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INTRODUCTION

This Fact Sheet shall provide the rules and procedures which must be followed by all approved URBACT III networks concerning financial and control matters. It will provide information about the eligibility of costs as well as programme requirements concerning control and audit.

It sets out the key important points which all network lead partners and project partners **MUST** be aware of.

In addition to this more official programme manual fact sheet, a Guide to Network Management has been developed to provide more detailed information on the practical application of these rules to an URBACT network.

1. Project Budget and Eligible Costs

Both the Phase 1 and Phase 2 Application shall include, among other documents, a detailed budget. The budget shall be developed for Phase 1 and shall be updated for the Phase 2 application.

The budget must respect the format as established by the financial tables included in the official templates, be clear and understandable, and be balanced (in terms of allocated funds towards budget categories and partners).

In order to fulfil the duties required for sound project management (in terms of administrative and financial follow up, strategic management, and communication and dissemination) the Lead Partner shall set up a dedicated team which represents also the referent contact point for the Secretariat (see Fact Sheet 2E). The project budget shall foresee reasonable financial resources for staff working at Lead Partner level in order to ensure efficient project implementation and management.

The experience from previous URBACT programmes has shown that the workload resulting from the tasks and responsibilities of a Lead Partner requires an investment in human resources which corresponds to at least 2 full-time posts. Therefore, in order to efficiently ensure its role of project coordinator, each Lead Partner in URBACT must involve a level of internal human resources corresponding to minimum 2 full-time posts for the project management. It is strongly requested that the administrative and financial management be led internally by the Lead partner. In case of an externalisation, the Lead Partner administration will need to demonstrate strong linkages and outline working methods in the application form to allow the External Assessment Panel to assess the impact of this arrangement. Yet the Lead Partner can in no way delegate the financial and legal responsibility for the project. For the project coordination and administrative/financial management, the level of human resources mobilised by the Lead Partner should correspond to 2 full-time posts. For a project partner one full time equivalent should be foreseen.

Realistic costs for management activities at Partner level should be taken into account to ensure an active engagement from all Partners. A half time position should be foreseen for project coordinator at partner level. It is strongly recommended that a further half time position be made available for finance reporting and registering of costs.

The Lead Partner is responsible for outlining the eligible programmed budget per partner in the Joint Convention (see fact Sheet 2E). This should be in line with that approved in the final application form. If there are differences due to shared costs these should be explained in the Joint Convention.

As outlined in the Subsidy Contract the partner budget as programmed in the approved application form cannot be exceeded besides the 20% flexibility allowed (see factsheet 2F for details). Any change to the budget within the flexibility must be explained by the Lead Partner.

1.1 Budget Categories

The budgets for Phase 1 and 2 shall be presented using 5 budget categories as follows:

BUDGET CATEGORY	SHORT DESCRIPTION
1) Staff costs	Expenditure on staff members employed by the partner organisation, who are formally engaged to work on the project and normally listed in the SYNERGIE system.
2) Office and Administration Costs	Operating and administrative expenses of the partner organisation that support delivery of project activities (fixed rate of 3% of declared staff costs).
3) Travel and Accommodation Costs	Expenditure on travel and accommodation costs of staff of partner organisations that relate to delivery of the project. This category included travel costs, accommodation costs, costs of meals, visa costs, and/or daily allowances/per diems.
4) External expertise and services costs	Expenditure for external expertise and services provided by a public or private body or a natural person outside of the partner organisation. This 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 that are requested to carry out certain tasks or activities linked to the delivery of the project. All additional costs related from external experts (e.g. travel and accommodation expense for external experts) should be recorded under this budget category. This category also includes all costs linked to the organisation of meetings.
5) Equipment expenditure	Expenditure for small items of equipment purchased, rented or leased by a partner, necessary to achieve the objectives of the project.

A budget reallocation of up to 20% from a budget category to another or from one partner to another shall be possible. Such changes should be clearly documented and explained in the 6-monthly progress report even if they have no impact on the Subsidy Contract or the Application Form. A reallocation over 20% of the initial amount shall be possible only through a reprogramming procedure (see Fact Sheet 2E) to be approved by the Monitoring Committee.

In the following sections a short description of each budget category is provided. For each category, an explanation of the type of costs concerned by the given category together with some clarifications about the way to forecast, calculate and account the expenditure are also outlined.

The URBACT Joint Secretariat would recommend following as closely as possible these indications in order to ensure a coherent and balanced budget in the project application.

Budget Category 1 - Staff Costs

Staff costs are defined as expenditure on costs of **staff members** employed by the partner organisations, who are formally engaged to work on the project on a full time or part time basis.

Costs for project management (staff and external expertise combined) should not normally exceed 40% of the total project budget.

All the staff employed by partners shall be clearly identified in the application form or as a contact within the partner team in a list held by the Joint Secretariat.

General principles

- Staff costs must relate to activities which the partner organisation would not carry out if the project was not undertaken.
- Overheads and any other office and administration costs cannot be included under this budget line.
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line.
- Appointed staff for the project shall not normally be eligible to be recruited as external experts for the same project (some national rules apply in such cases so please consult the JS for further clarification).
- The URBACT Programme does not operate flat rate for staff costs as the percentage permitted within the regulations is not sufficient.
- Staff costs are recommended to be declared and refunded based on the method outlined below.

Claiming Staff Costs

- Staff costs cover real costs paid out based on a payslip or a document of equivalent probative value. Data from the organisation's accounting system may be accepted, in line with the controllers' professional judgement regarding reliability of the system.
- The following costs are eligible components of staff costs:
 - Salary payments fixed in the employment/work contract, an appointment decision or by law. Any other costs directly linked to the salary payments, incurred and paid by the employer, such as employment taxes and social security including pensions as long as they are fixed in the employment document, they are in accordance with the legislation and standard practices in the country and/or organisation and they are not recoverable by the employer.
- The salary payments must relate to responsibilities specified in a job description of the individual staff member concerned.
 - Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the partner organisation, e.g. lunch vouchers, bonus payments, relocation benefits. Holidays, sick leave and annual or maternity leave as resulting

from normal employer's obligations are eligible as far as they are paid and not refunded by the social security system. The cost forms part of the gross employment cost. If the personnel employed by the partner/lead partner institution works less than 100% on the project, a pro rata calculation must be made.

- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.
- Staff costs must be calculated individually for each staff member.

For staff employed full time on a project no registration of the working time is required.

For all staff not employed full time on a project working time must be recorded (e.g. timesheets providing information on the number of hours spent per month on the project and covering all other activity to ensure that there is no double funding) throughout the duration of the action. The records should be certified at least once a month by the line manager of the staff claiming costs.

The timesheet shall:

- be filled in separately for each employee involved in the project;
- contain information on a monthly basis about the total hours worked by the employee AND the hours worked specifically for the project;
- state briefly the activities performed within the project (a template can be provided on request by the Joint Secretariat.);
- in the case of part-time employment for the project: the timesheet must indicate activities performed outside the project (e.g. "work for another EU financed project", "statutory tasks" etc.);
- be signed by the employee and his/her supervisor.

