



# **Danube Control Guidelines**

**for the period 2014-2020**

**Version 4.0 (September 2018)**

**Disclaimer:**

This document will be regularly updated to take into account new or updated implementation provisions.



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## List of versions of the Control Guidelines

Version	Date	Description
1.0	December 2016	First version
2.0	July 2017	Second version
3.0	April 2018	Third version
4.0	September 2018	Fourth version

## **Glossary**

### **Application for Reimbursement**

The Application for Reimbursement (AfR) is the document submitted by the Lead Partner to the MA/JS to claim the reimbursement of ERDF, IPA and ENI contribution for the expenditure incurred and paid by the project partners within a certain reporting period and validated by the responsible Controllers.

### **Audit**

The term “Audit” is used for the audit performed by the Audit Authority or by external auditors on behalf of the Audit Authority. These audits cover system audits and sample checks of the already validated project expenditure.

### **Control**

The control activity means the verifications carried out by the Controllers at national level, covering administrative, financial, technical and physical aspects of the projects. Verifications shall ensure that the expenditure declared is real, that the products and services have been delivered, and that the projects and expenditure comply with relevant EU, programme and national rules.

### **Controller/First Level Controller (FLC)**

The term Controller is used for a body or for an individual in charge of performing verifications according to Article 125 (4) and (5) of Regulation (EU) No. 1303/2013, in line with the control system in the given Partner State. FLC is used as a synonym for Controller.

### **FLC Certificate**

The FLC Certificate is the document issued by the Controller to the Project Partner/TA beneficiary containing the amount of validated expenditure for the reporting period concerned. By issuing this document, the Controller declares the legality and regularity of the expenditure according to EU, programme and national rules.

### **Control system**

The Control System is established to validate the expenditure of the Project Partners at national level. In the Danube Transnational Programme, it is the responsibility of the Partner States to set up the control system (Article 23 (4) of Regulation (EU) No. 1299/2013).

### **Designated Controller**

The designated Controller is a formally designated responsible body at national level for the control activities. In case of decentralised systems, the formally designated body is responsible

for the coordination of control activities, in principle including the proper selection of the individual controllers to each project partners as well.

### **Electronic Monitoring System (eMS)**

The eMS is the electronic data exchange system used by the Danube Transnational Programme, developed by Interact, for the management and monitoring of programme and project level implementation (including the first level control tasks).

### **Partner Report**

The Partner Report is the standard reporting form to be used by each project partner to provide adequate information for the Controller and for the Lead Partner concerning the activity and financial progress of their project part.

### **Project Progress Report**

The Project Progress Report is the monitoring tool of the programme that the Lead Partners submit regularly in order to provide up-to-date information about the progress of the project implementation as well as justify those expenditure that are claimed in the Application for Reimbursement submitted together with the Project Progress Report.

### **State contribution**

The state contribution means the public contribution provided by the Partner State automatically or by specific calls at national level to the project partner.

### **Validation**

The validation is the result of the verifications carried out in order to verifying the legality and regularity of the project expenditure declared by the project partner.

### **Verification of expenditure**

Verification of expenditure means the process of “checks” carried out by the Controllers for specific aspects of the project expenditure declared by the project partners.



## 1. Introduction

The **Danube Control Guidelines** are developed at programme level, in order to ensure the common understanding of the rules and the requirements for control and to provide common methodological approach to fulfil the verification of expenditure in a harmonised way in each ERDF Member State and PA and ENI Partner State (further referred Partner States) of the Danube Transnational Programme.

The Danube Control Guidelines are to support the work of the Controllers and provide a basis for the national level guidelines (if foreseen). The communication between the Danube Transnational Programme (DTP) and the Controllers is ensured through the **Network of Controllers** and the results of these consultations will be taken into consideration when updating and revising this document.

The Danube Control Guidelines describes the tasks of the controllers in case of each project type (e.g. normal projects, TA projects, PAC support<sup>1</sup>, SMF projects<sup>2</sup>, DSP project<sup>3</sup>) financed and implemented under the DTP. The 'project' in the documents means all project types, unless otherwise stated. The differences, if any, are indicated in the relevant sections.

**Please, note** that in case of projects approved under the Seed Money Facility (SMF) call or Danube Strategy Point (DSP) call the relevant Programme Manual available in the DTP website (<http://www.interreg-danube.eu/>) under the call concerned contains the limitation of expenditure categories and the list of selected expenditure elements set at programme level.

