

SOCRATES
RULES ON ELIGIBLE EXPENDITURE
2000 Transnational Co-operation Projects

Section A. General Introduction

These Rules apply to Transnational Co-operation Projects under the following Actions of the SOCRATES Programme : Lingua Actions A & D, Open and Distance Learning, Comenius Actions 2 & 3.1, Adult Education, Erasmus Thematic Networks.

The Rules contain the essential elements relating to the financial management of transnational projects under the above actions. They form an integral part of the financial agreement with the Beneficiary. The Beneficiary should note that, except as provided for under Section C1 of these Rules, any amendments or modifications to its financial agreement, including the budget and workplan, must be submitted to the Commission for its prior approval.

These Rules comprise the following :

- Section B: the General Rules on Eligibility
- Section C: the Application Principles
- Section D: the Specific Rules on Eligible Expenditure applicable to the relevant SOCRATES Action
- Section E: the Rules relating to the Financial Management of Projects
- Section F: the Rules relating to the Declaration of Expenses
- Section G: the Financial Auditing of Projects

Section B. The General Rules on Eligibility

- i). Expenditure can only be considered as eligible if it is directly related to the activities described in the project application and approved in the financial agreement. All activities of the project must be carried out within the contract period.
- ii). Expenditure related to activities involving, connected or in any way related to, countries or partners not eligible to participate in the SOCRATES programme, is not eligible. The list of countries currently eligible to participate in the SOCRATES Programme will be found in the SOCRATES Guidelines for Applicants 2000. In addition, the following countries (hereinafter referred to as the “associated countries”) are also eligible to participate in the Socrates Programme: Cyprus, Hungary, Czech Republic, Poland, Romania, Slovak Republic, Latvia, Lithuania, Estonia, Bulgaria, Slovenia and Malta. Where necessary, these Rules will be amended in the event of changes to the list of eligible countries.
- iii). All expenses must be incurred within the contract period. However, at the end of the financial agreement, there may be items of expenditure which although engaged within the contract period, may not have been invoiced or paid for by the end of the financial agreement. These items will still be eligible provided that they are shown and clearly identified in the Declaration of Expenses and are actually invoiced and paid by the Beneficiary and/or its partners, no later than 3 months after the end of the contractual period detailed in the financial agreement.
- iv). The Beneficiary and/or its partners must ensure that all expenditure incurred is necessary for the implementation of the project and is not unnecessarily high in amount. Expenditure which does not comply with this rule will not be eligible. In the Declaration of Expenses, the expenditure incurred must be clearly related to the activities undertaken. The use of the SOCRATES grant cannot give rise to a profit.
- v). The Beneficiary and/or its partners must keep proofs (original invoices, debit notes, receipts, bank statements, etc) for every item of expense included in the Declaration of Expenses. The Beneficiary and/or its partners must keep such proofs for a period of 5 years from the date of the submission of the Final Report and Declaration of Expenses. These proofs must be furnished to the Commission, as and when required.
- vi). An item of expenditure can only be included under one heading in the Declaration of Expenses.
- vii). The Beneficiary and/or its partners must obtain at least three competitive quotes from three independent suppliers for goods, services or equipment supplied, worth 10.000 EURO or more (VAT or equivalent sales tax excluded). Copies of these quotes must be given to the Commission, if so requested.

- viii). Without prejudice to any other limitations contained in these Rules, the following costs shall not be considered as eligible under any SOCRATES Action :
- Entertainment or representational costs
 - Replacement costs of staff involved in the project
 - Benefits in kind (including voluntary staff) which are provided at no cost or charge to the partnership
- ix). The items of expenditure detailed in Section C, shall be considered as eligible unless they have been excluded or amended under this section or under the Specific Rules on Eligible Expenditure, as set out in Section D below.
- x). The Beneficiary should note that special rules apply where the project involves the participation of the associated countries. These rules will be found in Annex 5 of the financial agreement, as well as in certain of the Sections below.

