

# **Guide on eligible expenditures**

**in the frame of the  
INTERREG V-A SLOVAKIA-HUNGARY  
COOPERATION PROGRAMME**

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## 1. INTRODUCTION

### 1.1. Preamble

This Guide on eligible expenditure is intended to provide financial managers and controllers of approved projects information and guidance aimed at ensuring that project costs are incurred by beneficiaries in compliance with the applicable legal framework. Moreover, also applicants are strongly advised to consult this document when preparing their project proposals.

These rules on eligible expenditures are applicable for all projects implemented under the INTERREG V-A Slovakia-Hungary Cooperation Programme.

Beside specific rules on eligible expenditures, this document also intends to give additional information, guidance and support to beneficiaries and controllers in order to ensure the sound financial management of projects at all levels.

The content of this document will be, whenever required, further developed and updated during programme implementation. The rules on eligible expenditures are valid from the day of publication.

### 1.2. Regulatory framework and hierarchy of rules

#### 1.2.1. Legal framework

The regulatory framework applicable to the financial management of INTERREG V-A Slovakia-Hungary Cooperation Programme projects is based, as for any other EU-funded project, on the following two regulations:

- *Regulation (EU, Euratom) No 966/2012 (Financial Regulation) of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002;*
- *Commission Delegated Regulation<sup>1</sup> (EU) No 1268/2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.*

Furthermore, being a programme co-financed from the European Regional Development Fund (ERDF), all general rules concerning the Structural Funds are also applicable:

- *Regulation (EU) No 1303/2013 on common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and on general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (Common Provisions Regulation);*
- *Regulation (EU) No 1301/2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 (ERDF regulation);*
- *Regulation (EU) No 1299/2013 on specific provisions for the support from the European Regional Development Fund to the European Territorial Cooperation goal (ETC regulation);*

<sup>1</sup> A Delegated Act (regulation, decision) is a non-legislative act from the European Commission giving specific provisions on the implementation of regulations of the European Parliament and of the Council.

- *Implementing acts and delegated acts adopted in accordance with the aforementioned regulations.*

### 1.2.2. Hierarchy of rules

A clear definition of the hierarchy of eligibility rules applicable to projects funded within the European Territorial Cooperation objective of the Cohesion Policy 2014-2020 is defined by article 18 of Regulation (EU) No. 1299/2013 as follows:

**EU rules:** which include:

Regulation (EU) No 1303/2013 (Common Provisions Regulation) where Articles 6 and 65 to 71 give specific provisions on applicable law as well as on eligibility of expenditure, and Article 120 defining maximum 85% co-financing rate for ETC;

Regulation (EU) No 1301/2013 (ERDF regulation) where Article 3 gives specific provisions on the eligibility of activities under the ERDF;

Regulation (EU) No 1299/2013 (ETC regulation) where Articles 18 to 20 give specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal;

Commission Delegated Regulation (EU) No 481/2014 containing specific rules on eligibility of expenditure for cooperation programmes;

The Commission Delegated Regulation (EU) No. 480/2014 Act (DA) – common provisions.

**Programme rules:** additional rules on eligibility of expenditure set up by the MC for the cooperation programme as a whole.

**National eligibility rules:** which apply only for matters not covered by rules laid down in the above-mentioned EU and programme rules.

The regulatory framework, as listed above, must be always applied according to its latest valid version, new versions are not specified here.

#### Warning!

Please note that, in line with Article 6 of Regulation (EU) No 1303/2013, all applicable EU and national rules, apart from eligibility rules, are on a higher hierarchical level than the rules set by the Programme and they must be obeyed (e.g. public procurement law).

## 2. THE AUDIT TRAIL

For the purpose of this document, an audit trail is a chronological set of accounting records and supporting documents that provide documentary evidence of the sequence of steps undertaken by the beneficiaries and programme bodies for implementing an approved project. According to this definition, the proper keeping of accounting records and supporting documents by the beneficiary and its national controller plays a key role in ensuring an adequate audit trail.

### 2.1. Requirements of an adequate audit trail

At the level of each beneficiary, an adequate audit trail is composed of the following elements:

- The subsidy contract;
- The partnership agreement;
- The approved version of the application form and its completions;
- All modifications to the subsidy contract and the approved content of the application, including the documentation of the modification process (i.e. application, approval, etc.);
- Adequate documentation of all outputs and deliverables produced during the project lifetime;
- Documents proving, for each cost item claimed within the project, the expenditure incurred and the payment made (invoices or other documents of equivalent probative value, extract from a reliable accounting system of the beneficiary, bank statements, etc.);
- When relevant, adequate documentation of all (public) procurement procedures and the proof of the market price, according to the specific cost category specific provisions;
- Any other supporting document required in the cost category specific provisions;
- Copies of beneficiary reports submitted to the responsible controller with the purpose of validating partner expenditure;
- Documents issued by the national controller validating all expenditure claimed within the project;
- Copies of all project progress submitted to the JS.

In the project start-up phase it is essential for each beneficiary participating in a project to set up adequate arrangements that allow ensuring the availability of:

- A separate accounting system or an adequate accounting code set in place specifically for the project;
- A physical or electronic archive which allows storing data, records and documents concerning the physical and financial progress of the project - as listed above – until the end of the retention period.

All documents composing the audit trail shall be kept either in the form of originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only. The certification of conformity of documents held on commonly accepted data carriers with original documents shall be performed in compliance with national rules on the matter.

In case of beneficiaries using e-archiving systems, where documents exist in electronic form only, the systems used shall meet accepted security standards that ensure that the documents held comply with national legal requirements and can be relied on for audit purposes.

As a good practice, e-archiving or image processing systems (original documents are scanned and stored in electronic form) should ensure that each e-document scanned is identical to the paper original and that the accounting and payment process for each e-document is unique (it should not be possible to account for or pay the same e-document twice).

### 3. ELIGIBILITY OF EXPENDITURE

#### 3.1. General rules for eligibility of expenditures

In accordance with Article 23 of the Regulation (EU) No. 1299/2013 the Slovak Republic and Hungary entrusted entities with the performance of verification pursuant to Article 125 paragraph 4 a) of the Regulation (EU) No. 1303/2013 (hereinafter referred to as “controllers”).

The designated controllers of the programme will work in the frame of:

- the Ministry of Agriculture and Rural Development of the SR in Slovakia,
- Széchenyi Programme Office with its regional offices in Sopron, Mátészalka, and Budapest

The expenditures listed in the application and accepted by the Monitoring Committee (MC), cannot be automatically requested unless the first level control (FLC) was carried out. Regarding the project realization, the legality confirmation, correctness, economy, efficiency and eligibility of expenditures; determining is the decision of controllers in both Member States.

Costs are generally eligible if:

- They have been actually incurred and paid by the Lead Beneficiary or its Beneficiaries, they can be verified on the basis of original invoices or other accounting documents of equivalent nature (except for costs calculated as flat rate or other simplified cost option) and they fall into the eligibility period of the project.
- They are directly related to the project, i.e. belong to the project activities, necessary for the implementation, and are included in the detailed budget prepared on the basis of the activities needed to meet the project's objectives, approved by the MC.
- They comply with the principles of sound financial management as set out in chapter 7 of the Financial Regulation [Regulation (EU, Euratom) No 966/2012] that builds on the principles of efficiency, economy and effectiveness of all actions. Especially the cost/ benefit ratio has to be ensured.
- It is not financed by other EU funds or other financial contributions from third parties, except national contributions to the programme co-financing.
- All expenses have to be in line with national and EU rules.

#### **Sound financial management:**

As provided under chapter 7 of the Financial Regulation [Regulation (EU, Euratom) No 966/2012] the principle of sound financial management builds on the following three principles:

- The principle of **economy** requires that the resources used by the beneficiary in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price;
- The principle of **efficiency** concerns the best relationship between resources employed and results achieved;
- The principle of **effectiveness** concerns the attainment of the specific objectives set and the achievement of the intended results.