## 2. Regulatory framework and documents related to Control

### 2.1 EC Regulations

The Danube Transnational Programme is financed from ERDF, IPA and ENI funding; therefore several EU Regulations shall be considered for the financial management of the programme. General regulations, as well as specific regulations relevant for the DTP are collected in this section.

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<sup>1</sup> The DTP, under the specific objective 4.2 "Support to the governance and implementation of the EUSDR", provides direct financial support to the Priority Areas Coordinators (PAC) aimed at strengthening the implementation of EU Strategy for Danube Region.

<sup>2</sup> Under the specific objective 4.2 the DTP established a seed money facility (SMF), a direct financial support scheme for the development of complex strategic transnational projects in some Priority Area of the EUSDR, to be further financed by different funding sources existing in the region.

<sup>3</sup> Under the specific objective 4.2 the DTP provides support to the establishment and implementation of Danube Strategy Point (DSP) aimed at facilitating the information flow between EUSDR actors, as well as strengthening the capacity of the PAC in implementing and communicating the Strategy.

The following regulations shall be considered (not exhaustive list):

**General regulatory framework on the financial management of EU funded programmes:**

- Regulation (EU, Euratom) **No. 966/2012 (Financial regulation)** of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and the repealing Council Regulation (EC, Euratom) No. 1605/2002 (hereinafter referred to as Financial Regulation).
- Commission **Delegated Regulation (EU) No. 1268/2012** of 29 October 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** (hereinafter referred to as Delegated Regulation).

**General rules concerning the EU Funds:**

- **Regulation (EU) No. 1303/2013** of the European Parliament and the Council of 17 December 2013 laying down **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 laying down 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** of the European Parliament and the Council of 17 December 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** of the European Parliament and the Council of 17 December 2013 on **specific provisions for the support from the European Regional Development Fund to the European Territorial Cooperation goal (ETC regulation)**
- Commission **Delegated Regulation (EU) No. 481/2014** of 4 March 2014 supplementing Regulation (EU) No. 1299/2013 of the European Parliament and the Council with regard to **specific rules on eligibility of expenditure for cooperation programmes (Delegated Act on Eligibility of expenditure)**
- **Regulation (EU) No. 231/2014** of the European Parliament and of the Council of 11 March 2014, establishing an **Instrument for Pre-Accession Assistance (IPA II)**
- Commission **Implementing Regulation (EU) No. 447/2014** of 2 May 2014 on **specific rules for implementing** Regulation (EU) No. 231/2014 of the European Parliament and the Council establishing an Instrument for Pre-Accession Assistance (**IPA II**)
- **Regulation (EU) No. 232/2014** of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (**ENI**)

- **Regulation (EU) No. 236/2014** of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action (**Common Implementing Regulation for External Actions**)

The list of regulations is not exhaustive and the amendments of the above regulations shall be also considered.

**Further rules to be considered (including amendments to the rules):**

- **Regulation (EU) No. 910/2014** of the European Parliament and of the Council of 23 July 2014 on **electronic identification and trust services for electronic transactions** in the internal market and repealing Directive 1999/93/EC
- **Implementing acts** and **Delegated acts** adopted in accordance with the aforementioned regulations
- **Guidance** issued by the European Commission relevant for the project financial management and verification of expenditure

**Control related Articles of the abovementioned regulations:**

The following articles of the EC Regulations are regulating the **setting up the control system** and requirements for the **verification of expenditure**:

- **Article 23 (4)** of Regulation (EU) No. 1299/2013 (ETC Regulation) – setting up the control system
- **Article 125 (4)** of Regulation (EU) No. 1303/2013 (CPR) – verification of expenditure
- **Article 125 (5)** of Regulation (EU) No. 1303/2013 (CPR) – verification procedures

The EC regulations relevant for the **eligibility of expenditure** are the followings:

- **Article 3** of Regulation (EU) No. 1301/2013 (**ERDF Regulation**) – scope of support from the ERDF, i.e. specific provisions on the eligibility of activities
- **Articles 6** of Regulation (EU) No. 1303/2013 (**CPR**) – regulates the “applicable law”
- **Articles 65 to 71** of Regulation (EU) No. 1303/2013 (**CPR**) – specific provisions on eligibility of expenditure
- **Articles 18 to 20** of Regulation (EU) No. 1299/2013 (**ETC Regulation**) – specific provisions on eligibility of expenditure applicable to programmes of the European Territorial Cooperation goal
- Commission **Delegated Regulation** (EU) No. 481/2014 – specific rules on eligibility of expenditure for cooperation programmes, with regard to the following **expenditure**