The following section details the different options the partner organisation can experiment when claiming staff costs:

1. Person employed by the partner organisation, and working full-time on the project
2. Person employed by the partner organisation, working partly on the project at a fixed percentage
3. Person employed by the partner organisation, working partly on the project at a flexible percentage (flexible number of hours per month)
 - a. Calculation based on the contractual hours as indicated in the employment contract
 - b. Calculation based on dividing the latest documented annual gross employment costs by 1,720 hours
4. Person employed by the partner organisation on an hourly basis.

In this regards, the URBACT III programme offers to interested project partners timesheet templates which can be used to record the time worked by the staff working on the implementation of the project. It is important to note that timesheets are not needed if the staff costs calculation can be based on fixed percentages.

The document can be found [here](#) and contains three worksheets, each dedicated to one of the different calculation methods requiring timesheets:

- Calculation based on the contractual hours as indicated in the employment contract
- Calculation based on dividing the latest documented annual gross employment costs by 1,720 (according to Article 68(2) of Regulation (EU) No 1303/2013)
- Calculation based on contracts on an hourly basis

When using the timesheet models it is important to keep in mind that:

- Project partners are free to use these timesheets, they serve as an example only and are not compulsory to use. In case project partner organisations use their own time registration system, they can be used as long as they comply with the programme rules.
- In case of mistakes in the formulas in the provided timesheets, the programme authorities cannot be held liable.

The URBACT programme proposes to use the method for calculation of the hourly rate according to Article 68(2) of Regulation (EU) No 1303/2013 the calculation method shall be the last documented annual gross employment cost divided by 1720 hours. The annual gross employment cost should be documented in the work contract or other appropriate document for newly appointed staff (for example in the work contract of another appointed staff employed at the same position) in order to allow costs to be claimed in the first year of operation.

Member/Partner States may, if they wish, apply national or sub-national guidance for the application of the calculation methodology set by Article 68(2) of Regulation (EU) No 1303/2013. This guidance should be made available to the Joint Secretariat and provided to all potential applicants at national level.

The hourly rate should be multiplied by the number of hours actually worked on the project and costs can be reported on a monthly, quarterly or six-monthly basis.

Staff costs are considered as a cash contribution (and not in-kind contribution) as they are actually paid by the partner institution. In kind staff contributions refer specifically to unpaid work as outlined in Article 69 (1) of EU Regulation 1303/2013.

Allowances paid to elected representatives are normally considered to be not eligible costs. In some countries specific rules for elected representatives apply which can mean that such costs are considered to be equivalent to a salary. It is necessary to discuss these cases with the Secretariat prior to their certification.

The following documents must be available for control purposes:

- Employment/work contract or an appointment decision/contract considered as an employment document.
- Job description providing information on responsibilities related to the project.
- Payslips or other documents of equivalent probative value.
- Proof of payment of salaries and the employer's contribution.
- Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. The time registration system must cover 100% of the actual working time of the individual.

Staff costs – eligible costs summary
Salary payments
Employment taxes
Sickness benefits*
Maternity and equivalent paternity benefits*

Invalidity benefits
Old-age benefits*
Survivors' benefits
Benefits in respect of accident at work and occupational diseases
Death grants
Unemployment benefits
Pre-retirement benefits*
Family benefits*
Pensions
Relocation benefits
Bonus payments
Lunch vouchers
Holidays
Overtime (provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member)

* Costs falling into the scope of social security branches covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council

Budget Category 2 - Office and Administration Costs

Expenditure on office and administration covers operating and administrative expenses of the partner organisations that support delivery of project activities.

General principles

- No cost item can be taken into account twice as direct and indirect, i.e. no double funding is permissible (ref: Article 65(11) Common Provisions Regulation (EU) No 1303/2013)
- Office equipment, IT hardware and software, and furniture and fittings cannot be included under this budget line; the cost must be reported as equipment expenditure. This does not include IT system support of an administrative nature; the cost falls under the office and administration budget line.
- External expertise and services purchased for the purpose of the project control and audit cannot be included under this budget line; they must be reported as external expertise and services costs.

In the URBACT programme office and administration costs shall be reimbursed by the programme as a flat rate of 3% of staff costs for all networking projects.

Claiming office and administration costs

Office and administration costs shall be calculated as a flat rate of 3% of staff costs. This flat rate calculation is made automatically in the SYNERGIE CTE system based on the staff costs presented. No expenditure falling into this category shall be reported in the SYNERGIE-CTE system.

Office and administration costs = 3% eligible staff costs

The flat rate covers all office and administration costs, i.e. there is no distinction between direct and indirect costs. By applying the 3% flat rate option, partners do not need to document that the expenditure has been incurred and paid, or that the flat rate corresponds to the reality.

An all-inclusive list of cost elements covered under the office and administration category of costs is

provided in Article 4 of the Commission Delegated Regulation (EU) No 481/2014. A summary table outlining costs which can be considered relevant for URBACT within the 3% flat rate is outlined below:

Office and administration – eligible costs summary
Office rent
Insurance related to the buildings where staff is located
Insurance related to the equipment of the office (e.g. fire, theft insurance)
Taxes related to the buildings where staff is located
Electricity
Heating
Water
Other utilities
Office supplies (pens, paper, photocopy toner)
General accounting in the organisation
Archives
Maintenance
Cleaning
Repairs
Security
IT systems
Telephone
Fax
Internet
Postal services
Business cards
Bank charges for opening and administrating the account(s) where separate account is required
Charges for transnational financial transactions
Coffee/biscuits for small project meetings
Education/guidance books

Budget Category 3 - Travel and Accommodation Costs

Expenditure on travel and accommodation covers costs of staff employed in the partner organisation to deliver the project. They cover travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll and parking fees, accommodation costs, costs of meals, visa costs, and/or daily allowances).

Furthermore, it is recommended to use least environmentally damaging means of transport (e.g. train over flight, green public transport vehicles over taxi/car etc.). In such cases, higher costs may be declared provided that the circumstances justifying this amount are documented in accordance with the above principles and in conformity with the national and/or sub-national legislation and the internal policy of the partner organisation.

Eligibility may vary based on national or local rules.

General principles

- Travel and accommodation costs must clearly link to the project and be essential for effective delivery of the project activities.
- Costs must be definitely borne by the partner organisation. Direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer.
- The principle of sound financial management should apply to the choice of transport and accommodation. The most economic considering financial and environmental costs should be used. This may not be the cheapest option, and in such cases, the higher cost should be justified to demonstrate a lower environmental cost. Partners should check rules applicable locally and nationally regarding use of other means of transportation such as taxi.
- When selecting transport modes it is possible to select least environmentally damaging options which may cost more than other modes of transport. Such options should be justified.
- All non-essential travel should be avoided by for example using digital communication and collaboration tools and introducing virtual meetings and web-conferences where possible
- Any expenditure item defined as travel costs, accommodation costs, costs of meals or visa costs that is already covered by a daily allowance, cannot be eligible in addition to the daily allowance, i.e. no double funding is permissible (ref: Article 65 (11) Common Provisions Regulation (EU) No 1303/2013).
- Daily allowances can be eligible in accordance with national rules on daily allowances.
- Travel and accommodation costs for members of the URBACT Local Groups, in case they are not employed by the partner organisation, cannot be included under this budget line; they must be reported as external expertise and services costs.
- Travel and accommodation costs of external experts, natural persons (e.g. speakers, chairpersons, teachers, etc.) and service providers cannot be included under this budget line; they must be reported as external expertise and services costs.