### 3.2. Eligibility period

Cost subject to reimbursement in a given project must occur in the given project period indicated in the Subsidy contract, which becomes the eligibility period of expenditures of the project. Only exceptions are costs in connection with preparation activities, of which eligibility period falls between 1<sup>st</sup> of January 2014 and the project start date defined in the Subsidy contract. Preparation costs must occur and outputs and deliverables must be performed in the above mentioned period. The total eligibility period of the programme falls between 01<sup>st</sup> January 2014 and 31<sup>st</sup> December 2023.

### 3.3. Eligible areas

As a general rule, eligible costs shall be incurred in the programme area defined by the Interreg V-A Slovakia-Hungary Cooperation Programme.

Costs incurred beyond the eligible programme area are ineligible, except if it is proven, that the activities covered by these expenditures are necessary, serve the programme's objectives and have a positive impact in the eligible area. More particularly, in exceptional and fully justified cases, when the planned results of a project require some complementary operations outside the eligible area, a limited portion of activities not exceeding 20% of overall project budget, can be carried out outside the programme area.

### 3.4. Expenditure categories

The Commission Delegated Regulation (EU) No 481/2014 sets out specific rules on eligibility of expenditure for cooperation programmes with regard to the expenditure categories listed below. Further specific requirements related to the expenditure categories without prejudice to the instructions of the Delegated Regulation are included in the respective chapter of this guide.

- a) staff costs (section 5.1);
- b) office and administrative expenditure (section 5.2);
- c) travel and accommodation costs (section 5.3);
- d) external expertise and services costs (section 5.4); and
- e) equipment expenditure (section 5.5).

In addition to the categories above, for activities listed in Annex II of the Directive 2014/24/EU the Programme defines the category:

- f) infrastructure and works (section 5.6).



The expenditure categories a)-f) are primarily for the purposes of the planning and implementing of the projects financed by the Programme. These categories must be applied according to the relevant expenditure category specific rules of the programme, independent of the accounting and public procurement categories with similar or same denomination, without prejudice to the application of the relevant national/internal accountancy rules or public procurement regulation.

### 3.5. General requirements for the documentation of expenditure

According to Article 140 of Regulation (EU) No 1303/2013 the documents shall be kept either in the form of the originals or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

To secure that there is no double funding, it is highly recommended to write the following information on original receipted invoices or accounting documents of equivalent probative value:

- Project ID
- Project acronym

Normally, original paper invoices should be submitted to the FLC for control. E-invoices are only acceptable for control if the invoice includes both of the above items. Those cases where recording these information is not possible (e.g. travel services, like flights, trains) fall under the exemption of the abovementioned obligation.

#### **An e-Invoice:**

- Structured invoice data issued in Electronic Data Interchange (EDI) or XML formats
- Structured invoice data issued using standard Internet-based web forms

#### **Not an e-Invoice:**

- Unstructured invoice data issued in PDF or Word formats
- Paper invoices sent via fax machines
- Scanned paper invoices

Invoices incurred in the given reporting period shall be paid until 15 days after the end of the relevant reporting period in the case of beneficiary reports, and until 30 days after the end of the relevant reporting period in the case of final beneficiary report.

### 3.6. Conversion into euro

The budget of the project must be planned in euro.

Financial reporting of a project shall occur in euro and the programme will reimburse ERDF contribution in euro.

Expenditure incurred in a currency other than euro shall be converted into euro using the monthly accounting exchange rate of the European Commission<sup>2</sup> in the month during which that expenditure was submitted for verification by the concerned beneficiary to the responsible controller.

<sup>2</sup> The monthly exchange rates of the European Commission are published on [http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/infoeuro/infoeuro\\_en.cfm](http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/infoeuro_en.cfm)

The date of submission in this respect is the day on which the partner submitted for the first time in the given reporting period the documents concerning a certain expenditure to its controller through the monitoring system. Further submission of missing documents, clarifications etc. on that expenditure shall not be considered.

### 3.7. Non-eligible expenditure

The following costs are **not eligible**:

- a) Fines, financial penalties and expenditure on legal disputes and litigation;
- b) Costs of gifts, except those not exceeding net 20 € per gift if related to promotion, communication, publicity or information;
- c) Costs related to fluctuation of foreign exchange rate;
- d) Interest on debt;
- e) Recoverable VAT<sup>3</sup>;
- f) Charges for national financial transactions;
- g) Costs for alcoholic beverages;
- h) Fees between beneficiaries of the same project for services and work carried out within the project;
- i) Unpaid invoice amounts or undrawn reduction of the price (cash discount, discount);
- j) In-kind contribution<sup>4</sup>, incl. unpaid voluntary work;
- k) The purchase of land not built on and land built on in the amount exceeding 10 % of the total eligible expenditure for the operation concerned per beneficiaries.

Expenses not included in the list above are not automatically eligible.

<sup>3</sup> VAT that is non-recoverable under national legislation is eligible.

<sup>4</sup> In the meaning of Art. 69 (1) of Regulation (EU) No 1303/2013 Contributions the provision of works, goods, services, land and real estate for which no cash payment supported by invoices, or documents of equivalent probative value, has been made, is in kind contribution.

## 4. NET REVENUES

Project revenues are regulated in detail under Points (57) and (58) of the preamble of EC Regulation No. 1303/2013, and according to Article 61 of EC Regulation No. 1303/2013 further rules are determined. In case of revenue-generating projects the applicants have to calculate the expected net revenues following the method described in Articles 15 to 19 of Delegated Regulation (EU) No. 480/2014. (Source: EC Regulation No. 1303/2013)

As a general rule, the eligible expenditure (including EU contribution) shall be reduced according to the net revenue generated by the project both during project implementation as well as three years after project completion.

Net revenue means in accordance with Articles 61 and 65(8) of Regulation (EU) No. 1303/2013 cash inflows directly paid by users for the goods or services provided by the operation, such as charges borne directly by users for the use of infrastructure, sale or rent of land or buildings, or payments for services less any operating costs (including replacement costs of short-life equipment) incurred during the corresponding period.

Where not all the investment cost is eligible for co-financing, the net revenue shall be allocated pro rata to the eligible and non-eligible parts of the investment cost. Please note that operating cost-savings generated by the project shall be treated as net revenue unless they are offset by an equal reduction in operating subsidies (see Article 61(1) of Regulation (EU) No. 1303/2013).

Any payment received by the B arising from contractual penalties as a result of a breach of contract between the B and a third party (or third parties) or that has occurred as a result of the withdrawal of an offer by a third party chosen under public procurement rules (the 'deposit') shall not be considered as revenue, and shall not be deducted from the eligible expenditure of the project.

Projects for which the total eligible cost does not exceed 50.000 Euros are exempted from any deduction of revenues generated related to the project, in line with 65(8) of Regulation (EU) No. 1303/2013.

### 4.1. Net revenues foreseen at project application stage

Where it is possible to objectively estimate the revenues in advance, projects should indicate the amount of possible revenues in the AF / among the project data in the IMIS system. In case of revenue-generating projects which generate net revenue after their completion, applicants have to calculate the expected net revenues following the method as provided for in Article 61(3) Paragraph b) of Regulation (EU) No. 1303/2013 and as further detailed in Articles 15 to 19 of Delegated Regulation (EU) No. 480/2014.

Projects shall not indicate expected net revenues in the AF / project data in IMIS if the specific project activity generating net revenue is subject to State aid rules [according to Article 65 (8)].

Based on Article 61(7) Paragraph b) of the CPR, projects below 1 million Euro total 'eligible' costs are exempted from the ex-ante calculation of revenue generation, but revenues generated during their implementation have to be taken into account for these projects at closure [in line with Article 65(8)],

EU contribution at the time of contracting is calculated on the basis of the total eligible expenditures after deduction of any revenue which will be generated during the project's implementation period, in case it is foreseen and the calculation method and amount are accepted by the MC.

## 4.2. Net revenues not foreseen/deducted at project application stage

### 4.2.1. Net revenues during implementation

B-s are responsible for keeping account of all the revenues and for having the required documentation available (e.g. for control purposes). The revenues, if not deducted at the application phase, must be stated in the final BR and must be deducted from the eligible expenditure i.e. the validated eligible expenditure of the final BR should be calculated with the deduction of any revenues. B-s have to provide their Controller with information on the revenues generated in the final reporting period and have to support this with accounting- or equivalent documents to be kept at the premise of the B-s or to be submitted based on request.