**categories:** staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and service costs, and equipment expenditure

## 2.2 Programme level documents

The following programme level documents have to be considered by the Controllers:

- **Cooperation Programme – Danube Transnational Programme 2014-2020**, approved by the European Commission on 20.08.2015, Decision No. C(2015) 5953, amended by the European Commission on 12.06.2017, Decision No. C(2017) 4091
- **Applicants' Manuals<sup>4</sup>** which contain the programme specific rules for the eligibility of expenditure
- **Implementation Manuals<sup>5</sup>** laying down the programme specific rules for the implementation of the projects within the Danube Transnational Programme
- **Programme Manuals<sup>6</sup>** laying down the programme rules, including the eligibility of expenditure, for the application and implementation of the projects under a specific call within the Danube Transnational Programme
- **Danube TA Manual** regulating the TA management system of the Danube Transnational Programme, including specific rules for the eligibility of TA expenditure

**The amendments of the above mentioned documents shall be also considered.**

## 2.3 Standard documents for Control

The Danube Transnational Programme developed **standard templates at programme level** in order to **harmonise and simplify the control procedures** in the Partner States of the DTP. These templates are obligatory to use by the Controllers within the framework of the Danube Transnational Programme. These documents are **annexed** to this guidelines and further explanation and guidance to fill in the templates is given in the following chapters.

- **Control System description template (Annex 8.1)**
- **Form for the designation of Controller (Annex 8.2)**
- **FLC Certificate (Annex 8.3)**
- **FLC Checklist for projects (Annex 8.4)**
- **FLC Checklist for TA projects (Annex 8.5)**

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<sup>4</sup> Different applicants' manuals are available by project types (e.g. normal project, PAC support).

<sup>5</sup> Different implementation manuals are available by project types (e.g. normal project, PAC support,).

<sup>6</sup> Different programme manuals are available by project types (e.g. SMF project, DSP project)

### 3. Control procedure in the Danube Transnational Programme

#### 3.1 Financial management procedure

The procedure for control in the Danube Transnational Programme follows the Lead Partner principle, which means that the verification of expenditure should be performed for each project partner by the responsible Controller at national level and the Lead Partner is responsible to prepare the Application for Reimbursement at project level based on the expenditure validated at partner level.

The procedure is the following:

- 1) Each Project Partner as well as the Lead Partner (in this case the Lead Partner is also considered as Project Partner) has to submit a Partner Report to declare its expenditure relevant for a reporting period for validation to the responsible Controller through the electronic data exchange system (eMS). Each project partner, as well as the Lead Partner, is responsible separately for having its expenditure validated by the responsible Controller in its Partner State. The Lead Partner is not requested to appoint a controller for checking the expenditure declared by the project partners, thus the Controller of the Lead Partner does not issue a FLC Certificate covering the entire validated expenditure of the whole partnership.
- 2) The Controller verifies the expenditure declared by the Project Partner/Lead Partner in the eMS, on the basis of the invoices or accounting documents of equivalent probative value, verifies the delivery of the products and services co-financed, the soundness of the expenditure declared, and the compliance of such expenditure with EU and programme rules and relevant national rules.
- 3) After verification, the Controller issues the FLC Certificate generated by the eMS.
- 4) After the verification is finalised by the Controller in the eMS and the FLC Certificate issued, the Partner Reports and the related FLC Certificates are available to the Lead Partner in the eMS for review and preparation of the Project Progress Report (no need for additional submission of the Partner Report and FLC Certificate from the Project Partner to Lead Partner).
- 5) The Lead Partner prepares the Project Progress Report in the eMS based on the Partner Reports available also through the eMS. The expenditure verified by the Controllers (i.e. financial data of the FLC Certificate) is automatically aggregated to project level. Based on the aggregated financial data the Lead Partner shall prepare the Application for Reimbursement, sign it and upload it to eMS.
- 6) The Lead Partner has to submit the Project Progress Report and the Application for Reimbursement to the MA/JS within a period of 3 months from the end of each reporting period through the eMS.