Section C. Application Principles

1. Transfers between budget posts

- i). Transfers between the various posts of the contractual budget shall be allowed (subject to article C 1(ii) below) provided the total amount to be transferred under all movements from a particular post, does not exceed 20% of the value of that post (prior to the transfers). If the amount to be transferred exceeds this limit, then the Beneficiary must request the prior approval of the Commission. All such changes must be detailed in the Declaration of Expenses.
- ii). Where the project involves the participation of the associated countries, the 20 % transfer rule, detailed in Section C1(i) above, shall be applied separately to the total budget for the EUR 18 countries and to the budget for **each** associated country. Under no circumstances can any sums be transferred from the EUR 18 budget to the budgets of the associated countries or vice versa neither can sums be transferred between the budgets of the different associated countries. Any sum transferred in breach of this article shall not be regarded as an eligible expense.
- iii). All requests for approval under this article must be in writing and be accompanied by the details of the changes to be made, the justification and a revised budget. A new work plan must also be included if changes in the budget affect the work plan. It should be noted that the amount of additional assistance designated for any associated country cannot be modified even by amendment to the financial agreement. If the Beneficiary fails to seek the approvals detailed in article 1(i) above, then the Commission shall have the right to consider the amount transferred in excess of the limits detailed above as being not eligible.

2. Personnel costs

(please note the Specific Rules for Comenius Action 2, Comenius Action 3, Erasmus Thematic Networks)

- i). Personnel costs shall be calculated on the basis of the hourly/daily/monthly gross cost of the employee concerned, multiplied by the number of hours/days/months spent on the project. The gross cost calculation shall include all the normal charges paid by the employer, such as employer's social security contributions and related costs, but shall exclude any bonus, incentive or profit sharing arrangements.
- ii). The Beneficiary and/or its partners shall keep a full and accurate record of each of their employees that has worked on the project. This record must include the following details :
- the name of the employee concerned and his/her role in the project
 - the normal hourly/daily/monthly gross rate of the employee
 - the normal costs and charges paid by the employer for the employee
 - the amount of time spent on the project by the employee
 - the amount of the money actually paid to the employee concerned
 - the personnel register reference for the employee concerned

This record must be signed by both the employee and the employer and will be furnished to the Commission upon request.

- iii). Personnel costs shall not exceed the norm for the labour market in the country concerned.

- iv). The theoretical cost of volunteers or other personnel provided at no cost or charge to the Beneficiary and/or its partners, shall not be regarded as an eligible cost.

3. Travel/accommodation/subsistence

- i). The Beneficiary and/or its partners must try to find the most economical method of travel. Where possible, full use should be made of Apex flights and special discount rates.
- ii). Rail travel (first class if preferred by the Beneficiary and if allowed by the rules of its institution) must be used for journeys of up to 400 kilometres, except in cases of emergency or where a sea crossing is necessary. For journeys of more than 400 kilometres, air travel may be used but shall be limited to economy class fare.
- iii). In the case of travel by car, these costs shall be eligible but shall be calculated according to the following conditions :
- a). In the case of private car or taxi, the amount to be reimbursed shall be limited to the cost of one equivalent first class rail fare (no matter how many people are travelling in the car). However, the Beneficiary and/or its partners must justify the trip and provide evidence that it has been carried out.
- b). In the case of a hire car (class A in all cases except where more than 2 persons are travelling, in which case maximum class B may be used), the actual costs shall be allowed. However, a hired car may only be used if no other suitable transport is available.
- iv). Travel insurance costs shall be eligible.
- v). Travel costs outside of the countries where the partners are located, shall only be eligible if such travel is shown to be essential for the implementation of the project. However, travel, accommodation and subsistence costs, incurred with respect to travel outside of the countries eligible to participate in the SOCRATES programme (see Section B(ii) above), shall not be eligible.
- vi). Accommodation and subsistence costs are eligible provided :
- they are necessary and reasonable taking into consideration the place of stay
 - they are calculated in accordance with the internal rules of the Beneficiary or partner concerned
 - they do not exceed the maximum amounts detailed in the table below

The maximum accommodation/subsistence cost per person per day is as follows :

Country of destination	EUR	Country of destination	EUR
BE Belgium	150	IS Iceland	183
DK Denmark	179	LI Liechtenstein	174
DE Germany	127	NO Norway	171
GR Greece	113	BG Bulgaria	157
ES Spain	141	CZ Czech Republic	214
FR France	130	EE Estonia	129
IE Ireland	165	CY Cyprus	100
IT Italy	130	LV Latvia	174
LU Luxembourg	143	LT Lithuania	126
NL The Netherlands	148	HU Hungary	136
AT Austria	122	MT Malta	116
PT Portugal	143	PL Poland	227
FI Finland	156	RO Romania	185
SE Sweden	157	SI Slovenia	148
UK United Kingdom	199	SK Slovakia	164

Provided these limits are respected, the Beneficiary and/or partners may opt for reimbursing accommodation and subsistence expenses on an actual or a fixed cost basis. However, where the internal rules of the Beneficiary and/or the partner impose a lower limit than those detailed in the table above, these must be used as the basis of calculation.