Calculation of the revenues (based on the templates provided in Annex II.) has to be checked by the FLC - preferably in the frame of the on-the-spot check. In case the FLC finds such discrepancies between the submitted calculation and the supporting documents that raise the suspicion of an irregularity, the initiation of irregularity procedure should be started. Consequences of the irregularity will be handled through recovery procedure.

### 4.2.2. Net revenues after project closure

All Beneficiaries have to provide information to the Lead Beneficiary on revenues after the project closure for the Follow-up Reports. Reported revenues will be handled through recovery procedure in line with the Programme rules.

In case a revenue-generating project – which has not had an estimation of revenues in the application phase for objective reasons and therefore a decrease of total eligible cost has not yet been done – expects to have any revenues within three years after the project closure, the JS has to be informed about the calculated net revenues and those have to be reported to the FLC. In case revenue has to be deducted no later than the acceptance of the final PR of the project, the repayment of the respective amount has to be effected, and the deduction will be executed at the latest from the final Application for Payment of the Programme submitted to the EC or clarified and settled during the pre-closure and closure phase.

## 5. SPECIFIC COST CATEGORY PROVISIONS

### 5.1. Staff

#### Definition

Cost of any salary and/ or remuneration paid to persons employed by the beneficiary institution for implementing the project. Staff can either be already employed by the beneficiary or contracted specifically for the project.

Expenditure included under this cost category is limited to:

- a) **Salary payments** related to the activities which the entity would not carry out if the operation concerned was not undertaken, fixed in an employment/work contract, an appointment decision (both hereinafter referred to as “employment document”), or by law relating to responsibilities specified in the job description of the staff member concerned (including bonuses, paid holiday, sick leave, cafeteria etc.).
- b) Any other **costs directly linked to salary payments** incurred and paid by the employer (such as employment taxes and social security charges including pensions) provided that they are:
  - fixed in an employment document or by law;
  - in accordance with the legislation referred to in the employment document and with standard practices in the country and/or institution where the individual staff member is working;
  - not recoverable by the employer.

#### Warning!

Please note that costs arising from a contract stipulated with a natural person that results to be not equivalent to an employment contract according to national/institutional rules belong to the external expertise and services budget line and have to comply with all provisions applicable to that budget line, including the respect of procurement rules.

#### **Internal project management:**

Cost of a person or a team of people employed by the beneficiary institution for implementing the project (project manager, financial manager, project assistant).

#### **Internal experts:**

Person(s) employed by the beneficiary institution, who is performing special activities and expertise related to the project (e.g. responsible for procurement, supervision of engineering)

#### Forms of reimbursement:

Staff costs of the beneficiary organisation can be reimbursed by the programme on the basis of the following methodology:

- a) **Flat rate** of 10% or 20% of direct costs other than staff costs (travel and accommodation costs, external expertise and services costs, equipment expenditure, infrastructure and works); where the beneficiary does not need to document that the expenditure has been incurred and paid out. **Flat rate financing is recommended when exclusively management staff is planned for project implementation.**

- b) Otherwise **real cost based** reimbursement is applied, where the beneficiary must document that expenditure has been incurred and paid out (as provided for in the following sections);

#### 5.1.1. Flat rate

Flat rate financing is recommended when exclusively management staff is planned for project implementation. At flat rate financing staff costs are calculated as a percentage of direct costs incurred and paid by the beneficiary in the reporting period excluding staff costs. It cannot be changed during implementation. If changes occur it shall not influence the total ERDF amount approved by the MC.

All expenditure incurred by the beneficiary and validated by the responsible controller under the following budget lines are to be regarded as direct costs for the purposes of the calculation of the flat rate financing for staff costs:

- travel and accommodation;
- external expertise and services (including preparation cost);
- equipment;
- infrastructure and works.

#### Applicable percentage for the flat rate reimbursement of staff costs:

The applicable percentage for the reimbursement of staff costs on a flat rate basis is:

- a) 20% in general, but
- b) 10% for projects including costs in the category 'infrastructure and works'.
- c) For projects with no other direct costs but 'infrastructure and works' it is not possible to choose the staff flat rate option.

The percentage applied to the calculation of the Beneficiary's staff costs has to be determined in the application and approved by the MC. The flat rate calculation option for the reimbursement of the staff costs cannot be changed during implementation.

The flat rate approved in the AF shall be applied in case of budget changes of a Beneficiary affecting the amount of direct costs – being basis of the calculation of the staff costs.

**It is important to know that since staff costs calculated on a flat rate basis are dependent on the direct costs of the project, during the implementation phase the reimbursed amount of staff cost will be automatically calculated based on the reimbursed amount of direct costs.**

Documented direct costs that form the basis for the staff costs calculation must be incurred and paid by the beneficiaries as real costs and must not include any indirect costs that cannot be directly and fully allocated to the project. In the occurrence that direct costs used as calculation basis for determining staff costs are found to be ineligible, the determined costs for staff must be re-calculated and reduced accordingly.

#### Supporting documents for flat rate calculation:

For staff costs calculated through flat rate, beneficiaries do not need to document that the expenditure for staff costs has been incurred and paid or that the flat rate corresponds to the reality. Accordingly, no documentation on staff costs is required to be provided to the controller, nor do controllers need to check anything (incl. double financing, or if the amount refers to the principle of economy, efficiency and effectiveness) beyond the calculation of the flat rate based on the direct costs.

However, the Beneficiary has to submit a **declaration** as part of the application and in each Project Progress Report **that it has at least one employee being responsible for project implementation**. The veracity of self-declarations that the Beneficiary has employee(s) may be checked by any of the bodies entitled to perform controls and audits.

### 5.1.2. Real cost option

Staff costs of the beneficiary organisation can be reimbursed by the programme on a real cost basis.

#### 5.1.2.1. Specifications, reporting and audit trail:

The following principles apply to staff costs determined on a real cost basis:

- Salaries, other payments and benefits are only eligible if foreseen in the legislation, company internal regulation, collective wage agreements and they are in line with the employment policy of the beneficiary organisation (ad hoc regulations applicable only to the project are not allowed).
- Unjustified ad-hoc salary increases for project purposes are not eligible.
- Where foreseen by the employment document, overtime is eligible, provided it is in conformity with the national legislation and the standard practice of the beneficiary.
- Staff cost shall be raised after the start date of the project and shall be paid until 15 days after the end of the relevant reporting period in the case of beneficiary reports, and until 30 days after the end of the relevant reporting period in the case of final beneficiary report.
- Staff costs must be calculated in the ratio of the time spent on the project.
- Staff costs must be calculated individually for each staff member charged to the project.

#### Required documentation

- a) Employment contract or an appointment decision/contract considered as an **employment document**;
- b) **Job description** providing information on responsibilities related to the project (separate or as part of the employment contract);
- c) Documentation of the **monthly gross staff costs** (e.g. payslip);
- d) **Proof of payment**: payment of the **monthly gross staff costs** (net salary and costs directly linked to salary payments incurred and paid by the employer (such as employment taxes and social security charges including pensions, etc.).

#### 5.1.2.2. Reimbursement schemes within the real cost option

Beneficiaries can apply the following schemes for the settlement of the costs related to the individual employees:

- a) **Full-time** in the project (employee working 100% of the working time on a project, regardless to the amount of hours having been hired);
- b) **Part-time** in the project (employee working additionally in other projects or fulfils non-project related duties in the institution):
  - b.a. Part-time with a **fixed percentage** of time per month dedicated to the project
  - b.b. Part-time with a **flexible number of hours** worked per month on the project
- c) Contracted for project purposes on an **hourly basis**.

It is to be underlined that the above schemes refer to the relation of the employee vis-à-vis the project and not the employer.

**Example:**

An employee is working full-time in the beneficiary institution but is working only part of her/his time on a project financed by the Programme. From the perspective of the reimbursement of his/her staff costs this is considered to be “part-time” employment and not “full-time”.

On the contrary, an employee working in the beneficiary institution with a reduced-time contract (e.g. 20 hours per week) but working all his/her time on an project financed by the Programme, is to be reimbursed as “full-time”.