## 3.2 Reporting rules and timeframe of verifications

### 3.2.1 Reporting rules

As a general rule, the Lead Partner has to submit the Project Progress Report and the Application for Reimbursement on a **six months basis, starting from the month of the approval date of the project** (final approval of the Application Form by the MC) except the first and the last reporting period that can be different than six months. It means that the majority of **the Lead Partners of the same call for proposals will have the same reporting deadlines**<sup>7</sup>. Reporting deadlines will be given for the LPs explicitly in the subsidy contracts.

In case of PAC support the starting date of the project shall not be earlier than 1 January 2017. The Lead Partner has to submit the Project Progress Report and the Application for Reimbursement on yearly basis, however, according to the needs of the project, the LP may submit Interim Project Progress Report and Application for Reimbursement up to four times each year.

In case of SMF projects the project duration (implementation of project activities) is 12 months and it is fixed. The starting and the end dates of the project are specified in the Subsidy Contract. The LP has to submit the Project Progress Report, including the Application for Reimbursement, once, at the end of the project implementation, within 3 months from the end date of the project as defined in the Subsidy Contract.

Additional interim reporting deadlines may be set by the MA/JS in order to avoid de-commitment of EU Funds at programme level. Additional reporting possibilities can be requested by the Lead Partner as well in duly justified cases, e.g. to split the expenditure of the last reporting period into two reports in case the reporting period is more than six months. The additional deadlines may be set explicitly in the subsidy contract or communicated in advance to the Lead Partners and to the Controllers.

The Project Progress Report and the Application for Reimbursement have to be submitted by the Lead Partner to the MA/JS **within three months from the end date of each reporting period**. The date of submission of the Project Progress Report and Application for Reimbursement is the date and time of the online submission of the report through the eMS.

In case the Partner Reports and FLC Certificates are not available to the Lead Partner from each project partner for a given reporting period within the reporting deadline of three months

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<sup>7</sup> The projects approved after a complaint procedure and/or from reserve list have different deadline, calculated individually from the approval date.



through the eMS, the LP shall submit the Application for Reimbursement on the basis of the Partner Reports and FLC Certificates available for the reporting deadline.

The expenditure of the project partners not validated for the given reporting period within the reporting deadline shall be requested in the earliest possible next Application for Reimbursement to the reporting period concerned.

Project Partners can submit maximum two Partner Reports of different periods (one current and one previous which is delayed) for validation for the same reporting deadline of the LP. In this case two FLC Certificates will be included in one Project Progress Report of the LP. By this rule the PPs are forced to report expenditure in due time, since the acceptable maximum delay is 1 reporting period. In case one report was submitted to the Controller, but it was not acceptable by the reporting deadline of the LP, the FLC Certificate of this Partner Report can be included in the next Project Progress Report, together with the actual Partner Report's FLC Certificate. In duly justified cases the MA/JS is entitled to authorise derogation from this rule in order to reduce possible losses at programme level.

Project periods shall not be merged by the project partners/Controllers.

### 3.2.2 Timeframe of verifications

During the timeframe of three months, the Controllers shall verify the expenditure of the Project Partners in due time, in order to ensure the timely submission of the Project Progress Report and Application for Reimbursement at project level.

Considering the timeframe needed for the preparation of the Partner Report at project partner level and the preparation of the Project Progress Report and Application for Reimbursement by the Lead Partner, the Controllers shall fulfil the verification of expenditure within **60 calendar days**<sup>8</sup>.

Verification process	Verification timeframe and indicative deadlines	
Preparation and submission of Partner Report by the <b>Project Partner</b> to the Controller from the end of each reporting period	<b>15 days</b>	

<sup>8</sup> **Cooperation Programme (CP) 5.3.8 Control System:** "In principle, each Partner State should ensure that the expenditure can be verified within a period of two months from the submission of the documents by the project partners allowing for timely submission of PRs by the LB within a three months period from the end of each reporting period."

Verification of expenditure and issuing the FLC Certificate by the <b>Controller</b>		60 days	
Preparation and submission of the Project Progress Report and Application for Reimbursement for the whole project by the <b>Lead Partner</b> to the MA/JS			15 days

The Controllers **can set up different reporting deadlines for the Project Partners** (instead of 15 calendar days) in the national control guidelines, if any.