4. Technology (hardware) and equipment

(please note the Specific Rules for Erasmus Thematic Networks)

- i). The costs relating to the acquisition, whether by purchase, leasing or rental, of technology and equipment will only be eligible if such acquisition is strictly necessary for the performance of the project concerned.
- ii). Where the Beneficiary and/or its partners have the option to choose between leasing, renting or purchasing of technology or equipment, the choice must be based upon the least expensive method. The Beneficiary and/or its partners must contact a number of suppliers in order to ensure that the equipment is supplied in accordance with the most economic terms. If so required by the Commission, the method of acquisition and the choice of supplier must be justified.
- iii). Where the Beneficiary or its partners opt for the rental or leasing of technology or equipment, the costs of any buy-out option at the end of the lease or rental period, shall not be regarded as an eligible cost.
- iv). Where technology and equipment costs are allowed, installation, maintenance and insurance costs for the equipment may also be included, limited to the percentage usage of the equipment in the project. These costs must be justified and detailed in the Declaration of Expenses.
- v). The technology or equipment shall be inventoried according to the national laws and internal regulations of the Beneficiary and/or its partners.
- vi). Where the purchase of technology or equipment is allowed, the costs shall be computed as follows:
 - a). For the purposes of calculating depreciation, all technology and equipment shall be deemed to have a life expectancy of three years where the purchase price is more than 1.000 EURO.
 - b). The eligible costs per annum shall be calculated by reference to a depreciation factor of 33.33% but reduced in proportion to the % utilisation in the project concerned. For example, the allowable cost in year one for a piece of equipment worth 10.000 EURO which is used 50% for the project, shall be 1.666 EURO :

$$10.000 \times 33.33\% \times 50\% = 1.666 \text{ EURO}$$

In the contract covering the second year of the project (if applicable), if the usage of the technology or equipment remains the same, then the eligible costs will be 1.666 EURO. If no usage of the technology or equipment for the project is foreseen in the second year, then no costs will be eligible (depreciation or otherwise).
 - c). Where the total value of the equipment or technology does not exceed 1.000 EURO, then the full purchase value shall be allowed as a cost in the relevant year, reduced in proportion to the percentage usage in the project concerned.
 - d). The technology or equipment must be purchased within the contractual period in which the depreciation or purchase costs are first claimed as an allowable expense.
- vii). In the case of technology or equipment leased or rented, then the full lease/rental cost for the relevant period may be allowed but shall be reduced in proportion to the % usage in the project.
- viii). The Beneficiary and/or its partners must keep ready for inspection all documents relating to the purchase, leasing or renting of equipment or technology.

5. General administrative costs

(please note the Specific Rules for Erasmus Thematic Networks)

- i). General administrative costs shall cover all the direct administrative costs relating to the project, excluding personnel, consultancy and equipment costs and including :
 - Communications (telephone, fax, email, mail, courier etc)
 - Office supplies
 - Costs of photocopying documents

It should be noted that with respect to photocopying costs, these shall cover only the costs relating to the general administration of the project. Costs of copying documents for production or dissemination purposes, shall be included under that budget item (Documentation costs).

- ii). The general administrative costs shall be calculated on the actual costs of the Beneficiary and/or its partners for the items concerned.
- iii). The following general administrative costs shall be allowed provided that:
 - the overhead costs are clearly identified and can be verified and are not in excess of the actual costs of the Beneficiary and/or its partners
 - they do not include any costs already charged to another category of expenditure in the Declaration of Expenses
 - they do not exceed a maximum of 10% of the amount declared for the personnel costs in the Declaration of Expenses. For all projects involving the new associated countries, please note that this percentage applies separately to the EUR 18 countries and to each new associated country.