It is highly recommended that the chosen scheme for the settlement of costs related to the individual employees is kept for the whole project implementation. Justified changes are, however, possible (e.g. in case of replacement of an employee).

Additional to the general requirements regarding the application of the real cost option (see section 5.1.2.1) the followings apply to the individual reimbursement schemes:

#### 5.1.2.2.a. Staff employed full-time on the project

For individuals employed by the beneficiary to work full-time on the project, the total gross employment costs incurred by the employer shall be regarded as eligible as far as they are in line with the general provisions on eligibility (see section 3) and the additional eligibility requirements provided for staff costs determined on a real cost basis (see section 5.1.2.1).

In addition to points a)-d) in section 5.1.2.1 the following requirements apply to the audit trail on partner level:

- a) Sufficient **evidence** must be provided to establish **that the person works 100% on the project** either in the employment document or in the job description;
- b) A **periodic staff report** (see Annex 1) must be attached to each beneficiary report, containing a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report must be signed both by the employee and her/his supervisor;
- c) **No time-sheets** or records from the time registration system are needed.

#### 5.1.2.2.b. Staff employed part-time on the project

##### 5.1.2.2.b.a. Part-time employment with fixed percentage of time per month dedicated to the project

For individuals employed by the beneficiary to work part of their time on the project according to a fixed percentage of time per month, staff costs shall be regarded as eligible as far as they are in line with the general provisions on eligibility (see section 3.1) and the additional eligibility requirements provided for staff costs determined on a real cost basis (see section 5.1.2.1). The reimbursement of staff costs shall be calculated by applying the percentage stipulated in the employment document (and/or an official assignment of the employee to the project) to the monthly gross employment cost.

In addition to points a)-d) in section 5.1.2.1 the following requirements apply to the audit trail on partner level:

- a) The employment document, the job description or an official assignment of the employee to the project:
  - a.a. must specify the **percentage of the employee’s working time on the project**;



- a.b. must include a **description of the main tasks** to be performed by the employee within the duration of the assignment to the project, (making reference to the project);
- a.c. include, in the case that the employee is involved in **other EU and/or national co-funded projects**, name and funding reference of the concerned project(s) as well as the percentage of the employee's working time on each co-funded project;
- a.d. must be **reviewed in case of changes** in the assignment (e.g. shift of tasks or change in the percentage of time worked in the project).
- b) A **periodic staff report** (see Annex 1) must be attached to each beneficiary report, containing a summary description of the tasks carried out and the outputs achieved by the employee in the project reporting period. The periodic staff report must be signed both by the employee and her/his supervisor.
- c) **No time-sheets** need to be submitted.

#### 5.1.2.2.b.b. Part-time employment with a flexible number of hours worked on the project per month

For individuals employed by the beneficiary to work part-time on the project with a flexible number of hours per month, the reimbursement of staff costs shall be calculated on the basis of real worked hours in the project in the concerned month, as resulting from the time-record of the total time worked by the employee (time-sheets).

Costs to be claimed in the project are then calculated multiplying the hourly rate by the number of hours actually worked on the project. The two methods for calculating the hourly rate are described in the subsequent headings.

##### 5.1.2.2.b.b.i. Hourly rate based on monthly working time

Staff costs shall be regarded as eligible as far as they are in line with the general provisions on eligibility (see section 3.1) and the additional eligibility requirements provided for staff costs determined on a real cost basis (see section 5.1.2.1). In addition to points a)-d) in section 5.1.2.1, the following requirements apply to the audit trail on partner level:

According to method <i.> staff costs to be reimbursed must be calculated by multiplying:

- a) The **hourly rate**, that is to be calculated dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours (total number of working hours).
- b) The **number of hours actually worked on the project**, which is to be established on the basis of data gathered from work time registration system covering 100% of the working time of the employee, e.g. time sheets, providing information on the number of hours spent per month on the project incl. activities, as well as on the hours with no project relevance.

The respective documentation - calculation, time sheets, etc.- must be available for control.

##### 5.1.2.2.b.b.ii. Hourly rate based on a standard number of 1720 hours per year

Using method <ii.>, the hourly rate is to be calculated according to the following formula:

$$\text{Hourly rate} = \frac{\text{Latest documented annual gross employment costs}}{1720 \text{ hours}}$$

The latest documented annual gross employment costs used for the calculation must comply with the general provisions on eligibility (see section 3.1) and the additional eligibility requirements provided for staff costs determined on a real cost basis (see section 5.1.2.1). Moreover, the latest documented annual gross employment costs do not have to refer to the calendar year: the latest available data must be used<sup>5</sup>.

In the case that data on the latest documented annual gross employment costs of the concerned employee is not available until the signature of the Subsidy contract (i.e. for staff employed by the beneficiary for less than one year), costs cannot be calculated with this method.

Please note that:

- The denominator of the formula for the calculation of the hourly rate (i.e. 1.720 hours) cannot be changed irrespective to the contractual conditions applicable to the employee to be accounted in the project (e.g. the 1.720 hours denominator must be used also for employees working on a reduced time-basis *vis-à-vis* the employer).
- The hourly rate calculated on the basis of the formula set out above is to remain the same as from when it has been firstly calculated until the end of the project implementation period.

The followings must be provided to the controller once in the first reporting period when the costs of the concerned employee are to be claimed in the project:

- a) Documents referred to at points a)-d) in section 5.1.2.1;
- b) **Proof of the latest annual gross employment costs** through accounts, pay roll reports, payslips, etc. which allow proof of payment of gross employment costs (e.g. extract from a reliable accounting system of the beneficiary, confirmation of tax authority, bank statement);
- c) Document issued by the beneficiary showing the **calculation of the hourly rate**;
- d) The **number of hours actually worked on the project**, which is to be established on the basis of data gathered from work time registration system covering 100% of the working time of the employee, e.g. time sheets, providing information on the number of hours spent per month on the project incl. activities, as well as on the hours with no project relevance.

In the subsequent reporting periods only a shorter list of documents is to be provided to the controller:

- a) Data gathered from **work time recordings**, e.g. time sheets, providing information as well as on the number of hours spent per month on the project incl. activities and on the hours, with no project relevance.
- b) **Proof of payment** of salaries and the employer's contribution, according to 5.1.2.1, point d).

#### 5.1.2.2.c. Staff contracted for project purposes on an hourly basis

For individuals employed by the beneficiary on an hourly basis, staff costs shall be regarded as eligible as far as they are in line with the general provisions on eligibility (see section 3.1) and the additional eligibility requirements provided for staff costs determined on a real cost basis (see section 5.1.2.1). In addition to points a)-d) in section 5.1.2.1 the following requirements apply to the audit trail on partner level:

Staff costs to be reimbursed must be calculated multiplying:

- a) The **hourly rate** agreed in the employment document by

<sup>5</sup> The latest available data may refer to the last calendar year or the last business year

- b) The number of **hours actually worked on the project**, which is to be established on the basis of data gathered from work time recordings, e.g. time sheets, providing information as well as on the number of hours spent per month on the project, incl. activities and on the hours with no project relevance (100% of the working time of the individual).

The respective documentation (calculation, time sheets, etc. must be available and submitted to FLC for control).

#### 5.1.2.3. *Specific conditions for calculating staff costs*

Management staff costs— either real cost based or calculated on flat rate financing – **is maximized at an amount of 30 000 EUR in 12 months per Beneficiaries (it is proportional to duration of the project and can be reallocated between years).**

#### **Warning!**

Please note that in order to avoid double financing, management staff cost calculated on flat rate financing cannot be combined with external management costs, otherwise it will be automatically deducted from cost category “External expertise and services”. Management staff cost calculated on real cost basis and external management altogether cannot exceed 30 000 EUR in 12 months, otherwise external management cost will be automatically reduced.

## 5.2. Office and administration

### 5.2.1. Definition

The expenditure category “office and administration” covers operating and administrative expenses of the beneficiary organisation necessary for the implementation of the project. They are to be calculated as a flat rate of 15% of the staff costs.

