (maximum daily rates for subsistence were exceeded up to a value of € 350) – eligible expenditure under this heading is therefore € 47.650
- (c) Ineligible 2: ICT Costs amount to € 30.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or € 5.000 whichever is the highest, thus € 5.000 is considered ineligible) – eligible expenditure under this heading is therefore € 25.000
- (d) Production Costs amount to € 59.000; there are no ineligible costs thus the whole amount is considered as eligible expenditure.
- (e) Overheads Costs are declared and considered in full at € 20.000. In calculating the final Community grant this shows as a reduction of € 20.000 to Overheads (non-Leonardo contribution)
- (f) Other Costs amount to € 3.500; there are no ineligible costs thus the whole amount is considered as eligible expenditure
- (g) Ineligible 2: Subcontracting Costs amount to € 25.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or € 5.000 whichever is the highest, thus € 1.000 is considered ineligible – eligible expenditure under this heading is therefore € 24.000

<b>EXAMPLE 5</b>	<b>Contractual Budget</b>	<b>Declared (Actual) Expenditure</b>	<b>Ineligible 1</b>	<b>Ineligible 2</b>	<b>Eligible Expenditure</b>	<b>LDV Reduction</b>	<b>LDV Expenditure Ceiling</b>
<b>A. STAFF COSTS</b>	<b>202500</b>	<b>202500</b>	<b>5000</b>		<b>197500</b> <sup>(a)</sup>	<b>108000</b> <sup>(a)</sup>	<b>89500</b> <sup>(a)</sup>
<b>B. OPERATING COSTS</b>							
Travel	50000	48000	350 <sup>(b)</sup>	0	47650		47650
ICT	20000	30000	0	5000 <sup>(c)</sup>	25000		25000
Production	67500	59000	0	0	59000 <sup>(d)</sup>		59000 <sup>(d)</sup>
Overheads	20000	20000			20000 <sup>(e)</sup>	<b>20000</b> <sup>(e)</sup>	0 <sup>(e)</sup>
Other	1000	3500	0	0	3500 <sup>(f)</sup>		3500 <sup>(f)</sup>
<b>SUB-TOTAL B</b>	<b>158500</b>	<b>160500</b>	<b>350</b>	<b>5000</b>	<b>155150</b>		<b>135150</b>
<b>C. SUB-CONTRACTING</b>							
Subcontracting [1]	10000	11000					
Subcontracting [2]	5000	6000					
Subcontracting [3]	4000	8000					
<b>SUB-TOTAL C</b>	<b>19000</b>	<b>25000</b>	<b>0</b>	<b>1000</b> <sup>(g)</sup>	<b>24000</b>		<b>24000</b>
<b>TOTALS</b>	<b>380000</b>	<b>388000</b>	<b>5350</b>	<b>6000</b>	<b>376650</b> <sup>(h)</sup>	<b>128000</b>	<b>248650</b> <sup>(i)</sup>

Maximum Community Contribution towards Staff Costs	89.500	Eligible Expenditure <sup>(h)</sup>	376.650
Maximum Community Contribution <b>(C1)</b>	247.000	Co-financing % applied to Eligible Expenditure <b>(C2)</b>	244.823
Maximum % Co-financing	65%	LDV Expenditure Ceiling <b>(C3)</b> <sup>(i)</sup>	248.650
<b>FINAL COMMUNITY GRANT: MIN (C1, C2, C3): €244.823</b>			

- (a) Staff Costs are declared in full at €202.500 but whilst achievement of the project aims has been positively assessed (a rating of 6,5 was awarded) there are ineligible costs identified following a review of related evidence thus, eligible Staff Costs are reduced by € 5.000 to € 197.500. In calculating the final Community grant a further reduction of € 108.000 to Staff Costs is shown (non-Leonardo contribution)
- (b) Ineligible 1: Travel and Subsistence Costs amount to € 48.000, however € 350 is considered ineligible following the assessment of individual items (maximum daily rates for subsistence were exceeded up to a value of €350) – eligible expenditure under this heading is therefore €47.650
- (c) Ineligible 2: ICT Costs amount to €30.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or €5.000 whichever is the highest, thus €5.000 is considered ineligible) – eligible expenditure under this heading is therefore €25.000
- (d) Production Costs amount to €59.000; there are no ineligible costs thus the whole amount is considered as eligible expenditure.
- (e) Overheads Costs are declared and considered in full at €20.000. In calculating the final Community grant this shows as a reduction of €20.000 to Overheads (non-Leonardo contribution)
- (f) Other Costs amount to €3.500; there are no ineligible costs thus the whole amount is considered as eligible expenditure
- (g) Ineligible 2: Subcontracting Costs amount to €25.000, however final expenditure under this heading does not observe the rule on the variation between individual budget headings (restricted to a maximum variation of 10% or €5.000 whichever is the highest, thus €1.000 is considered ineligible – eligible expenditure under this heading is therefore €24.000