6. Consultancy costs

(see the special rules for Erasmus Thematic Networks)

- i). These will cover the costs of an outside expert, where the relevant skills cannot be found within the Beneficiary's or the partners' organisations. Such costs shall be allowed, subject to the conditions detailed in ii) and iii) below, provided they are necessary for the performance of the project and are reasonable in amount.
- ii). All consultancy costs shall be covered by a written contract with the consultant concerned, which must specify :
 - the name and address of the consultant
 - the activities to be performed
 - the amount of time to be spent on the activities
 - the duration of the contract
 - the amount of remuneration and the system of payment
 - the consultant's registration number in the country concerned (Registry of Commerce N°, Registration as an independent with the national tax or VAT authorities)

In addition, the Beneficiary and/or its partners must keep a record of all amounts paid to the consultant.

- iii). The remuneration of the consultant should not normally exceed 400 EURO per day (VAT or equivalent sales tax excluded).

7. Documentation costs (Production/Printing/Distribution/Translation/Interpretation costs)

- i). These costs shall be eligible provided they are reasonable in amount and are related to the volume and complexity of the documents or materials involved. The Beneficiary and/or its partners must try to obtain the best possible prices for the work to be performed.
- ii). Where the Beneficiary and/or its partners uses its own technical departments to perform these tasks:
 - these costs shall be included under Personnel costs and not under this separate heading;
 - the costs shall be computed in accordance with the time taken by the employees concerned to carry out the task;
 - these costs shall not exceed the maximum detailed below (in the case of interpretation and translation costs), nor what would be normally charged by an outside contractor or to perform the task concerned.
- iii). For translations, the maximum allowable cost shall be 1 EURO per line. For interpretation costs, the maximum allowable cost shall be 500 EURO per day per interpreter (excluding accommodation and subsistence costs). The maximum number of interpreters shall be limited to 2 per day per language.

8. V.A.T

The Beneficiary and/or its partners may include the costs of any VAT or equivalent sales tax (in the case of the associated countries) paid on purchases if this is not recoverable by them under their national VAT or tax system as a final cost or charge to them. In any event, the Beneficiary must add a statement in the Declaration of Expenses detailing the VAT or tax status of the project. If required, the Beneficiary must provide proof to the Commission of its VAT or tax status or that of its partners.

9. Bank charges

Bank charges relating to the opening or maintaining of an account established especially for the project are eligible. In addition, all transfer and exchange costs relating to receipts and payments for eligible expenditure under the project shall be eligible. However, charges relating to establishing or maintaining a line of credit, overdraft or guarantee facility shall not be eligible. Banking charges shall be reported in the Declaration of Expenses under the budget heading "Other Costs".

10. Project evaluation costs

Costs involved in evaluating both the progress and final results of the project shall be eligible. Where this work is carried out by employees of the Beneficiary or its partners, these costs shall be reported in the Declaration of Expenses under the Personnel heading. Where an outside expert is used, these costs shall be reported under the Consultancy heading. Evaluation costs may also involve travel, accommodation and subsistence costs relating to persons attending evaluation meetings of the project. These costs shall be reported under the travel heading.

11. Other costs

Other costs, not covered by points 2-10 above, may be allowed provided :

- they are reasonable in amount
- are strictly necessary for the performance of the project
- are fully documented and explained in the Declaration of Expenses
- are not covered elsewhere in the Declaration of Expenses

Section D. The Specific Rules on Eligible Expenditure relating to the Actions covered by these Rules

The following Specific Rules shall apply to certain actions detailed below. Please note that these Specific Rules may amend or exclude certain items of eligible costs detailed in the previous Sections.

i). Lingua Action A

The following shall not be considered as eligible expenditure :

- operational costs of organising and providing initial or in-service training activities within an ECP
- travel and subsistence costs of persons *participating* in in-service training activities

ii). Comenius Action 2

Personnel costs may not exceed 20% of the total project cost. However, they may go up to 50% of total project costs where projects involve the development of particularly substantial pedagogical material. Any expenditure in excess of these limits shall not be eligible.

For all projects involving the newly associated countries, please note that this percentage applies separately to the EUR 18 countries and to each newly associated country.

iii). Comenius Action 3.1

Personnel costs may not exceed 20% of the total project cost. However, they may go up to 50% of total costs where projects involve the development of particularly substantial pedagogical material.