Expenditure included under this cost category shall be limited to the following elements:

- a) Office rent;
- b) Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. Fire, theft insurances);
- c) Utilities (e.g. electricity, heating, water);
- d) Office supplies;
- e) General accounting provided inside the beneficiary organisation;
- f) Archives;
- g) Maintenance, cleaning and repairs;
- h) Security;
- i) IT systems (e.g. operating/administrative IT services of general nature, linked to the implementation of the project);
- j) Communication (e.g. telephone, fax, internet, postal services, business cards);
- k) Bank charges for opening and administering the account or accounts where the implementation of the project requires a separate account to be opened;
- l) Charges for transnational financial transactions.

The above list is exhaustive.

Cost items accounted under the office and administration cost category cannot be reimbursed under any other cost category.

### 5.2.2. Forms of reimbursement

Office and administration expenditure occurred by the beneficiary shall be reimbursed by the programme according to a **flat rate of 15%** of eligible direct staff costs.

### 5.2.3. Specifications, reporting and audit trail

In terms of documentation only the validated staff costs are needed in order to calculate the office and administration flat rate.

Beneficiaries do not need to document that the office and administration expenditure has been incurred and paid or that the flat rate corresponds to the reality. Accordingly, no documentation on office and administration expenses is required to be provided to the controller, nor do controllers need to check anything (incl. double financing, or if the amount refers to the principle of economy, efficiency and effectiveness) beyond the calculation of the flat rate based on the direct costs.

## 5.3. Travel and accommodation

### 5.3.1. Definition

The expenditure category “travel and accommodation” refers to expenditure on travel and accommodation costs of project staff of beneficiary organisations for missions necessary for the project implementation (e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences, etc.).

Travel and accommodation costs shall be limited to following elements:

- a) Travel costs
- b) Costs of meals
- c) Accommodation costs
- d) Visa costs
- e) Daily allowances

The above list is exhaustive. Moreover, any element listed in points a) to d) which is covered by a daily allowance shall not be reimbursed in addition to the daily allowance.

### 5.3.2. Forms of reimbursement

Travel and accommodation costs of the staff of the beneficiary organisation shall be reimbursed by the programme on a real cost basis.

### 5.3.3. Specifications, reporting and audit trail

#### 5.3.3.1. Specific eligibility requirements

In addition to the general provisions on eligibility (see section 3.1) the following applies:

- a) Travel and accommodation costs must be clearly linked to the project and be essential for the projects effective implementation.

- b) Travel and accommodation costs must be definitely borne by the beneficiary. Direct payment of costs by a staff member of the beneficiary must be supported by a proof of reimbursement from the employer.
- c) With respect to the principle of sound financial management, the most cost-efficient mean of transportation shall be used.
- d) The duration of the mission must be clearly in line with the purpose of it. Moreover, the eligible duration of a mission cannot be longer than from the day before to the day after the concerned meeting. Costs for any longer duration of the mission are eligible if it can be demonstrated that the additional costs (e.g. extra hotel nights, extra per diems, additional staff costs) do not exceed the savings eventually made in the costs for transportation.
- e) Daily allowances must be in line with national and internal rules of the beneficiary, but must not exceed those set at Council Regulation (EC, Euratom) No 337/2007<sup>6</sup>.
- f) Travel and accommodation costs of external experts and service providers can be reimbursed only under the external expertise and services cost category.
- g) The reimbursement of daily allowances must be reduced in those cases in which concerned costs have been partially covered by third parties according to the institution's internal rules (e.g. lunch or dinner paid by the organisers of a meeting/event).

#### 5.3.3.2. Documents for the audit trail

The following documents must be provided to the controller:

- a) Authorisation of mission of the employee(s) travelling, bearing information on the destination and the start and end date of the mission;
- b) Proof of expenditure and of mission (e.g. invoice of travel agent, flight or train ticket, boarding pass);
- c) Documentation related to the reimbursement of costs borne by the employee either based on daily allowance or on real costs, according to the beneficiary organisation's internal rules. When claiming on a real cost basis all documents proving the costs occurred must be included (e.g., bus or metro tickets, meal receipts);
- d) In case of travel by car (either employee's car or company car), mileage calculation sheet with statement of the distance covered, the cost per unit according to national or institutional rules and total cost;
- e) Other supporting documents (e.g. invitation, agenda);
- f) Proof of payment of costs directly paid by the beneficiary and/or proof of reimbursement to the employee (e.g., bank statement).
- g) Relevant form proving the calculation of the amount of daily allowance costs and proof of payment (of net per diem and costs directly linked to per diem incurred and paid by the employer such as employment taxes and social security charges including pensions, etc.)

<sup>6</sup>

See: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2007.090.01.0001.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2007.090.01.0001.01.ENG)

## 5.4. External expertise and services

### 5.4.1. Definition

External expertise and services are provided by a public or private body or a natural person outside of the partner organisation. The “external expertise and services” category covers costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers sub-contracted to carry out certain tasks or activities directly linked to the implementation of the project.

Expenditure on external expertise and service costs shall be limited to the following elements:

- a) Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- b) Training;
- c) Translation;
- d) IT systems and website development, modifications and updates;
- e) Promotion, communication, publicity or information;
- f) Financial management;
- g) Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- h) Participation in events (e.g. registration fees);
- i) Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- j) Intellectual property rights;
- k) Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers;
- l) Other specific expertise and services needed for the project.

### 5.4.2. Forms of reimbursement

External expertise and service costs shall be reimbursed by the programme on a real cost basis.

### 5.4.3. Specifications, reporting and audit trail

#### 5.4.3.1. Specific eligibility requirements

In addition to the general provisions on eligibility (see section 3.1) the following applies:

- a) External expertise and services must clearly link to the project and be essential for its effective implementation.
- b) Eligibility of costs for external expertise and services is subject to the full respect of national public procurement rules, according to the thresholds, and for the type of entities as defined in the national law<sup>7</sup>.
- c) In order to ensure compliance with market prices private bodies, (in case they are not subject to national public procurement legislation), shall apply public procurement procedure.

<sup>7</sup> In-house subcontracting is exempt from the applicable public procurement rules in the meaning of Art. 12 of the Directive 2014/24/EU of the European Parliament and of the Council.

- d) The procurement of external expertise and services must comply with the basic principles of transparency, non-discrimination and equal treatment.
- e) Where applicable, deliverables and outputs produced by experts/service providers must respect the relevant publicity requirements.
- f) Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the expert/service provider, supported by receipted invoices (e.g. advance payment for an expert carrying out a study) are eligible but dependent to later confirmation that the service has been properly and timely delivered, therefore it can be only reimbursed when final invoice has been issued and paid.
- g) Sub-contracting between partners within the same project is not allowed.

#### 5.4.3.2. Specific conditions for calculating external services and expertise costs

##### 5.4.3.2.a. Guidelines and examples for visibility elements and external expertise:

##### Information and publicity elements<sup>8</sup>:

- a) *Website of the project (newly developed or the development of the existing one)*: costs of the domain, design and maintenance of webpage created for the project to be implemented in three languages (EN, HU, SK); cost is eligible for LBs per project and cannot exceed 2000 EUR incl. VAT. Please note that the maintenance cost of the project webpage in the follow-up period is not eligible.
- b) *Billboard*: According to the EC Regulation 1303/2013 (Annex XII) the beneficiary shall put up, at a location readily visible to the public, a temporary billboard of a significant size for each operation consisting of the financing of infrastructure or construction operations for which the total public support (i.e. ERDF + national co-financing) to the project exceeds EUR 500 000. Cost is eligible per investment scene which cannot exceed 400 EUR incl. VAT.
- c) *Permanent explanatory plaques*: According to the EC Regulation 1303/2013 (Annex XII) no later than three months after completion of an operation, the beneficiary shall put up a permanent plaque or billboard of significant size at a location readily visible to the public when the total public support (i.e. ERDF + national co-financing) to the project exceeds EUR 500 000 and the operation consists of the purchase of a physical object or of the financing of infrastructure or of construction operations. Cost is eligible per implementation scene and cannot exceed 100 EUR incl. VAT.
- d) *Poster*: cost is eligible per implementation scene which cannot exceed 50 EUR incl. VAT; minimum size of a poster is A3.
- e) *Package of promotional materials*: a set of materials with obligatory visibility elements to be distributed in order to popularize the programme among citizens of the programme area, e.g. pen, notebook, articles for personal/office use, printed materials, etc. Cost covers minimum 100 items and eligible per Beneficiaries which cannot exceed 2000 EUR incl. VAT.
- f) *Opening press conference*: a meeting of the representatives of the beneficiaries of the project to be implemented with the representatives of print or broadcast media with the aim of presenting the project activities, purposes at the beginning of the implementation. Costs may cover rental fee of conference room (with necessary equipment), buffet for approximately 20-30 people; cost is eligible per partners which cannot exceed 300 EUR incl. VAT.