## V. AUDITS

Audit Responsibilities lie with individual Promoters/Contractors in addition to the National Agency, the European Commission and the Executive Agency.

### V.1. PROMOTER/CONTRACTOR AUDIT RESPONSIBILITIES

#### Responsibilities at the Full Proposal Stage (see also Submission of Proposals – I.2)

Selection criteria exist to allow assessment of the Promoter's financial and operational capacity to carry out the work programme and to ensure that the Promoter has sufficient and stable financial sources to undertake the foreseen activities throughout the project lifetime. This assessment will also review the capacity for the co-financing of Leonardo da Vinci funds<sup>20</sup>.

For this purpose, the Promoter must also submit the following documents:

- official proof that the Promoter exists (e.g. statutes, memorandum, articles of association);
- the official annual accounts for the previous three financial years<sup>21</sup> (not applicable to public organisations<sup>22</sup>);
- where the application for Community financial contribution exceeds €300 000, the Promoter must include an external audit report (produced by an accredited auditor) along with the full proposal. This report must certify the accounts of the last available financial year and provide an assessment of the Promoter's financial viability (not applicable to public organisations<sup>22</sup>).

These documents must be submitted along with the original version of the full proposal only. It is not necessary to include these documents with the additional copies of the full proposal.

Based upon the documents submitted by the Promoter, the National Agency or Executive Agency will undertake an assessment of the financial and organisational capacity of the Promoter and as a result of this exercise may, at any time, request that the Promoter provide:

- a bank guarantee or a third party guarantee (the third party may also then be required to prove its financial and organisational capacity for co-financing), assuring the financial resources necessary for the Promoter to complete the subsidised activities and guaranteeing the total amount of any pre-financing OR
- a joint and several guarantee of one, or even several, participating Partners in the project. In this case, the financial capacity of the Partner(s) will be checked and the Partner/s may also then be required to prove their financial capacity for co-financing.

Where, following request, a Promoter is not able to not supply the requested guarantee to the National Agency or the Executive Agency, it may be that, in exceptional cases, an Agreement can still be issued subject to certain pre-conditions and with the explicit approval of the European Commission or Executive Agency.

#### Responsibilities at the Final Report Stage (see also Final Report – IV.4)

Where a Contractor submits a Final Report requesting a final grant of less than €750 000, the Contractor personally certifies that the financial documents submitted to the National Agency or the Executive Agency conform to the financial provisions of the Agreement, that the declared costs are real and the declared income is exhaustive.

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<sup>20</sup> This is due to the fact that Community financial assistance likely to be awarded to selected projects is awarded in the form of grants.

<sup>21</sup> For organisations (essentially commercial companies) which have to publish their annual financial statements this should comprise both a copy of this financial statement (a copy of the auditors certified accounts should also be supplied, where these exist) plus a copy of all related annexes. For other organisations, this should comprise a copy of the approved annual accounts including the balance sheet as certified by their internal accountant / auditors and/or agreed annually by the general assembly and/or relevant authority plus all other related documents confirming their validity (e.g. taxation statement).

<sup>22</sup> Exceptions exist solely where the Promoter is a public body, i.e. universities or other bodies (including secondary and higher education institutions) where funding is provided by the state and where this is the case, then this will be evidenced via the legal statutes of these bodies

Where a Contractor submits a Final Report requesting a final grant which exceeds € 750 000, the Contractor is also required to submit an external audit report on the accounts of the project (not applicable to public organisations<sup>23</sup>). The purpose of the audit is to certify that the financial documents submitted by the Contractor to the National Agency or the Executive Agency conform to the financial provisions of the Agreement, that the declared costs are real and the declared income is exhaustive. An independent body or expert, officially empowered to undertake account inspection assignments, should conduct this external audit.