For all projects involving the newly associated countries, please note that this percentage applies separately to the EUR 18 countries and to each newly associated country.

The following will not be considered as eligible expenditure :

- travel and subsistence costs of persons participating as teachers or learners in the in-service training activities

iv). Erasmus Thematic Networks

a). Personnel costs

Up to 30% of the total personnel costs for the project may be spent on the costs of secretarial, administrative and project co-ordination staff. For all projects involving the new associated countries, please note that this percentage applies separately to the EUR 18 countries and to **each** new associated country.

The above costs, as well as the other personnel costs of the project, shall be reported under the personnel line in the Declaration of Expenses.

b). General administrative costs

For Thematic Networks, general administrative costs shall be limited to an amount equivalent to 10% of the total costs of the project. This amends the limitation specified in point C.5. of these Rules. For all projects involving the new associated countries, please note that this percentage applies separately to the EUR 18 countries and to **each** new associated country.

c). Partner costs

Only the costs of the following types of partners will be eligible:

- Higher Education Institutions
- Associations of Higher Education Institutions (including associations of universities, professors, students, staff, etc).

Costs from partners other than those detailed above, shall not be eligible. Partner costs must comply with the provisions contained in these Rules.

d). Technology (hardware) and equipment

The costs for the acquisition of equipment and computer hardware whether by purchase (including depreciation costs), rental or leasing, shall not be eligible.

e). Consultancy costs

Costs incurred with respect to project management consultancy shall not be eligible.

Section E. The Rules Relating to the Financial Management of the Project

1. General considerations

These rules apply to all expenditure incurred under the project, including those of the partners.

2. Bank accounts

The bank account detailed in Annex 4 of the financial agreement must comply with the following conditions :

- i). It must be established in the name of the Beneficiary. It must not normally be established in the name of an individual except where the Beneficiary is an individual, or the particular legal situation or circumstances of the Beneficiary require it.
- ii). The bank account must normally be situated in the country where the Beneficiary has its principal place of business or registered office.
- iii). In order to minimise payment delays, the Beneficiary is strongly recommended to open an account with an international bank which is part of an EURO clearing arrangement.
- iv). Where possible, the account should be opened in EURO.
- v). The Beneficiary is strongly advised to open an account specifically for the project. However, in the case of a general account or a specific account, the Beneficiary must establish a system of accounting which enables the movements on the bank account to be clearly related to the expenses and receipts of the project.
- vi). The Beneficiary is strongly recommended not to make withdrawals from the bank account in cash. In any event, all withdrawals from the bank account must be justified by proper bank documents.

3. Bank Interest generated by the SOCRATES grant

- i). The Beneficiary must ensure that the best possible use is made of the SOCRATES grant and that the money is managed in accordance with the principles of sound financial management. Where possible, the Beneficiary must ensure that if the grant, or any part of it, is not to be immediately used, then it is placed on an interest bearing account.
- ii). Without prejudice to the above, in the case of projects receiving a grant of 100.000 EURO or more, then the Beneficiary must, if possible, place on an interest-bearing account any amounts which will not be used for 45 days or more.
- iii). All interest earned in respect of the SOCRATES grant must be declared in the Declaration of Expenses for the relevant contractual period. The accounting system established by the Beneficiary for the project must be able to clearly identify the interest earned and justify how the final amount was arrived at.
- iv). All interests earned on the SOCRATES grant shall be paid to the Commission within 30 days of the end of the financial agreement.

4. Accounting system

- i). The Beneficiary must establish either an analytical accounting system or an internal system to manage and account for the finances of the project. Whichever system is chosen, it must be able to identify both the sources of finances of the project and the expenses incurred for the project during the financial agreement.
- ii). It is highly recommended that there is a separation between the persons responsible for the management of the project and the persons involved in its financial management.

5. Exchange rates

- i). All amounts declared in the Declaration of Expenses must be expressed in EURO. The Commission shall refuse any Final Report where the Declaration of Expenses has been expressed in any other currency apart from EURO. The exchange rate to be used shall be that used by the banks carrying out the transactions concerned, as detailed and explained below.
- ii). Where the Beneficiary has established a bank account in EURO to manage the project, then the actual amounts debited from the account in EURO will be used to determine the amounts to be included in the Declaration of Expenses.
- iii). Where the bank account has been established in a currency other than EURO, then the rate to be used shall be the average rate obtained by dividing the total of the amounts of foreign currency converted by the total corresponding EURO amount.
- iv). The Commission may, at any moment, request the Beneficiary to confirm the exchange rates used by it in any transaction under the project.