Claiming travel costs

- Costs of travel and accommodation related to activities outside the Union are only eligible, if incurred in accordance with article 20(2) of Regulation No 1299/2013 and if they have been included in the approved Application Form or approved by the programme Secretariat following a request for travel. In all cases, benefits of such activities to the programme area must be demonstrated.
- Maximum daily rates for hotel and subsistence should be respected, in accordance with the national legislation and/ or internal policy of the partner organisation.
- Travel and accommodation costs should be properly documented in line with the national legislation or internal policy of the partner organisation. In very exceptional cases national rules concerning missing/lost documents may be accepted.
- Travel and accommodation costs shall be justified for control purposes using paid invoices, travel tickets, proof of travel (boarding passes), proof of payment, agenda, signed attendance list or similar meeting documents

Project partners may refer to the maximum eligible rates in EUR for hotel and daily subsistence allowance according to Council Regulation (EC, Euratom) No 337/2007 of 27 March 2007 <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32007R0337&from=EN> should they not be required to apply the national thresholds.

The following main documents must be available for control purposes:

1. Agenda or similar of the meeting/seminar/conference along with a report of the session, if appropriate;
2. Signed attendance sheet where available;
3. Paid invoices (e.g. hotel bills, travel tickets);
4. Daily allowance claims;
5. Proof of payment including advance payments, if appropriate.

An all-inclusive list of cost elements covered by the travel and accommodation category of costs is provided in Article 5 of the Commission Delegated Regulation (EU) No 481/2014. A summary table relevant for URBACT is outlined below:

Travel and accommodation – eligible costs summary
Travel tickets (public transport)
Flight ticket - economy class
Taxi
Travel insurance / Car insurance
Fuel
Car mileage
Toll
Parking fees
Costs of meals
Cost of alcohol beverages (eligibility may vary based on national or local rules)
Accommodation
Visa
Daily allowance/per diem (maximum rates may vary based on EU, national or local legislation)

Budget Category 4 - External expertise and services costs

This category covers expenditure for the financing of external expertise and services provided by a public or private body or a natural person outside of the partner organisation. External expertise and services covers costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement from external experts and service providers that are required to carry out certain tasks or activities linked to the delivery of the project.

These might include, for example:

- external experts or speakers involved in meetings and seminars,
- external independent financial control (in compliance with country specific control requirements),
- verifications under Article 125(4)(a) of Regulation (EU) No 1303/2013 and Article 23(4) of Regulation (EU) No 1299/2013,
- translations,
- writing, lay out, printing of promotion material such as newsletter,
- external event organisation (if the organisation of the event is sub-contracted to an external service provider including rent, catering or interpretation),
- studies and surveys,
- actions related to carbon compensation as outlined in section 1.2 below
- support for project management or local coordination (these costs must be taken into account

along with staff costs for the calculation of the 40% allowed for management costs in the network budget)

- support at programme level for certification or audit matters
- travel and accommodation for external experts, speakers, chairpersons of meetings, ULG members not directly employed by the partner organisation and service providers as part of a contract or with separate justification. Expenditure on travel and accommodation covers travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, toll and parking fees, accommodation costs, costs of meals, visa costs, and/or daily allowances). Furthermore, it is recommended to use least environmentally damaging means of transport (e.g. train over flight, green public transport vehicles over taxi/car etc.). In such cases, higher costs may be declared provided that the circumstances justifying this amount are documented in accordance with the above principles and in conformity with the national and/or sub-national legislation and the internal policy of the partner organisation. Eligibility may vary based on national or local rules.

General principles

- The work by external experts and service providers must be essential to the project.
- Each partner organisation is responsible for ensuring that EU and national public procurement rules are respected and that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment as defined in the EC Treaty and the Commission Interpretative Communication on the Community law applicable to contract awards below the EU thresholds.
- No sub-contracting between project partners is allowed.
- No contracting of employees of the partner organisations as external experts, e.g. as freelancers, is allowed.
- As a general rule, gifts are ineligible, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information.

Claiming Expertise Costs

- All additional costs related to external experts (e.g. travel and accommodation expenses for external experts) should be recorded under this budget line.
- External expertise and services purchased for the purpose of the project control, audit, and communication should be included under this budget line.
- Expertise costs shall be justified for control purposes by providing evidence of selection process, in line with national procurement rules or the EU public procurement rules depending on the amount contracted; a contract or written agreement laying down the services to be provided and clearly mentioning the project concerned as well as the daily rate and the number of days contracted; all changes to the initial contract should be documented; invoices requesting payment; proof of the work carried out and evidence of the deliverables and finally proof of payment.
- There are no fixed rates or ceilings established by the programme for budgeting and reporting external expertise costs. Normal market rates resulting from public procurement procedures apply.

The following main documents must be available for control purposes:

1. Evidence of the selection process, in line with national procurement rules or the EU

public procurement rules depending on the amount contracted ensuring the strictest rules are applied.

2. A contract or a written agreement laying down the services to be provided with a clear reference to the project. For experts paid on the basis of a daily fee, the daily rate together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the public procurement rules and must be documented.
3. An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules.
4. Outputs of the work of external experts or service deliverables.
5. Proof of payment.

A list of cost elements covered under the external expertise and services category of costs is provided in Article 6 of the Commission Delegated Regulation (EU) No 481/2014. A summary is provided below:

External expertise and services – eligible costs summary
Studies and surveys
Evaluations
Strategies
Concept notes
Design plans
Handbooks
External researchers
Trainings
Translations
Promotion, communication, publicity, information
Design, edit, print, distribution of project brochures, leaflets, publications, bags, etc.
Publishing of promotion articles, inserts in newspapers, press releases, etc.
Organisation and implementation of events or meetings
External speakers
Rent of venue
Catering
Interpretation
Registration fee
Financial management provided by external service providers*
Project coordination provided by external service providers*
Legal consultancy
Notarial services
Technical expertise
Financial expertise*
Other accountancy services*
Intellectual property rights
Control and audit of the project
External first level controllers
Travel and accommodation for experts/ speakers / chair / service providers
Advance payments to providers, if in line with national rules and agreed in the contract

*Costs in grey should be taken along with staff costs into account for the calculation of the 40% allowed for management costs within the network budget.

Budget Category 5 – Equipment expenditure

This category covers expenditure for the financing of equipment purchased, rented or leased by a partner, necessary to achieve objectives of the project. This includes costs of equipment already in possession by the partner organisation and used to carry out project activities.

In the context of the URBACT programme, this category usually refers to IT equipment such as a computer, laptop or a printer necessary for project coordination and financial management purposes. Due to the nature of the URBACT III projects, cost for equipment shall be moderate and clearly justified in the Application form.

Usually, the purchase should be made in the first 6 months of the project Phase 2. As the purchase of equipment cannot be a core element in an URBACT project, it should remain exceptional.

General principles

- Costs of equipment are eligible if they have been approved by the programme.
- Costs of equipment are eligible if no other EU funds have contributed towards financing of the same expenditure item, i.e. no double funding is permissible (ref: Article 65(11) Common Provisions Regulation (EU) No 1303/2013).
- All costs are subject to applicable public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected.