Costs relating to this audit are eligible to be submitted within the project accounts as long as the funds are formally committed up to and including the final day of the project eligibility period. Any funds committed beyond the eligibility period will not be able to be considered.

## **V.2. AUDIT RESPONSIBILITIES OF THE NATIONAL AGENCY, THE EUROPEAN COMMISSION, AND EXECUTIVE AGENCY**

### **V.2.1. 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 European Commission, the Executive Agency, the Court of Auditors of the European Union and/or specially appointed audit firms. In such cases, Contractors will be notified in advance that an inspection visit is to be made.

On receipt of this notification, Contractors are advised to ensure that all the documentation likely to be examined by the auditors is available and, where necessary, to contact their Partners in order to collect any documents that may be missing. The audit will cover not only expenditure undertaken by the Contractor but costs relating to the whole of the Partnership and can take place in-situ at the Contractor's premises and/or at the premises of any of the Partners.

The purpose of these audits is twofold: Firstly, to **check** that the project's financial reports are consistent with the Contractor's basic accounts, to ensure that Community funds have been spent in accordance with the Agreement and its annexes and to confirm that the aims of the project have been achieved and that the products/results have actually been generated.

Secondly, audits provide a good opportunity for contact and **dialogue** between the auditors and the Contractor. Where any management problems are found, the auditors will work with the Contractor to seek a solution and, where necessary, to 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.

It is essential for the auditors to have access to full, accurate and properly documented information.

Lastly, it is important to note that **the audit will cover the use of funds from all sources.**

### **V.2.2. Documents Required**

#### **V.2.2.1. General Remarks**

Two cases must be distinguished: audits conducted **during** the project lifetime and audits conducted **after** the project has ended (ex-post).

##### Audits during the project lifetime:

In this case, the Contractor should be able to demonstrate only that the project is proceeding as provided for in the Agreement.

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<sup>23</sup> *Exceptions exist solely where the Contractor is a public body, i.e. universities or other bodies (including secondary and higher education institutions) where funding is provided by the state and where this is the case, then this will be evidenced via the legal statutes of these bodies*

#### Audits after the project has ended (ex-post audits):

At this stage, the Contractor must be able to produce the end products/results of the project (note that auditors will normally contact the National Agency or the Executive Agency, in order to receive a copy of the assessment of end products/results). Auditors must also be granted access to documents substantiating project expenditure (see below) to assist in their assessment.

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 mentioned specifically within this Administrative and Financial Handbook.

Pro-forma invoices will not be accepted, except for expenditure committed and not yet paid, in which case the Contractor will be required to provide proof of payment once this has taken place. For payments which have already been made, only final invoices will be accepted and the Contractor will further be expected to supply bank statements and/or other proof of payment.

As a general rule, the Contractor must provide the auditors with all bank documents. The Contractor'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 documents substantiating all expenditure. This will enable the Contractor to check the information it supplies to the National Agency or the Executive Agency 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.

Where a Contractor cannot provide adequate supporting documents for project-related expenditure or where the available supporting documents do not satisfy the requirements set out in this section, the auditors reserve the right to exclude the costs in question from the total eligible project expenditure.

The supporting documents required for each type of cost are described below:

#### **V.2.2.2. Staff Costs**

As Staff Costs are agreed during Contractualisation on the basis of an agreed maximum Community contribution then auditors will specifically focus upon the days committed to the project by the Contractor or Partners.

Auditors may also request evidence of how the daily rates for staff were calculated when submitting the original application (e.g. via copies of payslips or access to internal accounting systems / documentation) and/or may request copies of contracts or Curriculum Vitae relating to individuals named as being involved in the project.

Audits taking place after the project has ended will reflect upon the end products/results and upon the described activities said to have taken place during the project lifetime (use will be made of the Agreement, the final project report and the related final report assessment).

#### **V.2.2.3. Travel and Subsistence Costs**

Travel Costs should be evidenced as follows:

- for train travel: on the basis of original tickets;
- for air travel: on the basis of original tickets and boarding passes (where travel tickets are not issued e.g. low cost carriers, e-ticketing, then evidence of payment should be provided along with any official travel itinerary);
- 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 (where the rate per mile/km has been exceptionally submitted as project expenditure then evidence should be provided of the organisational and/or national reimbursement system in addition to evidence of any individual expenses claim, where this exists);
- for travel in a hired vehicle: on the basis of the invoice;
- for taxi journeys: on the basis of the receipt and individual expenses claim (or equivalent).