Example

Total grant	Advances	Payments made (nat currency)	Bank rate
80.000 EURO	64.000 EURO	384.000 DKK	6

In this example, the rate to be used to convert the expenses in Danish Crowns back into EURO shall be 6.00.

Where a number of different currencies are involved, an average rate shall be used, as follows :

Example

Total Grant	Advances	Payments (nat currency)	Bank Rate
80.000 EURO	40.000 EURO	240.000 DKK	6

Out of the 240.000 DKK, 30.000 DKK is transferred to a partner in Sweden, as follows :

Amount transferred in DKK	Amount in SEK	Bank Rate
15.000 DKK	75.000 SEK	5
15.000 DKK	82.500 SEK	5.5

The rate to be used to convert the SEK back into DKK shall be 5.25 (157.500/30.000). To convert the expenses incurred in SEK back into EURO, the rate to be used is 31.5 (6 x 5.25).

Section F. The Rules Relating to the Declaration of Expenses

1. General considerations

- i). The Declaration of Expenses, which is a part of the Final Report Forms detailed in Annexe 3, must be submitted within the deadlines and in the manner specified in the General Conditions of the financial agreement.
- ii). The Declaration of Expenses must be completed using the forms specified in Annexe 3 of the financial agreement.
- iii). The Declaration of Expenses must be complete and detail all the expenses relating to the project, including those of the partners.
- iv). The Declaration of Expenses must detail all the financial income of the project, including grants received from other Community programmes as well as from international, national, regional and local authorities.
- v). The Declaration of Expenses must clearly detail the interest gained on the SOCRATES Grant.
- vi). It is strongly recommended that the Declaration of Expenses is reviewed by someone in the Beneficiary's organisation that has accountancy training and experience.
- vii). The Declaration of Expenses must be dated and signed by the authorised legal representative of the Beneficiary.

2. Analysis of the Declaration of Expenses

2.1. For projects which do not involve the participation of the associated countries

The Commission will analyse the Declaration of Expenses in accordance with the following procedure:

- i). From the total project costs as declared in the Declaration of Expenses will be deducted all in-eligible items, as defined in these Rules and in the Special Conditions of the financial agreement (point A9), in order to arrive at the total eligible costs of the project.

- ii). The agreed percentage funding, as specified in Article A.5 of the financial agreement, shall then be applied to the total eligible costs of the project as detailed above, in order to arrive at the Grant Awarded. From this amount shall be deducted the advance already paid to the Beneficiary. The payment of the balance, if any, shall then be made to the Beneficiary. However, even if the total eligible costs of the project exceed the original amount specified in the budget, the grant awarded cannot exceed the maximum specified in Article A.4 of the financial agreement.

Example

<i>Initial budget</i>	<i>Maximum Grant</i>	<i>Declared costs</i>	<i>Total eligible costs after analysis</i>	<i>Grant awarded</i>
100.000 EURO	40.000 EURO(40%)	100.000 EURO	90.000 EURO	36.000 EURO

The amount of Grant Awarded is obtained by multiplying the total eligible costs by the agreed funding percentage. If the Beneficiary received an advance of 32.000, it would be due a final payment of 4.000 EURO (36.000 EURO - 32.000 EURO).

Example

<i>Initial budget</i>	<i>Maximum Grant</i>	<i>Declared costs</i>	<i>Total eligible costs after analysis</i>	<i>Grant awarded</i>
100.000 EURO	40.000 EURO(40%)	150.000 EURO	150.000 EURO	40.000 EURO

In this case, although the total eligible costs are more than the initial budget, the Grant Awarded cannot exceed the maximum amount of 40.000 EURO. If the Beneficiary received an advance of 32.000 EURO, the Beneficiary would receive a final payment of 8.000 EURO (40.000 - 32.000 EURO).