Claiming equipment costs

- Purchase cost of equipment is eligible, if it is used solely for the purpose of the project or the target group in line with objectives of the project and incurred and paid within the eligible period.
- For equipment that has been purchased before the project approval but used solely for the project or equipment purchased during the project lifetime but used partially for the project, only a pro rata cost related to the project (duration, degree of use) is eligible. This share has to be calculated according to a justified and equitable method in line with the legislation or general accounting policy of the partner organisation.
- Depreciation applies if the economic life-time of equipment exceeds the duration of the project (ref. Article 69.2 Common Provisions Regulation (EU) 1303/2013). The cost has to be calculated in accordance with the legislation and general accounting policy of the partner organisation.
- Full purchase cost of equipment that is not depreciable (e.g. low-value asset) is eligible. Purchase cost of second-hand equipment is eligible, provided the equipment complies with applicable norms and standards and its price does not exceed the generally accepted price on the market.
- As a general rule, provision of equipment as in-kind contribution is eligible (ref: Article 69.1 Common Provisions Regulation (EU) No 1303/2013), provided that the value of the contribution does not exceed the generally accepted price on the market and it can be independently assessed and verified. However, some countries may establish in their national control guidelines that no in-kind contribution is eligible under this budget line.

The following main documents must be available for control purposes:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract;
2. Contract for equipment;
3. Invoice (or a supporting document having equivalent probative value to invoices, in the case of depreciation) providing all relevant information in line with the applicable accountancy rules;
4. Calculation scheme of depreciation;
5. Proof of payment.

A list of cost elements covered by the equipment category of costs is provided in the Commission Delegated Regulation (EU) No 481/2014. A summary table is outlined below:

Equipment – eligible costs summary
Office equipment
Computers
Monitors
Printers
Scanners
Digital projectors
Digital/video cameras
IT software
Office furniture
Fittings
Exhibition equipment

A full list covering all budget categories is attached in Annex 1 of this Fact Sheet. It outlines examples of eligible costs for the URBACT programme and lists a number of costs which are not considered eligible according to the EU regulations.

1.2 Other Eligibility Considerations

When projects prepare their budget, it is important to take into account the eligibility rules for ERDF funded expenditure defined in:

- Regulation (EC) No 1301/2013 and amendments
- Regulation (EC) No 1303/2013 and amendments
- Regulation (EC) No 1299/2013 and amendments
- Commission Delegated Regulation (EU) 481/2014
- the rules laid out in the Programme Manual and in other Programme documents
- the Calls for Proposals
- the Operational Programme adopted on 12 December 2014 and subsequent updates
- the relevant national control guidelines and internal rules of the Partner/Lead Partner

Public Procurement

Whenever a project purchases services, goods, equipment, etc. externally, public procurement rules must be adhered to, including European public procurement rules as well as the relevant national and internal rules of the Partner/Lead Partner responsible for subcontracting. As the national rules result from a transposition of the EU directives on public procurement into national law, the rules may vary between the countries.

The fundamental principles of public procurement (transparency, non-discrimination, equal treatment and effective competition) also apply to purchases of services and goods below the EU-threshold values. The procurement requirements below and above the thresholds mainly differ with regards to the set of formal procedures that a sub-contracting body has to go through (e.g. requirements for publication of the tender documents, minimum duration of the publication). The adherence to public procurement procedures should be well documented. Documents such as public procurement note, terms of reference, offers/quotes, order form, contract have to be available for financial control and audit purposes. In cases where procurement is below the EU threshold, each partner organisation is responsible for ensuring that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment as defined in the EC Treaty and the Commission Interpretative Communication on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives.

Value Added Tax (VAT)

VAT does not constitute eligible expenditure unless it is genuinely and definitely borne by the Partner/Lead Partner's institution. VAT which is recoverable by whatever means cannot be considered as eligible even if it is not actually recovered by the Partner/Lead Partner's institution. In the Application Form, partners will be asked to provide a confirmation about their VAT status: partners shall declare if they pay VAT or not and if this VAT is recoverable or not (partially or fully). Rules on VAT vary between the countries, detailed specific national VAT legislation and restrictions apply. Therefore in the financial report, first level controllers shall check if the controlled partner has declared or deducted VAT in compliance with its VAT status. First Level Controllers shall also check if the VAT status of the partner has changed during the project life.

Financial Charges

Charges for transnational financial transactions are eligible but interest on debt is not. Where the implementation of an operation requires a separate account to be opened, the bank charges for opening and administering the account shall also be eligible. The above costs are comprised in the budget category Office and Administration within the 3% flat rate. They are therefore eligible but not to be reported and claimed separately. Fines, financial penalties and foreign exchange losses are not eligible according to Article 2 Commission Delegated Regulation (EU) No 481/2014.

In-kind contribution

In kind contributions are regulated by Article 69.1 Common Provisions Regulation (EU) 1303/2013. Such contributions are rarely present with URBACT projects.

Revenue

If a project generates revenue for example through services, conference participation fees, sales of brochures or books, it must be deducted from eligible costs in full or pro-rata depending on whether it was generated entirely or only partly by the co-financed operation. The ERDF funding is calculated on the basis of the total cost after deduction of the revenue. When relevant, revenue shall be reported in the SYNERGIE-CTE system for each project partner, providing details of the amounts and the explanation of the source.

Expenditure already supported by other EU, national or regional subsidies

Expenditure which is already co-financed from another EU-funding source is not considered an eligible cost for this Programme.

If an item of expenditure is already fully supported by another national or regional subsidy, it is not considered eligible, as this would result in double-financing.

Carbon Compensation Actions and other Environmental Considerations

URBACT will undertake actions throughout the Programme lifecycle to avoid, or reduce, the environmentally harmful effects of interventions and ensure beneficial social, environmental and climate results through:

- directing investments towards the most resource-efficient and sustainable options;
- avoiding investments that may have a significant negative environmental or climate impact, and supporting actions to mitigate any remaining impacts;
- including environmental clauses when tendering for services;
- avoiding non-essential travel and using digital tools for meetings.

The URBACT programme will also allow networks to carry out carbon compensation actions. A maximum budget of 2000€ per approved network can be dedicated to carbon compensation measures. This figure has been calculated using average figures for an URBACT network and it is fixed at programme level. Networks do not need to calculate themselves their carbon footprint.

The allocation of 2000€ maximum can be managed at network level by the lead partner or at local level by individual partners. The use of this budget should be agreed with all partners.

Such measures may include (non-exhaustive list of examples):

- awareness raising events in the local community
- educational activities with target groups (young, old, minority groups)
- tree planting initiatives
- carbon literacy training
- community projects focusing on reducing carbon emissions etc

1.3 Eligibility Period

For the Phase 1 application project costs are eligible from the date of approval by the Monitoring Committee or the date fixed by the JS as official start date/date recorded in the Application Form and Subsidy Contract. For approved Phase 2 applications project costs can be considered eligible from the original date of approval of the Phase 1 application allowing for continuity in project management between these two phases. This means that the period in between the end of Phase 1 and the approval of Phase 2 is considered as eligible for those projects approved in Phase 2.