To set up proper control deadlines, the number of Project Partners for the same reporting period according to the reporting system of the Programme and the number of staff involved for control shall be considered. The time schedule of the call for proposals of the Danube Transnational Programme will be regularly communicated to the Controllers for the efficient capacity planning for the control activities.

Partners' responsibility to submit the expenditure for validation in time shall be clearly mentioned in the national guidelines. In case less than 60 calendar days are available for control, the project partner can submit the Partner Report, but risking that the validation cannot be fulfilled within the deadline of submission of the Project Progress Report and Application for Reimbursement.

### 3.3 Reporting at Partner level

According to the control procedure described, each Project Partner, as well as the Lead Partner, has to submit its expenditure relevant for a reporting period for validation to the Controller in its Partner State.

In order to ensure the verification of expenditure of a project partner, each Project Partner, as well as the Lead Partner, has to prepare a Partner Report, describing the activities fulfilled and the expenditure incurred and paid in the given reporting period. The Partner Report is a simplified version of the Project Progress Report of the Lead Partner, as it is relevant for one Project Partner only.

**The Partner Report is a standard reporting form of the Danube Transnational Programme to be submitted online through the eMS.**

The reporting at partner level through the eMS allows that the same level of information is requested at partner level by the Controllers and the same level of information is provided by



the Project Partners to the Lead Partner.

The Partner Report in the system ensures the financial data (expenditure, generated revenues) needed to issue the FLC Certificate by the Controllers. The list of expenditure is generated by the system based on data recorded by the Project Partner in the system (types of data: real costs, simplified costs) linked to budget lines and work packages.

The language of reporting is English for the transparency of the financial procedures and to ensure the preparation of the Project Progress Reports by the Lead Partners.

Depending on national requirements, **no further reporting templates (with similar information to the Partner Report) should be requested by the Controllers at national level.** However, additional information related to control activity might be needed at national level, e.g. declaration related to VAT, public procurement questions, etc. which might be requested according to the national guidelines (if relevant).

The Controllers shall provide adequate time for the Project Partners to correct data or provide clarification, further supporting documents to the expenditure reported in the Partner Report. The expenditure not verified after the completion round(s) will be part of the next FLC Certificate if it fulfils the control requirements.

### 3.4 FLC Certificate

#### 3.4.1 Issuing the FLC Certificate

After the process of the verification of expenditure, the FLC Certificate has to be issued in the eMS by the Controller in order to prove that the expenditure is validated.

The form of the FLC Certificate is obligatory to use by each Controller verifying the expenditure of a Project Partner participating in a DTP project. The document is automatically generated by the eMS based on the financial data validated and other information edited by the Controller.

The FLC Certificate is issued in Euro.

Standard document for the verification of expenditure is the FLC Checklist which contains the checks performed by the Controller.

The FLC Checklists are harmonised for the Danube Transnational Programme and are obligatory to use by the Controllers in the eMS. The control checklists can be customised in the eMS, but the same checklists will be used by each Controller.

The FLC Checklist contains the eligibility requirements and the supporting documents needed for the verification of expenditure (see Annex 8.4). In accordance with the four eyes principle, if applicable, the checklist is filled in by the Controller in the eMS according to the findings during the verification of expenditure and another Controller has to review the work done.

The eMS generates the FLC Certificate and the FLC Checklist which can be printed and they will be saved in the eMS. There is no requirement at programme level to sign and stamp the generated documents, however, at national level it can be regulated differently. Checklists of the Controllers do not form part of the “FLC Certificate” package. Additional checklists may be used by the Controllers at national level in specific cases, e.g. for the verification of procurements. If the Controllers fill in additional checklists, they can scan and upload them to the eMS.

### 3.4.2 Re-issuing the FLC Certificate

The re-issuing of the FLC Certificate can be requested only before the approval of the Application for Reimbursement by the MA/JS in the following cases:

- a) Ineligible expenditure included in the FLC Certificate
- b) Expenditure declared to wrong BL or WP
- c) Mistakes in reporting the specific types of expenditure
- d) Amount affected by suspect of irregularity included in the FLC Certificate

In case the Lead Partner sends back the Partner Report for correction to the PP concerned, after the modification of the report the FLC Certificate has to be re-issued if possible before the deadline of submission of the Project Progress Report. The MA/JS shall be also consulted in disputed cases.