2.2. For projects which involve the participation of the associated countries (please refer to Annex 5)

In the event of the participation in the project of one or more associated countries, the maximum grant detailed in Article A.3 of the financial agreement, is made up of on the one part, an amount (see Article A.4) which is reserved for the use of the EUR 18 countries and on the other part, an additional assistance (see Article A.7) reserved for the partner(s) from the associated countries represented in the partnership.

The analysis of the Declaration of Expenses will be carried out based on the following :

- the eligibility under these Rules, of the expenses incurred by the EUR 18 group as well as those incurred by partners from the associated countries.
- the identification of transfers between the EUR 18 budget and the budgets for the associated countries or between the budgets reserved for the associated countries (these transfers are ineligible)
- a verification that the amount of the additional assistance for each associated country corresponds to the expenses incurred only by the partner from that country for activities for which that partner is responsible for implementing.

The Beneficiary should refer to Annex 5 for the details relating to the way in which the financial agreement should be managed where partners from the associated countries are involved.

2.3. Grant awarded less than the advance paid

In the case of either 2.1 and 2.2, if after deducting the ineligible costs, the Grant Awarded is less than the advance paid by the Commission, then the Beneficiary must reimburse the difference upon request by the Commission.

2.4. Non-performance

The rules contained in this section shall not prejudice the rights of the Commission to seek a full or partial recovery of the grant if it is not satisfied with the content of the project.

3. Reimbursements & recoveries

In addition to the reimbursements detailed in point 2.3. and 2.4 above, other reimbursements or recoveries may be due under the terms of article 9 of the General Conditions of the financial agreement. Nothing contained in this section or in other sections of these Rules shall prejudice the rights of the Commission to enforce its rights under the above article of the General Conditions.

Section G. Audit Principles

1. General Considerations

- i). On-site audits may occur at any time during the life of a project, although they will normally take place pursuant to the review of the Declaration of Expenses by the Commission.
- ii). Audits may be carried out by the EC Commission, the European Court of Auditors or by agents appointed by any of these parties. Beneficiaries will be notified in advance of an audit as specified in Article 5.1 of the General Conditions of the financial agreement.
- iii). Before the audit takes place the Beneficiary may be required to send certain documents to the Commission. These documents may relate to the way in which the financial management of the project has been carried out or may be requests for further information on the expenses detailed in the Declaration of Expenses. In any event, any request for documents must be complied with within the time limit specified in the request.
- iv). The documents which the Beneficiary must have ready and be able to show to the auditors are specified below.

2. General rules for documents

- i). The Beneficiary must provide proofs covering all expenses incurred under the project, including those of its partners.
- ii). In the case of invoices addressed to the Beneficiary, they must be original and be dated. In the case of expenses incurred by the partners, the Beneficiary must be able to show copies of invoices certified as true and exact by the Financial Officer of the partner concerned.
- iii). Pro-forma invoices will not be accepted except in the case of expenses which have been committed or engaged but not yet paid at the time of the audit. However, these pro-forma invoices must respect the three month rule specified in Section B(iii) of these Rules.
- iv). The Beneficiary must put at the disposal of the auditors all necessary banking documents enabling the auditors to verify all the payments and other transactions made relating to the project, including interest earned from the SOCRATES Grant.
- v). The Commission may reject any item of expense which cannot be justified in accordance with the rules set out in this annex.

3. Specific rules

i). Personnel costs

In addition to the matters specified in Section C2 of these rules, the Beneficiary must have available for inspection copies of the contracts of every person employed on the project, including those people employed by the partners. The Beneficiary must also supply either copies of the payslips of the employees or a statement from the Financial or Personnel Department of the organisation concerned detailing all the persons which have worked on the project together with the total amounts paid to each person during the period of the project. Employer's costs must be separately detailed.

ii). Travel/accommodation/subsistence costs

Travel costs shall be justified according to the following rules :

- Train travel : on production of the original ticket
- Air travel : on production of the original ticket
- Private vehicle : certificate from the local railway company certifying the cost of a corresponding first class rail return
- Private hire car : invoice of the company concerned
- By taxi : taxi receipt

As regards accommodation and subsistence costs, these shall be justified as follows :