<sup>8</sup> Further specified in Visibility Guide for projects of the Programme

- g) *Closing ceremony and press conference/public project event*: a significant event of the project with the representatives and invited guests of participating partners, representatives of print or broadcast media, representatives of the relevant specific area, citizens, etc. Costs may include rental fee of conference room (with necessary equipment), performers' fee, translation and catering for approximately 100 people; the activity is eligible per project and cannot exceed 4000 EUR incl. VAT. Please note that in case of any deviation from this rule MC will decide on the reduction of the cost.

#### External services and expertise costs:

- h) *Translation*: beneficiaries are obliged to share information on project events in three languages (EN, HU, SK) on programme website. Information sheet shall contain one-page-long description on project events and shall be submitted twice during project implementation.
- i) *External management*: if beneficiaries have no suitable (internal) staff for the management of a project they can hire external management service (including project and financial management and administrative tasks). The cost of external management cannot exceed 30 000 EUR incl. VAT if applicable per 12 months per Beneficiaries (it is proportional to duration of the project and can be reallocated between year). Please note that in order to avoid double financing, management staff cost calculated on flat rate financing cannot be combined with external management costs, otherwise it will be automatically deducted from cost category "External expertise and services". Management staff cost calculated on real cost basis and external management altogether cannot exceed 30 000 EUR in 12 months per Beneficiaries, otherwise external management cost will be automatically reduced.
- j) *Public procurement*: the eligible cost of a public procurement service can be maximum 1,5 % of the amount estimated in Application form of the procurements falling under Public Procurement Law.

Price standards and ceilings are defined by the programme is summarized in the following table<sup>9</sup>:

Cost types of visibility elements	Unit	Price standard or ceiling (Maximum amount including VAT where applicable)
Opening press conference	pcs/Beneficiary	300 €
Website	pcs/project	2.000 €
Poster	pcs/implementation scene	50 €
Billboard	pcs/investment scene	400 €
Permanent explanatory plaques	pcs/implementation scene	100 €
Promotional materials	package/Beneficiary	2.000 €
Closing ceremony and press conference/public project event	pcs/project	4.000 €

Cost types of external expertise	Unit	Price standard or ceiling (Maximum amount including VAT / percentage where applicable)
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<sup>9</sup> For further information on visibility requirements please consult Visibility Guide of the programme.



External management	partner/year	30.000 €
Public procurement	pcs/Beneficiary	1,5 %

Please note that price standards and ceilings to be applied are the **maximum amount to be reimbursed by the programme**. Costs above the price standards and ceilings set by the programme shall increase the beneficiaries' own contribution to the project.

#### 5.4.3.2.b. Special activity types:

##### Preparation

Preparation cost are not forming separate expenditure category. Approved projects which successfully signed the Subsidy contract with the MA are entitled to receive reimbursement of their preparation costs as set in the application form, on a real cost basis. The eligibility period for preparation activities is falling between 1<sup>st</sup> of January 2014 and the project start date defined in the Subsidy contract. Preparation costs must occur and outputs and deliverables must be performed in the above mentioned period. The deadline for paying the preparation costs of a project is the submission deadline of the first Beneficiary Report. Preparation cost shall be reported in the first reporting period. The following costs are eligible under this activity:

- Feasibility study: This cost is eligible if your project contains infrastructure and works cost and the preparation of feasibility study is obligatory for your organisation;
- Building documentation: costs of any of plans/drawings necessary for the application
- Building and other relevant permit (e.g.: EIA, Natura 2000 declaration) needed for the realisation of the investment part of the project;
- Translation costs (cost cannot exceed 500 EUR incl. VAT – max. 20 EUR/pages – per Beneficiary).

Costs for preparation activities cannot exceed 10% of the total cost (excluding preparation cost).

##### Catering

Buffet cost of internal project meetings which cannot exceed 10 EUR incl. VAT per individual.

#### 5.4.3.3. Documentation for the audit trail

The following documents must be provided to the controller:

- Evidence of the selection procedure, in line with EU, programme or national (including institutional) public procurement rules, depending on the amount contracted and the type of beneficiary.
- For expenditures where no public procurement procedure is required by the national law (below national threshold) :
  - Below 1 000 € (excl. VAT):** the principles of sound financial management must be applied, but no specific proof of the market price is required. Nevertheless, please note that the FLC will check it during the validation of expenditures. Note that procurement must not be split artificially to circumvent the 1 000 € threshold.
  - Equal or above 1000 and below 5000 € (excl. VAT):** beneficiaries must perform and document the execution of the proof of market price with at least one (apart from the supplier/contractor – so altogether two independent offers) – bidders shall be independent from

each other and also from the Beneficiary<sup>10</sup> – price presentation of similar product/service (e.g. through internet portal, indicative price offer, or comparison of a price offer of an already implemented project).

- Beneficiaries shall also avoid conflict of interest when performing the proof of market price.
  - Note that procurement must not be split artificially to circumvent the 1 000 € - 5 000 € threshold.
- **Equal or above 5 000 € (excl. VAT):** beneficiaries must perform and document the execution of the proof of adequate market price through request of at least three independent<sup>11</sup> price presentations of product or service by direct price offer requested or through using centralised e-procurement services.
    - Beneficiaries shall also avoid conflict of interest when performing the proof of market prices.
  - Please, note that if a member state applies stricter rules regarding public procurement, then national legislation should be followed.
- c) Contract or written agreement laying down the services to be provided with a clear reference to the project and the programme. For experts paid on the basis of a daily/hourly fee, the daily/hourly rate together with the number of days/hours contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the applicable procurement rules and must be documented.
  - d) Original invoice in line with relevant national rules. E-invoices are only eligible, if the project ID and Acronym is indicated on the invoice. Those cases where recording these information is not possible (e.g. travel services, like flights, trains) fall under the exemption of the abovementioned obligation.
  - e) Deliverables produced (e.g. studies, promotional materials) or, where applicable, documentation of the delivery (e.g. in case of events: agenda, list of participants, photo-documentation, etc.) Studies (e.g. evaluations, strategies, concept notes, design plans, handbooks) financed partly or fully from the programme should have ISBN (International Standard Book Number).
  - f) Proof of payment (e.g. bank statement, etc.).
  - g) Certification of Performance

## 5.5. Equipment

### 5.5.1. Definition

The expenditure category “equipment expenditure” refers to the costs for the financing of equipment purchased or rented by a beneficiary other than those covered by the cost category “office and administration expenditure” and necessary for the implementation of the project.

Expenditure on equipment shall be limited to the following elements:

- a) Office equipment;
- b) IT hardware and software (clear project relevance is necessary);

<sup>10</sup> Independent (Autonomous): see EC 800/2008 Annex 1, Art. 3 (1)-(3).

<sup>11</sup> Independent (Autonomous): see EC 800/2008 Annex 1, Art. 3 (1)-(3).

- c) Furniture and fittings;
- d) Laboratory equipment;
- e) Machines and instruments,
- f) Tools or devices;
- g) Vehicles (e.g. *in duly justified cases special vehicles that contribute to the project goal achievement*);
- h) Other specific equipment needed for the project.

### 5.5.2. Forms of reimbursement

Equipment expenditure shall be reimbursed by the programme on a real cost basis.