The start and end dates for the eligibility of expenditure is indicated in the subsidy contract signed between the Lead Partner and the Managing Authority. The project's eligibility period shall normally last until the end of the 3 months following the project closing date indicated in the approved application form. During these 3 months the project shall undertake the administrative and financial closure and submit all the required final documents.

Project activities can be divided into two groups - 1) activities related to the project implementation and 2) activities related to project financial and administrative closure.

Activities related to the project implementation have to be completed between the official start date and end date of the project. It means that activities have to be started and finished before the project end date and costs related to these activities have to be contracted by the project closing date. The costs have to be paid and certified by the end of the 3-months closure period.

However, exceptionally and only after consultation with the URBACT Secretariat activities started before the project end date can be finished within the 3-months closing period (partners will have to justify why the activity could not be finished by the project end date).

Such activities have to be:

- contracted and started before the project end date and
- finished by the end of the 3-months closing period
- Cost related to them has to be incurred (i.e. invoice issued), paid and certified by the end of the 3-month closing period.

No new activity related to the project implementation can be started after the project closing date.

Attendance at activities organised at programme level (annual conference, thematic seminars etc.) within the closure period can be considered eligible with prior notification from the URBACT Secretariat. Other dissemination activities can also be carried out in the closure period.

Activities related to the project financial and administrative closure can also be implemented in the 3-month period following the project closing date. Examples of these costs are: staff or expertise costs involved in the project closure (e.g. writing final reports), first level control costs, where necessary.

2. Accounting of Expenditure

2.1 Accounting of the expenditure

All expenditure must be accounted in the SYNERGIE-CTE electronic project management system.

Each Project Partner, Lead Partner and First Level Controller shall be provided with a personal login and password to have access to the system.

The basic and fundamental principle is that every partner and Lead Partner can declare in SYNERGIE-CTE ONLY their incurred expenditure. The Lead Partner cannot account in SYNERGIE-CTE the expenditure paid by other partners.

All expenditure entered into SYNERGIE-CTE must have been paid for project activities and be supported by all the required documents. In particular, expenditure can only be accounted in SYNERGIE-CTE if the following principles are fulfilled:

- The calculation is based on actual costs or flat rates were applicable;
- The costs are definitely borne by the Partner/Lead Partner's body and would not have arisen without the project;
- The expenditure has actually been paid out. Expenditure is considered to be paid when amount is debited from the Partner/Lead Partner's institution's bank account. The payment is usually proven by the bank statements. Special attention should be made to internal recharges which need to respect particular rules. The date when the invoice was issued, recorded or booked in the accounting system does not count as payment date;
- The expenditure is directly linked to the project. Costs related to activities that are not described in the Application Form are generally ineligible;

- All supporting documentation (invoices, contracts, etc.) is properly marked with the project acronym and name of the programme.

The accounting process in SYNERGIE-CTE can be done at any time regardless of the reporting period deadlines. Nevertheless, the certificate and statement of expenditure of each reporting period shall consider only the expenditure actually paid by the end of the reporting period concerned, except for the final reporting in which the expenditure can be paid after the project end date during the 3-month closing period.

For reporting procedures, additional information is available in the Fact Sheet 2E on Network Management as well as in the Guide to Network Management available on the Programme website.

When new expenditure has been entered in SYNERGIE-CTE, the Partner shall validate the operation. After the validation, the Partner shall inform the Lead Partner about it and ask for a validation from them. The Lead Partner shall check the new expenditure to ensure it is foreseen in the project application before giving its validation. This validation should be done within a reasonable timeframe and in no circumstances take more than 5 working days. The role of the Lead Partner is crucial here in order to ensure a smooth flow for the certification of expenditure, in particular for countries not using the Euro (see below). In case the deadline for Lead Partner validation is not respected, the JS can intervene.

The Lead Partner has the right to request additional information or to ask for some corrections. After the validation by the Lead Partner, the expenditure is available for certification by the Partner's first level controller.

2.2 The use of the Euro (€)

The accounting of the expenditure in SYNERGIE-CTE by Project Partners and Lead Partner shall be made in EUR. This rule applies also to those partners that are based in Member States not belonging to the EURO-zone. If the project activities imply that some expenditure should be paid in a different currency, in accordance with Article 28 of Regulation (EU) No 1299/2013 [ETC], and by way of derogation from Article 133 of Regulation (EU) No 1303/2013 [CPR], expenditure incurred in a currency other than the euro shall be converted into euro by the beneficiaries using the monthly accounting exchange rate of the Commission in the month during which the expenditure was submitted for verification to the controller in accordance with Article 23 of Regulation (EU) No 1299/2013. The URBACT programme selected option is therefore in accordance with Article 28 of Regulation (EU) No 1299/2013 paragraph (b).

The official EC rate is published electronically each month at:

<http://ec.europa.eu/budget/inforeuro/index.cfm?Language=en>

The method chosen has been set out in the Operational Programme (section 5.5) and is applicable to all partners. The conversion shall be verified by the First Level Controller in the Member/Partner State where the beneficiary is located.

This procedure requires some clarification and can be explained by the following flowchart:

NEW EXPENDITURE - Beneficiaries input incurred expenditure in local currency. At this stage the SYNERGIE system estimates the € value based on the payment date.



EXPENDITURE IN VALIDATION PROCESS BY LP - As necessary Lead Partners checks the input expenditure to ensure it respects the project workplan and budget using the estimated € amount as a guide.



EXPENDITURE AVAILABLE FOR FLC - The expenditure is now available for the FLC to certify based on the electronic submission. The € amount seen in this status remains the estimated amount. It is not possible to upload supporting documents in SYNERGIE-CTE so the controller should arrange with the partner how these documents will be checked (paper submission, on the spot check, electronic data transfer etc). When the supporting documents are received by controller the costs can be moved to the next category called 'Expenditure Ready for Certification'. **THIS STAGE DOES NOT CONSTITUTE CERTIFICATION OF COSTS! IT IS A TECHNICAL STEP TO DETERMINE THE DATE TO BE USED TO APPLY THE OFFICIAL EXCHANGE RATE.** By transferring these costs into this category the official exchange rate to be used for the costs is applied according to the date on which the FLC makes this transfer. Therefore this stage is critical in fixing the official exchange rate to be applied.



EXPENDITURE READY FOR CERTIFICATION - using the SYNERGIE Guidance Note N° 7 the FLC can now proceed to certify the costs. At this stage costs can be certified in full or in part according to the eligibility rules and the supporting documents provided.

It is the responsibility of each FLC to agree the definition of the date of submission. The date of submission can be considered as the date of the electronic submission or the date when the paper version of the supporting documents (invoices, proofs of payment) is received. The definition of the date to apply is likely to vary from one partner to another partner. The First Level Controller will be responsible for switching the category during the month of the submission, according to this definition. In case of holidays or other engagements, the JS can intervene. In case of correction, the FLC must also decide which date of submission shall apply, as defined above.

This procedure requires that LP react quickly when validating costs so PP are reminded of the importance of informing the LP when their costs are ready for validation.

There is also need for clear communication channels between PP and FLC particularly when these are at national level. It is recommended that PP contact the FLC to fix a date which is mutually acceptable for the documents to be sent. This will help to avoid problems in transferring the costs from “available for FLC” to “Ready for certification” which will apply the official exchange rate.