- a). if the Beneficiary and/or partners opt for a system of actual costs, then these costs shall be justified in accordance with the actual invoiced amounts, provided they do not exceed the maximum daily rate allowed under Section C3 of these Rules.
- b). if the Beneficiary and/or partners opt for a fixed cost basis, then it shall not be required to provide any proofs of expenditure, provided that the system complies with the internal rules of the institution concerned and the limit specified in the point above is respected. The Beneficiary may be required to produce a certificate, signed by the Finance Officer of the organisation concerned, which certifies that the system used for the reimbursement of accommodation and subsistence costs is in compliance with the internal rules of the organisation.

iii). Technology (hardware) and equipment

The Beneficiary must be able to produce all original documents relating to the purchase, leasing and rental of technology and equipment, including those relating to the maintenance and installation of such equipment. For the partners, copies of such documents also have to be available at the time of the audit. The Beneficiary and its partners must also be able to produce, if required, documents certifying the origin of any technology or equipment acquired, whether by purchase, leasing or rental, under the financial agreement. The Beneficiary must be able to demonstrate how any technology or equipment acquired under the financial agreement has been accounted for in the accounting system of its organisation.

iv). General administrative costs

The Beneficiary must be able to show clearly how these costs were calculated both for it and its partners. The Beneficiary must produce, for each of the partners, a statement signed by the Finance Officer of the partner concerned, setting out what general costs were incurred and how they were attributed to the project.

v). Consultancy costs

In the case of the Beneficiary, it must be able to produce the original contract with the consultant, together with the bank statements detailing the actual amounts transferred to the consultant. In the case of a consultant used by a partner, the Beneficiary must be able to produce a copy of the contract concerned together with a statement from the Finance Officer of the partner, certifying the amounts transferred to the consultant.

vi). Documentation costs (Production/Printing/Distribution/Translation/Interpretation costs)

The Beneficiary must be able to produce original invoices for its costs, or copies in respect of partners. The invoices must be detailed and contain all the necessary information as to, for example, the volume of work involved, the materials produced, the charge rate used and, where applicable, the studio and production time involved.

Where this work has been carried out by an internal department of either the Beneficiary or the partners, then the Beneficiary must provide the justifications for the personnel which have carried out the work, as detailed in point 3 i). above.

vii). Grants Obtained from other organisations

The Beneficiary must produce a certificate from the relevant funding organisation, certifying the total amount of grant paid to the Beneficiary with respect to the project.

4. Audit and monitoring findings and follow-up

i). Audits

The Beneficiary will be informed of the results and conclusions of the audit. The audit may lead to the following results :

- a). The audit is satisfactory and no further action is necessary.
- b). The Beneficiary will be required by the auditors to produce documents or justification which were not available, or which were not sufficiently detailed, at the time of the audit. The Beneficiary must send the information required within the time specified by the Commission. After review of these documents and depending on their content, the audit will be terminated either in accordance with case 4i(a) above or 4i(c) below.
- c). The audit reveals expenditure which is not eligible and which will have to be deducted from the actual costs of the project. Depending on the amount of these ineligible costs, this may lead to an adjustment of the grant awarded and a corresponding reimbursement to the Commission. Any reimbursement due will be made in accordance with article 9 of the General Conditions.

ii). Contractual monitoring

Monitoring visits may take place at any time during the life of the project. The purpose of these visits is to review the progress of the project and inspect at first hand the results and outcomes. These visits will be carried out by the EC Commission, the Court of Auditors or by agents appointed by any of these parties. The visits will normally take place at the premises of the Commission in Brussels. In some cases, as required by the Commission, they may also take place at the offices of the Beneficiary. In the case of projects receiving a grant of 100.000 EURO or more, the Beneficiary will be required to visit the Commission at least twice during the contract year to review progress. In any event, if a monitoring visit is necessary, the Beneficiary will be notified in advance by the Commission, in accordance with article 5.1 & 5.2 of the General Conditions.

The Beneficiary will be informed of the results and conclusions of the monitoring visit. The visit will normally lead to the following results :

- the visit is satisfactory and no further action is necessary.
- the Beneficiary may be required to produce documents or materials which were not available at the time of the visit. These documents or materials must be produced within the time specified by the organisation carrying out the visit.
- the Beneficiary may be required to take steps to improve the quality of the materials being produced or to re-align the work plan so as to comply with the financial agreement.
- where the visit reveals that no progress has been made or no work has been carried out, the project may be stopped and the Beneficiary required to reimburse any grant received.