In case the re-issuing of the FLC Certificate is requested by the MA/JS, the Lead Partner is responsible to re-submit the revised Project Progress Report and Application for Reimbursement to the MA/JS integrating the re-issued FLC Certificates and any further documents requested within the deadline set by the MA/JS.

In case the re-issued and re-submitted FLC Certificate is still not acceptable by the MA/JS after two completions, the MA/JS is entitled to deduct the total amount of the concerned FLC Certificate of the given partner(s) from the amount of the Application for Reimbursement. In this case, the corrective (re-issued) FLC Certificate shall be submitted in the earliest possible next Application for Reimbursement to the reporting period concerned.

Before the approval of Application for Reimbursement by the MA/JS, it is also possible that the Controller establishes the need to re-issue the FLC Certificate. In this case, the Controller notifies the MA/JS on the need for re-issuing the FLC Certificate concerned and the MA/JS initiates the re-issue process through the LP and/or PP concerned.

## 3.5 Handling of irregularities in the control procedure

The Controllers shall apply the following rules for the issuing of FLC Certificates:

- 1) Irregularities suspected **before approval** of the Application for Reimbursement by the

MA/JS, the following procedure shall be applied:

- In case the Controller suspects/detects an irregularity the Controller shall notify the responsible body for irregularities at national level (if any).
  - In case the irregularity procedure is initiated at national level by the responsible body (if any):
    - a) if the suspicion of irregularity is detected during the verification of expenditure, the suspected irregular amount shall not be included in the FLC Certificate issued.
    - b) if the suspicion of irregularity is detected after the issue of the FLC Certificate but before the approval of the Application for Reimbursement, the FLC Certificate has to be re-issued (in order to deduct the suspected irregular amount). In this case immediate information needs to be sent to MA/JS (in order to avoid the amount affected by suspicion will be reimbursed by MA/JS).
  - In case the irregularity procedure (if any) is finished and the result of this procedure is that an irregularity has been committed:
    - a.) if the irregular amount equals with the already deducted, suspected irregular amount, the Controller does not have any additional task;
    - b.) if the irregular amount is less than the already deducted, suspected irregular amount, the eligible amount could be included into any subsequent FLC Certificate.
  - If the irregularity procedure (if any) is finished and the result of the procedure is that no irregularity has been committed, the eligible amount could be included into any subsequent FLC Certificate.
- 2) Irregularities suspected ***after approval*** of the Application for Reimbursement by the MA/JS:
- In case irregularities are suspected by the Controller (or any other programme management body) after the approval of the Application for Reimbursement, the responsible body for irregularities at national level (if any) shall be notified to investigate the irregularity suspected.
  - If the controller decides to deduct the suspected expenditure related to the previous report from the invoice(s) declared in the current report, in the FLC comment box shall be indicated very clearly that this deduction relates to the invoice verified in the previous report (providing the data of the invoice concerned: invoice number, invoice date, payment date and the amount verified in EUR) and the reason for deduction. In case the irregularity has been committed, the responsible body at national level shall inform the MA/JS by sending OLAF/summary report of the irregularity. The MA/JS will insert the data of the irregularity report into the eMS and also attach it to the project concerned.

In case there is a irregularity announced, whistle-blown or detected, the irregularity procedure shall be started as mentioned above, but at the time of the decision further influencing factors shall determine that further authorities at national level shall be involved ex officio and according to legislative attributions. Therefore, the relevant institutions at national level will be properly informed and involved, the relevant documents will be provided.

- The amount affected by irregularity will be reclaimed by MA/JS on the basis of the OLAF/summary report received if it was not deducted by the controller. The FLC Certificate already issued by the Controller **shall not be re-issued**, and **the amount affected by irregularity shall not be deducted from any of the following FLC Certificate**.

The following procedures can be applied for recoveries:

- a) “Compensation”: the amount to be recovered can be deducted by the MA/JS from any Application for Reimbursement in case the amount declared by the concerned PP covers the irregular amount. Therefore, the amount to be paid to the LP will be reduced by the irregular amount before payment of the actual Application for Reimbursement.
- b) “Repayment”: the irregular amount shall be repaid by the PP concerned through the LP to the Danube Programme Bank Account.