### 5.5.3. Specifications, reporting and audit trail

#### 5.5.3.1. Specific eligibility requirements

In addition to the general provisions on eligibility (see section 3.) the following applies:

- a) Equipment must be clearly linked to the project and be essential for its effective implementation.
- b) All equipment items have to be clearly described in the Application Form or if not the case, must be agreed by the MA/MC/JS according to the modification rules.
- c) Eligibility of costs for equipment is subject to the full respect of national public procurement rules, according to the thresholds, and for the type of entities as defined in the national law<sup>12</sup>.
- d) In order to ensure compliance with market prices private bodies, (in case they are not subject to national public procurement legislation), shall apply public procurement procedure.
- e) The procurement of equipment must comply with the basic principles of transparency, non-discrimination and equal treatment.
- f) Equipment expenditure cannot refer to items already financed by other subsidies (e.g. EU, national or regional) and must not be already depreciated.
- g) Where applicable, if the equipment purchased forms a deliverable or an output of the project, the relevant publicity requirements must be respected.
- h) Equipment cannot be purchased, or rented from another partner within the project.
- i) Full cost of equipment is eligible in the programme.
- j) Equipment for which the exclusive use in the project cannot be demonstrated is not eligible. Equipment for office use – e.g. computers, office furniture, etc. which is used for the daily work of the project staff – which is purchased after first six months from the project start is eligible only in duly justified cases.

#### 5.5.3.2. Documentation for the audit trail

The following documents must be provided to the controller:

<sup>12</sup> In-house subcontracting is exempt from the applicable public procurement rules in the meaning of Art. 12 of the Directive 2014/24/EU of the European Parliament and of the Council.

- a) Evidence of the selection procedure, in line with EU, programme or national (including institutional) public procurement rules, depending on the amount contracted and the type of beneficiary.
- b) For expenditures where no public procurement procedure is required by the national law (below national threshold) :
  - **Below 1 000 € (excl. VAT):** the principles of sound financial management must be applied, but no specific proof of the market price is required. Nevertheless, please note that the FLC will check it during the validation of expenditures. Note that procurement must not be split artificially to circumvent the 1 000 € threshold.
  - **Equal or above 1000 and below 5000 € (excl. VAT):** beneficiaries must perform and document the execution of the proof of market price with at least one (apart from the supplier/contractor – so altogether two independent offers) – bidders shall be independent from each other and also from the Beneficiary<sup>13</sup> – price presentation of similar product/service (e.g. through internet portal, indicative price offer, or comparison of a price offer of an already implemented project).
    - Beneficiaries shall also avoid conflict of interest when performing the proof of market price.
    - Note that procurement must not be split artificially to circumvent the 1 000 € - 5 000 € threshold.
  - **Equal or above 5 000 € (excl. VAT):** beneficiaries must perform and document the execution of the proof of adequate market price through request of at least three independent<sup>14</sup> price presentations of product or service by direct price offer requested or through using centralised e-procurement services.
    - Beneficiaries shall also avoid conflict of interest when performing the proof of market prices.
  - Please, note that if a member state applies stricter rules regarding public procurement, then national legislation should be followed.
- c) Contract or written agreement including adequate technical specifications and sufficiently detailed financial information about the purchase of equipment, with a clear reference to the project and the programme. Any changes to the contract must comply with the applicable procurement rules and must be documented.
- d) Original invoice in line with relevant national rules. E-invoices are only eligible, if the project ID and Acronym is indicated on the invoice.
- e) Proof of payment (e.g. bank statement,).
- f) Taking over certificate.
- g) Stock taking certificate.
- h) Fixed assets register.
- i) Photos.

<sup>13</sup> Independent (Autonomous): see EC 800/2008 Annex 1, Art. 3 (1)-(3).

<sup>14</sup> Independent (Autonomous): see EC 800/2008 Annex 1, Art. 3 (1)-(3).

## 5.6. Infrastructure and works

### 5.6.1. Definition

Expenditure for the financing of works<sup>15</sup> refers to costs occurred by the beneficiary for the execution of an infrastructure. Works expenditure may refer either to an object (e.g. building) that will be set up *ex-novo* or to the adaptation of an already existing infrastructure.

Works expenditure shall be limited to elements listed in annex II of the Directive 2014/24/EU.

Costs of feasibility studies, environmental impact assessments, architectural/engineering activities and any other expertise needed for the realisation of the infrastructure and not comprised in the aforementioned Directive shall be allocated under “Staff” or “External expertise and services” cost category (depending whether carried out internally by the beneficiary or with the support of external suppliers, respectively).

### 5.6.2. Forms of reimbursement

Works expenditure shall be reimbursed by the programme on a real cost basis.

### 5.6.3. Specifications, reporting and audit trail

#### 5.6.3.1. Specific eligibility requirements

In addition to the general provisions on eligibility (see section 3.) the following applies:

- a) Works must clearly link to the project and be essential for its effective implementation.
- b) Works have to be duly described in the Application Form or in its valid modifications.
- c) Full cost for realising infrastructure and works within the project is eligible.
- d) Eligibility of costs for works is subject to the full respect of national public procurement rules, according to the thresholds, and for the type of entities as defined in the national law<sup>16</sup>.
- e) In order to ensure compliance with market prices private bodies, (in case they are not subject to national public procurement legislation), shall apply public procurement procedure.
- f) The procurement of works must comply with the basic principles of transparency, non-discrimination and equal treatment.
- g) Furthermore, and depending on the nature of the intervention linked to the works to be carried out, all compulsory requirements set by Community and national legislation on environmental policies or other relevant policies released by national/regional/local authorities (e.g. building permission), must be fulfilled. In particular, any requirement deriving from the different Directives in force must be strictly observed.
- h) The Applicants shall prove the ownership of the land and/or buildings where construction/reconstruction works will be carried out. The Applicant shall prove the ownership with copy of the property deed not older than 90 days when submitting the Application form. The property deed does not have to be authenticated. In case the Applicant is not the owner of the land and/or buildings where the construction/reconstruction works will be carried out, Applicant shall provide permission to use or operate of the property for at least for 10 years from

<sup>15</sup> Article 2(1) of the Directive 2014/24/EU of the European Parliament and of the Council of 26.02.2014 defines a “work” as “the outcome of building or civil engineering works taken as a whole which is sufficient in itself to fulfil an economic or technical function”.

<sup>16</sup> In-house subcontracting is exempt from the applicable public procurement rules in the meaning of Art. 12 of the Directive 2014/24/EU of the European Parliament and of the Council.

the date of submission of the Application form. In case of land or building purchase in the frame of the project, Applicants shall submit a letter of intent of the current owner on selling of the property along with an appraisal report of independent property appraiser in order to justify the market price. The report cannot be older than 90 days at the time of the submission of the Application form. In case the project contains construction of border crossing roads, bridges or ferries and land acquisition<sup>17</sup> is necessary, Applicants may submit the proof of ownership not later than six month after the receipt of the notifying letter on the approval of the project from the Managing Authority. Managing Authority reserves the right not to conclude the Subsidy contract in case the proof of ownership is not provided within the given deadline.

- i) The purchase of land not built on and land built on is eligible if the price of the purchase does not exceed 10 % of the total eligible expenditure for the operation concerned. Above 5000 EUR (excl. VAT) the land to be bought should be appraised by an expert. The certificate of the land appraisal will serve as the documentation of market research.
- j) In the case of works being part of a larger infrastructural investment, the part realised in the frame of Interreg V-A Slovakia-Hungary Cooperation Programme must be clearly and univocally identifiable.
- k) Where applicable, infrastructure and works realised by the project must respect the relevant publicity requirements.
- l) Requirements concerning durability, including ownership and maintenance, as provided for in Article 71 of Regulation (EU) No. 1303/2013 apply to infrastructures realised by the project.
- m) The existence of infrastructure and works realised by the project and their clear identification to the project must be verified on-the-spot by controllers for each realised item.

#### 5.6.3.2. Documentation for the audit trail

The following documents must be available for the audit trail.