Subsistence Costs (including accommodation, meals and local travel), should be evidenced in the form of details of the system being used this should demonstrate the internal rules of the Contractor or Partner organisations (e.g. reimbursement of receipts versus daily allowance basis). Costs for subsistence must not exceed neither the daily rate per person applied by the Contractor or Partner organisation to which the person travelling belongs nor the maximum daily rate per person specified within Annex I (Maximum Daily Subsistence Rates) of this Administrative and Financial Handbook.

#### **V.2.2.4. Costs in Connection with Computer and Audio-visual Equipment**

Invoices relating to the purchase or hire/lease of software/hardware/audio-visual equipment must be made available during the audit.

In the case of connection costs, software and other kinds of computer and audio-visual costs, only actual 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 the equipment and that the Contractor must as far as possible provide the corresponding supporting documents.

Evidence must also be provided by the Contractor as regards the system/method of calculation being used for the identification of the relevant % use of computer and audio-visual equipment (including connection costs) by the project.

Under no circumstances will costs relating to 'human resources or support' be considered under this heading.

#### **V.2.2.5. Production Costs**

Only actual costs can be charged to the project for which all invoices (or equivalent documents relating to inter-departmental transfers) must be made available during the audit.

Costs relating to 'human resources or support' cannot normally be considered under this heading.

#### **V.2.2.6. Overheads**

Since Overheads are covered by an agreed maximum of 7% of the total contractually agreed budget (which is fixed at the time of contracting and which cannot change in the course of the project) no supporting documents need be produced.

#### **V.2.2.7. Other Costs**

Only actual costs can be charged to the project for which all corresponding invoices must be made available during the audit.

This heading must not contain expenditure which is eligible under any other expenditure category or heading - examples of expenditure submissible under this heading is further detailed within section III.2.7 of this Administrative and Financial Handbook.

#### **V.2.2.8. Subcontracting Costs**

Where Contractors use the services of a subcontractor, they must be able to produce copies of all Agreements (or similar e.g. official quotations) as concluded with these subcontractors, plus copies of all invoices paid and any other supporting document connected with the subcontracting costs as detailed in the related project reports. The National Agency or the Executive Agency reserves the right not to accept all or part of such expenses if they do not satisfy the eligibility requirements as set out in the Agreement. Copies of tender documentation must also be made available where sub-contracting is valued greater than € 10.000 per contracted organisation or task.

### 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 and will result in one of the following positions:

- The audit was entirely satisfactory.
- Some information/documents were not available at the time of the audit. The Contractor will be required to send these by post and dependent upon the nature of the information/documents requested and received, the outcome will be either as above or as below.
- Ineligible expenses were encountered: this will entail either a reduction of the balance to be paid, or a demand for total or partial reimbursement to the National Agency or the Executive Agency, depending on the amount involved and the time at which the audit is carried out
- The audit was entirely unsatisfactory: from which subsequent recommendations may lead to a termination of the Agreement

Additionally, recommendations may be given by the auditors, which must then be respected by the Contractor (and Partners) throughout the remainder of the project lifetime. Where such recommendations are not respected, this could ultimately lead to related costs/activities being deemed ineligible.

*Audit findings are internal National Agency and Executive Agency information and are confidential.*

**ANNEX I – MAXIMUM DAILY SUBSISTENCE RATES<sup>24</sup>**

<b>Countries participating in the Leonardo da Vinci programme</b>	<b>Maximum Daily Subsistence Rates (in Euro) – for the country being visited</b>
Austria	122
Belgium	150
Bulgaria	157
Cyprus	100
Czech Republic	214
Denmark	179
Estonia	129
Finland	156
France	130
Germany	127
Greece	113
Hungary	136
Iceland	183
Ireland	165
Italy	130
Latvia	174
Liechtenstein	174
Lithuania	126
Luxembourg	143
Malta	109
Netherlands	148
Norway	171
Poland	227
Portugal	143
Romania	185
Slovak Republic	164
Slovenia	148
Spain	141
Sweden	157
Turkey	138
United Kingdom	199

<sup>24</sup> The data included in this table could change during the programme implementation. Updated versions will be sent to National Agencies for circulation and will be published on the Leonardo da Vinci website.