The programme secretariat shall investigate technical possibilities to allow to FLC to manually adjust the date to be used for the official application of the exchange rate, in the rare cases in which it is necessary. This flexibility will help to respond to some concerns linked to the absence of FLC at the time the documents are submitted.

4. Certification of Expenditure

4.1 Certification of Expenditure

When a project selects a centralized management system, the Lead Partner pays and becomes responsible of 100% of the project's expenditure. As the sole partner incurring costs in this centralised system, the Lead Partner alone is responsible for getting these costs certified by the approved body according to article 23(4) of Regulation (EU) No 1299/2013 at local or national level.

In a decentralized/mixed management system, every project partner spends and accounts one's own expenditure in SYNERGIE-CTE. The first level control on the expenditure shall be done at the level of each partner (See Fact Sheet 2E for a description of each management system).

Only expenditure that has been checked to be in line with the project application and validated by the Lead Partner can be certified by the first level controller of the Project Partner. The certification of the expenditure shall be carried out using SYNERGIE-CTE respecting the fixed deadline for each reporting period. The expenditure must be certified only by the first level controller officially designated and approved by the competent national authority (according to Article 23(4) of Regulation (EU) 1299/2013).

In addition, the Partners/Lead Partner's First Level Controller especially has to carry out the verifications under article 125(4)(a) of Regulation (EU) No 1303/2013, has to check the eligibility of the expenditure taking into consideration the accounting system, the compliance with the project budget, the eligibility rules, the internal control system, the respect of national and community rules especially with regards to information and publicity, public procurement, equal opportunities and protection of environment by filling in a checklist in annex to the certificate and statement of expenditure, using the official model available in SYNERGIE-CTE.

The signed certificates and statements of expenditure and related checklist produced by the Partner's First Level Controllers through SYNERGIE-CTE shall be signed by the controllers and a scanned version sent by email to the Lead Partner.

The Lead Partner's First Level Controller shall also produce a certificate and statement of expenditure (including only the expenditure incurred by the Lead Partner). The Lead Partner shall also produce the unique project payment claim. The total amount of this unique project payment claim shall include the expenditure certified both by the Project Partners' first level controllers and by the Lead Partner's first level controller. Before including the Project Partners' expenditure in the unique project payment claim, the First Level Controller of the Lead Partner has the responsibility to verify that the duly signed certificates and statements of expenditures of the Project Partners have been received by the Lead Partner in electronic version.

The signed certificates and statement of expenditure and the global project payment claim shall be submitted by the Lead Partner to the Secretariat together with the signed progress report and a pre-defined document explained the distribution of shared costs where necessary (for details see Fact Sheet 2E – Section 6.3)). These documents shall be submitted to the Secretariat via email by the deadline fixed at programme level (see also "Project monitoring, reporting and archiving" in Factsheet 2E on Network Management).

In order to have the ERDF refunded in a due time the Lead Partner shall produce and submit the above mentioned documents and reports within the fixed deadlines and using the format established

by the Secretariat. If a document is submitted in a different format (word, excel, etc) than the one established by the Programme, the Lead Partner is obliged to re-submit the progress report in the correct format. Any infraction in terms of timing and format used for the submission of the progress reports shall represent a source of delay in the refunding procedures.

4.2 Accounting Documents

All partners are obliged to retain for audit purposes all files, documents and data about the project on customary data storage media in a safe and orderly manner at least until 31 December 2025. Other possibly longer statutory retention periods, as might be stated by national law, remain unaffected. The following list gives an overview of the documents that should be available for financial control and audit purposes:

- approved Application form and amendments;
- Subsidy Contract;
- Joint Convention;
- Letters of Commitment;
- relevant project correspondence (financial and contractual);
- Progress Reports (with activity and financial information);
- Signed certificates and statements of expenditure;
- Project payment claims;
- bank account statements proving the reception and the transfer of EU funds;
- original invoices;
- bank account statements / proof of payment for each invoice;
- staff costs: calculation of hourly rates, information on actual annual working hours, labour contracts, payroll documents and time records of personnel working for the project (including timesheets);
- list of subcontracts and copies of all contracts with external experts and/or service providers;
- calculation of office and administration costs;
- documents relating to public procurement, information and publicity (including the legal references);
- public procurement note, terms of reference, offers/quotes, order form, contracts;
- proofs for delivery of services and goods (studies, brochures, newsletters, minutes of meetings, translated letters, participants' list, travel tickets and boarding cards, etc.);
- record of assets, physical availability of equipment items purchased in the context of the project control by on the spot check where appropriate.

It must be possible to clearly identify which expenditure has been allocated and reported in the context of the project and to exclude that expenditure is reported twice (in two different budget categories, reporting periods, projects/funding schemes). This clear identification is usually ensured through

- the opening of a specific bank account for the project payments and/or
- the introduction of project specific cost-accounting codes to record project costs by budget category, component and payment date/reporting period in the accounting system and/or
- recording costs in expenditure lists by budget category, component and reporting period and/or noting the allocation (project title, budget category and additional comments) on the invoices.
- Ensuring that all invoices/ contracts are clearly marked with the name of the project and the programme

5. Audit and Control

5.1 First Level Control

Before submission to the Secretariat, each Progress report and certificate and statement of expenditure must be verified and signed by the independent First Level Controller. For this purpose Project Partners and Lead Partners have to follow national specific control requirements set up by each Member State.

In principle there are four general models:

1. centralised control at Member State level through a public administrative body;
2. centralised control at Member State level through a private audit firm;
3. decentralised control through first level controllers selected by the Project Partner/Lead Partner from a central shortlist and approved at national level;
4. decentralised control through internal or external first level controllers proposed by the Project Partner/Lead Partner and approved at national level.

Once a Phase 1 Application and a Phase 2 Application are approved by the Monitoring Committee, the Lead Partner and Project Partners whose Member States have set up a decentralised First Level Control system shall indicate the First Level Controllers they propose in the appropriate section in SYNERGIE-CTE. They shall propose a local First Level Controller using the format established in SYNERGIE-CTE (some countries may require additional documentation). The proposed first level controllers must then be approved by the Member States concerned following the procedures outlined in the description of the control system set up according to Article 23 (4) of Regulation (EU) No 1299/2013.

The Partners, whose Member States have set up a centralised first level control system, shall indicate the responsible body at national level for the implementation of the First Level Control, according to Article 23 (4) of Regulation (EU) No 1299/2013.

Further details on FLC designation and approbation are available in the Guide to Network Management available on the Programme website.

Control costs may be considered as eligible costs (internal independent control should be included under the budget category 'staff'; external independent control in the budget category 'external expertise and services'). It is therefore advised to foresee a budget for these controls depending on the control arrangement applicable in the relevant Member State for each of the Project Partners.

The First Level Controllers' task is to verify that:

- the costs are eligible;
- the conditions of the Operational Programme, the approved Application, the Subsidy Contract and Joint Convention have been observed and followed;
- the invoices and payments are correctly recorded and sufficiently supported;
- the activities have actually taken place;
- the national and community rules have been respected especially with regards to information and publicity, public procurement, equal opportunities and protection of environment.

For this purpose, each First Level Controller has to fill in a checklist in annex to the certificate and statement of expenditure to confirm that the checks have been carried out, using the official model available in SYNERGIE-CTE.