- a) As annex of the Application Form:
  - a.a. Legal documents specifying the ownership or permission to use of land and/or buildings where the works will be carried out as described in point 5.6.3.1. h.
  - a.b. Technical plans including short textual description of the planned construction/reconstruction works in English, with photo documentation of the current situation and preliminary cost calculation.
- b) At latest by ERDF contracting:
  - b.a. Necessary permissions for the execution of the works, issued by the relevant national/regional/local authorities.
- c) During implementation:
  - c.a. Evidence of the appropriate selection procedure, in line with EU, programme or national (including institutional) public procurement rules, depending on the nature of the concerned works and of the amount contracted.
  - c.b. For expenditures where no public procurement procedure is required by the national law (below national threshold):
    - **Below 1 000 € (excl. VAT):** the principles of sound financial management must be applied, but no specific proof of the market price is required. Nevertheless, please

<sup>17</sup> Purchase or expropriation according to national legislation.

note that the FLC will check it during the validation of expenditures. Note that procurement must not be split artificially to circumvent the 1 000 € threshold.

- **Equal or above 1000 and below 5000 € (excl. VAT):** beneficiaries must perform and document the execution of the proof of market price with at least one (apart from the supplier/contractor – so altogether two independent offers) – bidders shall be independent from each other and also from the Beneficiary<sup>18</sup> – price presentation of similar product/service (e.g. through internet portal, indicative price offer, or comparison of a price offer of an already implemented project).
    - Beneficiaries shall also avoid conflict of interest when performing the proof of market price.
    - Note that procurement must not be split artificially to circumvent the 1 000 € - 5 000 € threshold.
  - **Equal or above 5 000 € (excl. VAT):** beneficiaries must perform and document the execution of the proof of adequate market price through request of at least three independent<sup>19</sup> price presentations of product or service by direct price offer requested or through using centralised e-procurement services.
    - Beneficiaries shall also avoid conflict of interest when performing the proof of market prices.
  - Please, note that if a member state applies stricter rules regarding public procurement, then national legislation should be followed.
- c.c. Contract or written agreement including the required technical specifications and sufficiently detailed financial information about the supply of the works, with a clear reference to the project and the programme. Any changes to the contract must comply with the applicable procurement rules and must be documented.
- c.d. Original invoice in line with relevant national rules. E-invoices are only eligible, if the project ID and Acronym is indicated on the invoice. Contractual advances in accordance with normal commercial law and practice, stipulated in a contract between the beneficiary and the contractor, supported by receipted invoices (e.g. advance payment) are eligible but dependent to later confirmation that the service has been properly and timely delivered, therefore it can be only reimbursed when final invoice has been issued and paid.
- c.e. Proof of payment (e.g. bank statement).
- c.f. If applicable, after the finalisation of the works, but at latest with the final beneficiary report the usage permit issued by the relevant authority.
- c.g. The relevant publicity requirements must be respected.
- c.h. Taking over certificate, technical taking over certificate, building records.
- c.i. Certification of performance.
- c.j. Stock-taking certificate.

<sup>18</sup> Independent (Autonomous): see EC 800/2008 Annex 1, Art. 3 (1)-(3).

<sup>19</sup> Independent (Autonomous): see EC 800/2008 Annex 1, Art. 3 (1)-(3).

c.k. If applicable, documentation of land appraisal.



## 6. ANNEXES

### Annex I – Periodic staff Report

Periodic staff report for staff working in the project full time or part time with fixed %.

General information	
Project number:	
Project acronym:	
Name of LB/B	
Personal and contractual information	
Name of employee:	
Main function in project:	
Working <b>full-time</b> in the project: (Ref. to 5.1.2.2.a point of the Guide on eligible expenditures)	<input type="checkbox"/>
Working part-time in the project according to a <b>fixed % of time per month</b> (Ref. to 5.1.2.2.b.a point of the Guide on eligible expenditures) <i>(Please also specify the planned % per month as in the employment document and/or in the official assignment to the project)</i>	<input type="checkbox"/> (__ %)
Involved in other projects funded by EU or national subsidies: <i>(If yes please specify the project(s) name, the funding programme(s) and the % of time allocated to such project(s))</i>	<input type="checkbox"/> YES <input type="checkbox"/> NO - - -
Report of the period	
Reporting period No.:	
From:	dd.mm.yyyy
To:	dd.mm.yyyy
Description of activities carried out in the period <i>(at least cca. 1000 characters)</i>	
Contribution to deliverables/outputs listed in the application form <i>(at least cca. 500 characters)</i>	

Date: \_\_\_\_\_ Signature of the employee \_\_\_\_\_

Date: \_\_\_\_\_ Name of the supervisor \_\_\_\_\_

Signature of the supervisor \_\_\_\_\_

## Annex II – Calculation of the revenues

## Calculation of net revenue (generated during implementation of the operation) at the closure of the project implementation

Calculation of net revenue (generated <u>during implementation of the operation</u> ) <u>at the closure of the project implementation</u> - filling in is obligatory for every Beneficiary!								
year of implementation	2020	2019	2018	2017	2016	2015	2014	
<b>Income</b> (connected to project activities)	0	0	0	0	0	0	0	
item 1								
item 2								
item 3								
item 4								
year of implementation	2020	2019	2018	2017	2016	2015	2014	
<b>Costs</b> (connected to project activities which were generated income; <u>not included in reports - no reimbursements to the project within the Programme</u> )	0	0	0	0	0	0	0	
item 1								
item 2								
item 3								
item 4								
<b>Balance</b>	0	0	0	0	0	0	0	
discount rate	4%							
year to be discounted to (year of project closure) (Filling out by Lead Beneficiary is an obligatory based on the information provided by Beneficiaries):	2020							
Net revenue discounted to year of project closure.:	0							
	0	0	0	0	0	0	0	

Explanation							
Content of Income item 1					Content of Cost item 1		
Content of Income item 2					Content of Cost item 2		
Content of Income item 3					Content of Cost item 3		
Content of Income item 4					Content of Cost item 4		
<p>I, <b>&lt;name of the person represent the Lead Beneficiary&gt;</b>, as representative of <b>&lt;Name of Lead Beneficiary, Address of the Lead Beneficiary &gt;</b> as a Lead Beneficiary of Project <b>&lt;Project title, Project ID&gt;</b> which is implemented in the framework of Interreg V-A Hungary-Croatia Cooperation Programme 2014-2020 hereby declare that the above mentioned informations are true and correct.</p>							
<p>Issued &lt;Place&gt;, &lt;dd&gt;/&lt;mm&gt;/&lt;yyyy&gt;</p>							
<p>.....</p>							
<p>&lt;Signature and stamp of the Lead Beneficiary representative&gt;</p>							

**NPV calculation before project implementation (project application phase) - obligatory for projects with total costs above 1.000.000 EUR**

NPV calculation before project implementation ( <b>project application phase</b> ) - <b>obligatory for projects with total costs above 1.000.000 EUR</b> (Article 51 (7) of the CPR)							
Calculation of net revenue (will be generated during implementation of the operation)							
year of implementation	2017	2018	2019	2020	2021	2022	2023
<b>Income</b> (connected to project activities)	0	0	0	0	0	0	0
item 1							
item 2							
item 3							
item 4							
year of implementation	2017	2018	2019	2020	2021	2022	2023
<b>Costs</b> (connected to project activities which were generated income; <u>not included in reports - no reimbursements to the project within the Programme</u> )	0	0	0	0	0	0	0
item 1							
item 2							
item 3							
item 4							
<b>Balance</b>	0	0	0	0	0	0	0
discount rate	4%						
Year of calculation (year 0.)	2017						
Net revenue discounted to year 0. :	0						
	0	0	0	0	0	0	0

Explanation							
Content of Income item 1					Content of Cost item 1		
Content of Income item 2					Content of Cost item 2		
Content of Income item 3					Content of Cost item 3		
Content of Income item 4					Content of Cost item 4		
<p>I, <b>&lt;name of the person represent the Lead Beneficiary&gt;</b>, as representative of <b>&lt;Name of Lead Beneficiary, Address of the Lead Beneficiary &gt;</b> as a Lead Beneficiary of Project <b>&lt;Project title, Project ID&gt;</b> which is implemented in the framework of Interreg V-A Hungary-Croatia Cooperation Programme 2014-2020 hereby declare that the above mentioned informations are true and correct.</p>							
<p>Issued <b>&lt;Place&gt;</b>, <b>&lt;dd&gt;/&lt;mm&gt;/&lt;yyyy&gt;</b></p>							
<p>.....</p>							
<p><b>&lt;Signature and stamp of the Lead Beneficiary representative&gt;</b></p>							