In addition, the Lead Partner First Level Controller has to check and confirm that Project Partners' certificates and statements of expenditure have been signed by the designated first level controllers and that a scanned version has been sent to the Lead Partner.

First Level Controllers who will be assigned or approved by the Member States will conduct on-the-spot checks at partner level following a methodology that they will develop. These on-the-spot checks will be recorded at Programme level (URBACT Secretariat) via the checklist in annex to the certificates and statements of expenditure where the First Level Controllers need to report them.

Due to the specific nature of the activities under URBACT (meetings, study visits, brochures, guidebooks), where investment even on a small scale is not eligible, evidence of the delivery of services, goods and works can often be obtained through administrative checks (through checking meeting agenda, travel documents such as boarding passes, participants' lists, the existence of brochures) and on-the-spot checks would not provide any additional insight. However, if administrative checks do not allow obtaining sufficient evidence, on-the-spot checks are required. Such checks will have to be carried out taking into consideration guidance from the European Commission (EC) on this matter.

5.2 Second Level Audit

Audit Authority

The Audit Authority is based in the same country as the Managing Authority. The Audit Authority plays a vital role in programme start-up, implementation and closure.

The Audit Authority for the Operational Programme shall be assisted by a Group of Auditors comprising representatives of each Member and Partner State participating in the Operational Programme and carrying out the functions provided for in Article 127 of Regulation (EU) No 1303/2013. The Group of Auditors shall be set up at the latest within 3 months of the decision approving the Operational Programme. It shall draw up its own Rules of Procedure. It shall be chaired by the Audit Authority for the Operational Programme.

The Audit Authority of the URBACT III Operational Programme is the CICC - Commission Interministérielle de Coordination des Contrôles portant sur les opérations cofinancées par les fonds européens.

In accordance with Article 127 of Regulation (EU) No 1303/2013, the Audit Authority shall have in particular the following functions:

- Ensuring that audits are carried out to verify the effective functioning of the management and control system of the Operational Programme;
- Ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditures declared;

The Audit Authority shall present to the European Commission, within eight months of the adoption of the URBACT III Operational Programme,:

- an audit strategy covering the bodies which will perform the audits,
- the audit methodology,
- the sampling method for audits on operations and
- the indicative planning of audits in relation to the current accounting year and the two subsequent accounting years.

The audit strategy shall be updated annually from 2016 until and including 2024.

The Audit Authority shall also perform the following functions by 31st December each year from 2016 until and including 2025:

- Submitting to the European Commission an annual control report setting out the main findings of the audits carried out in accordance with paragraph 1 of Article 127 of Regulation (EU) No 1303/2013, including findings with regard to deficiencies found in the management and control systems, and the proposed and implemented corrective actions. The first report to be submitted by 31st December 2016 shall cover the period from 2014 to 2016;
- Issuing an opinion, in accordance with the second subparagraph of Article 59(5) of the Financial Regulation, on the basis of the controls and audits carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurance that the underlying transactions are legal and regular.

Programme start-up

After designation at national level of the Managing Authority and the Certifying Authority, the Audit Authority will examine the Description of the Management and Control System in accordance with Article 127 of Regulation (EU) No 1303/2013.

Member States and Partner States agree to provide the Managing Authority (through the URBACT III Secretariat) and the Audit Authority with all the information and supporting documents needed to ensure an unqualified opinion on the Description of the Management and Control System. The Audit Authority reserves the right to qualify its opinion on the description of the control system set up by individual Member (and, if it is the case, Partner) States should the system and/or the supporting documents and annexes provided be deemed insufficient.

Programme implementation

During implementation, the Audit Authority is responsible for organising the execution of system audits and sample checks. In particular, the Audit Authority, in cooperation with the Group of Auditors, should verify the effective functioning of programme management and control systems and control an appropriate sample of operations. The Audit Authority shall draw up the audit strategy and decide, together with the Group of Auditors, which projects should be checked on the basis of a representative sample and, as a general rule, on statistical sampling methods.

In URBACT III the actual audit visits to projects shall be sub-contracted to an external company.

5.3 The Group of Auditors

In compliance with Article 25 of Regulation 1299/2013, a Group of Auditors will be set up at the start of the Operational Programme to assist the Audit Authority in carrying out the duties provided for in Article 127 of Regulation (EU) No 1303/2013. This group will be chaired by the Audit Authority and shall comprise a maximum of three representatives of each Member State and Partner State participating in the URBACT III Operational Programme. At its first meeting, the Group of Auditors

shall approve independently its Rules of Procedure.

The representatives in the Group of Auditors have to be independent of the Monitoring Committee members, of the responsible for the first level control according to Article 23 of Regulation 1299/2013, and of the first level controllers designated at national level. Representatives in the Group of Auditors shall be entitled to engage Member and Partner States for the decision under its competencies. Each Member State and Partner State shall inform the Managing Authority of their representative in the Group of Auditors within 3 months of the decision adopting the Operational Programme with the help of a form developed by the Managing Authority (through the URBACT III Secretariat). The contact details of the respective representative shall be listed in the Member/Partner state agreement. The information on the representation in the Group of Auditors shall also be included in the Description of the Management and Control System according to Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States.

The Group of Auditors shall support the Audit Authority in implementing its tasks as detailed in Article 127 of Regulation (EC) 1303/2013.

5.4 Second level control process

For the implementation of the audit strategy an external auditor shall be contracted and its services paid under the Technical Assistance budget. However, the Technical Assistance budget shall not cover the costs of additional audit:

- a. resulting from an increased size of the sample due to unsatisfactory audit results,
- b. requested in addition, by a Member State and/or Partner State.

The additional audit costs under point a) shall be shared among the Member States where the irregularities have been found and this proportionally to the importance of the financial corrections finally decided. The higher the quality of the control system set up according to Article 125 of Regulation (EU) 1303/2013 the lower the risk of additional audit costs as defined under point a).

The additional audit costs under point b) will be covered by the requesting Member State and/or Partner State selecting additional audits due to national needs in addition to the sample agreed by the Group of Auditors.

Results of checks and controls shall be sent to the Managing Authority/Secretariat for coordination purposes and the Monitoring Committee shall be informed of the results (and follow-up actions if necessary).

According to Article 127 of Regulation (EU) 1303/2013 audits should be carried out on the basis of an appropriate sample of expenditure.

6. Irregularities

In compliance with Article 122 of Regulation (EU) 1303/2013, each Member State is responsible for reporting irregularities committed by beneficiaries located on its territory to the EC and at the same time to the Managing Authority/Joint Secretariat. Each MS shall keep the EC as well as the Managing Authority/Joint Secretariat informed of any progress of related administrative and legal proceedings. The Managing Authority/Joint Secretariat will ensure the transmission of information to the Certifying Authority and Audit Authority. MS engage anyhow to communicate promptly to the Managing Authority/Joint Secretariat, CA and AA any information of detected irregularities relating to amounts of less than EUR 10.000 of ERDF funding.

If a Member State does not comply with its duties arising from these provisions, the Monitoring

Committee upon recommendation of the managing authority is entitled to suspend payments to all project partners located on the territory of this Member State.

The EU MS ensure that the MA is entitled, according to the provisions of the Subsidy Contract, to terminate the Subsidy Contract and to demand repayment of subsidy from the LP in any case of irregularities detected or breach of contract or of infringement of provisions it is based on.

If the CA, the MA and the Secretariat become aware of irregularities, they shall without any delay inform the liable MS.

In the case where the MA discovers irregularities during the day to day management of an operation or is notified of such irregularities after the payment of the ERDF contribution, it shall demand repayment of the irregular amount. The MA shall inform the MS and the CA concerned of this proceeding. Should any significant or controversial amount be found then the JS shall inform the MC member and seek advice on how to manage the irregularity. The repayment amount can be calculated against the next payment to the LP or, where applicable, remaining payments can be suspended. In case of repayment, the repayment of funds is due within one month following the date of the letter by which the MA asserts the repayment claim. The due date will be stated explicitly in the order for recovery. Amounts received from the recourse of subsidy will be credited to the programme. The following statement of expenditure submitted to the Commission will be corrected.

In case the MA is not able to recover unjustified funding by the above means from the LP, it shall without delay inform the MS/PS concerned.

As MS have the overall liability for the ERDF support granted to partners located on their territories, they shall seek to recover any amounts lost as a result of an irregularity or negligence committed by a beneficiary located in their territory. When appropriate, MS may also charge interest on late payments.

In compliance with Article 27 of Regulation (EU) No 1299/2013 [ETC], the MS shall bear liability in connection with the use of the Programme ERDF funding as follows:

- a. Each MS and PS bears the possible financial consequences of irregularities committed by the partners located on its national territory in compliance with Article 27 (3) of Regulation (EU) No 1299/2013 [ETC].
- b. In case of a systemic irregularity the MS shall jointly bear the financial consequences, whereby each MS shall be responsible in proportion to the ERDF contribution of the respective national PP involved.
- c. For Technical Assistance and expenditure incurred by the MA for the implementation of actions under the investment priority, the liability shall be borne by the MA and/or the CA for any irregularities.

A detailed description of the procedures to be implemented concerning liabilities will be included in the Description of Management and Control Systems (DMCS) which will be presented to the programme Monitoring Committee for approval before the start of the designation procedure. Some main principles are outlined below:

- The MA shall ensure that provisions are made within the Subsidy Contract for approved projects to terminate the contract and demand repayment of subsidy in the case of detection of irregularities.

- Should the MA detect irregularities in the day to day operation of the programme, it shall inform the CA and relevant MS of the procedure to be followed. Repayment can be calculated on the next payment due to the partner and payments can be suspended if necessary.
- Amounts received from the recourse of subsidy will be credited to the programme. The following statement of expenditure submitted to the Commission will be corrected.
- In the case where the MA is unable to recover the ineligible amounts the MS, having overall liability, shall be informed immediately and shall start the national procedure to recover these amounts.
- The MA shall demand repayment of irrecoverable amounts and the MS shall reimburse these amounts within a specific timeframe to be agreed in the DMCS.

Annex 1 – Eligibility of Costs

The Commission Delegated Regulation (EU) No 481/2014 establishes specific rules on eligibility of expenditure as regards: *Staff costs, Office and administration, Travel and accommodation, External expertise and services, and Equipment*. It defines lists of costs that are eligible under the 5 categories of expenditure. In a number of cases these lists include costs, which are of a broader character and for which examples of different cost items can be identified. In other words, some of the cost elements listed in the Delegated Act can be further broken down into more specific examples of costs. Furthermore, with regard to *External expertise & services, and Equipment* the defined lists of costs are not exhaustive; other costs of expertise & services, and equipment needed for the project may be eligible.

This Annex consists of a list covering all budget categories. It outlines examples of eligible costs for the URBACT programme and lists a number of costs which are not considered eligible according to the EU regulations.

Staff costs	Office and administration (3% of staff costs as a flat rate)	Travel and accommodation	External expertise and services	Equipment
Salary payments	Office rent	Travel tickets (public transport)	Studies and surveys	Office equipment
Employment taxes	Insurance related to the buildings where staff is located	Flight ticket - economy class	Evaluations	Exhibition equipment
Sickness benefits ¹	Insurance related to the equipment of the office (e.g. fire, theft insurance)		Strategies	Computers
Maternity and equivalent paternity benefits ²	Taxes related to the buildings where staff is located	Taxi	Concept notes	Monitors
Invalidity benefits	Electricity	Travel insurance	Design plans	Printers
Old-age benefits ²	Heating	Car insurance	Handbooks	Scanners
Survivors' benefits	Water	Fuel	External researchers	Digital projectors
Benefits in respect of accident at work and occupational diseases	Other utilities	Car mileage		Digital/video cameras
Death grants	Office supplies (pens, paper, photocopy toner)	Toll		IT software
Unemployment benefits	General accounting in the organisation	Parking fees		Fittings
Pre-retirement benefits ²	Archives	Costs of meals	Trainings	Office furniture
Family benefits ²	Maintenance	Cost of alcohol beverages	Translations	

* Costs falling into the scope of social security branches covered by Regulation (EC) No 883/2004 of the European Parliament and of the Council

		(eligibility may vary based on national or local rules)		
Pensions	Cleaning	Accommodation		
Relocation benefits	Repairs	Visa		
Bonus payments	Security	Daily allowance/per diem (maximum rates may vary based on EU, national or local legislation)		
Lunch vouchers	IT systems		Promotion, communication, publicity information	
Holidays	Telephone		Design, edit, print, distribution of project brochures, leaflets, publications bags etc	
Overtime (provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member)	Fax		Publishing of promotion articles, inserts in newspapers, press releases, etc.	
	Internet		Organisation and implementation of events or meetings	
	Postal services		External speakers	
	Business cards		Rent of venue	
	Bank changes for opening and administrating the account(s) where the implementation of the project requires a separate account to be opened		Catering	
	Charges for transnational financial transactions		Interpretation	
	Coffee/biscuits for small project meetings		Registration fees to attend conferences	
	Education/guidance books		Financial management provided by external service providers	
			Project coordination provided by external service providers	

			Legal consultancy	
			Notarial services	
			Technical expertise	
			Financial expertise	
			Other accountancy services	
			Intellectual property rights	
			Control and audit of the project	
			External first level controllers	
			Travel and accommodation for experts/ speakers/ chair / service providers	
			Advance payments to external service providers, provided this is in line with national rules and has been agreed in the contract	

Ineligible costs

The list includes examples of costs that are not eligible in ETC programmes. This is not an exhaustive list.

- Ineligible expenditure according to Article 2 Commission Delegated Regulation (EU) No 481/2014:
 - Fines, financial penalties and expenditure on legal disputes and litigation.
 - Costs of gifts, except those not exceeding EUR 50 per gift where related to promotion, communication, publicity or information.
 - Costs related to fluctuation of foreign exchange currency.
- Ineligible expenditure according to Article 69.3 Common Provisions Regulation (EU) No 1303/2013:
 - Interest on debt.
 - Recoverable VAT.
- Charges for national financial transactions.
- Consultant fees between partners for services and work carried out within the project.
- Contracting of employees of the partner organisations as external experts, e.g. as freelancers.
- Advance payments not foreseen in the contract and/or not supported with an invoice or another document of probative value.