## 4. Control requirements

**Controllers** designated by each Partner State shall ensure the compliance of expenditure incurred by the project partners with EU, programme and national rules, by carrying out verifications within the meaning of Article 23(4) of the Regulation (EU) No. 1299/2013, as well as Article 125(5) of the Regulation (EU) No. 1303/2013. Each country participating in the DTP is responsible for verifications carried out on its territory.

In accordance with Article 125(4)(a) and (b) and 125(5) of the Regulation (EU) No. 1303/2013, verifications carried out by the Controllers shall ensure that

- the co-financed products and services have been delivered
- the expenditure declared by the beneficiaries has been paid
- it complies with the applicable law, the cooperation programme and the conditions for support of the operation.

The designated controllers shall also ensure that each project partner involved in the implementation of projects reimbursed on the basis of eligible costs actually incurred (real costs) maintain either a separate accounting system or an adequate accounting code for all transactions relating to an operation.

**Verifications to be carried out shall include the following procedures:**

- a) **administrative verifications** (desk based checks) in respect of each application for reimbursement,
- b) **on-the-spot verifications** of the projects.

The procedures and requirements of the Danube Transnational Programme for the administrative verifications and for the on-the-spot verifications are described in the following sections.

#### 4.1 Administrative verifications – “desk based checks”

As general principle, the Lead Partner can include in the Application for Reimbursement only expenditure validated by the Controller.

**The administrative verifications, so called “desk based checks” shall be carried out by the controllers in respect of each application for reimbursement.**

The desk based checks will be performed by the Controller at its own premises, i.e. the project partner submits the invoices and the related supporting documents of the expenditure declared either electronically (e-mail, data drives, etc. but not through eMS) and/or in original, as regulated at national level.

The Controller might check the documents additionally at the premises of the Project Partners.

##### Methodology for the administrative checks:

- **100% of the expenditure** declared by the Project Partner **is verified** by the Controller
- **Desk based checks carried out on sample basis** (according to the description of the control system of the concerned Partner State) only a certain scope and a percentage the expenditure declared by the Project Partner is verified by the Controller. In case sampling method is used by the Controller, it shall be indicated in the FLC Certificate.

The results of the desk based checks have to be documented in the FLC Report section of the FLC Certificate.

The “**desk based checks**” shall cover the following verifications:

1.	Expenditure is in line with EU, programme and national eligibility rules and complies with conditions for support of the project and payment as outlined in the subsidy contract
2.	Expenditure declared by the Lead Partner / Project Partner is supported by invoices or accounting documents of equivalent probative value, with exception of simplified costs options.

3.	Expenditure declared by the Lead Partner / Project Partner was actually paid with the exception of costs related to depreciations and simplified cost options.
4.	Expenditure was incurred and paid (with exception of simplified costs options) within the eligible time period of the project and was not previously reported.
5.	Expenditure based on simplified cost options (if any) is correctly calculated and the calculation method used is appropriate.
6.	Expenditure (if any) within the meaning of with Article 20(2) of Regulation (EU) No. 1299/2013 has been also verified. (Checks to be performed are described under section 5.5.2 Expenditure of the Associated Strategic Partners and 5.5.3 20% activities.)
7.	Expenditure reimbursed on the basis of eligible costs actually incurred is either properly recorded in a separate accounting system or has an adequate accounting code allocated. The necessary audit trail exists and all was available for inspection.
8.	Expenditure in currency other than Euro was converted using the correct exchange rate according to the rules of the DTP, i.e. expenditure in currency other than Euro was converted using the monthly accounting exchange rate of the European Commission <b>in the month during which expenditure was submitted for verification to the controller.</b>
9.	Relevant EU/ national/ institutional and programme procurement rules were observed.
10.	EU and programme publicity rules were observed.
11.	Co-financed products, services and works were actually delivered in accordance with the subsidy contract and application form.
12.	Expenditure is related to activities in line with the application form and the subsidy contract.
13.	Expenditure verified is not affected by irregularity or any suspected irregularity.
14.	No evidence of infringements of rules concerning sustainable development, equal opportunities and non-discrimination, equality between men and women and State aid has been found during the verifications.
15.	No evidence of double-financing of expenditure through other financial source(s) has been found during the verifications.
16.	No evidence of generation of undisclosed project-related revenue has been found during the verifications.

## 4.2 On-the-spot verifications

On-the-spot verifications (referred as on-the-spot checks) shall cover the additional verifications from financial, technical and physical aspects of the project.

On-the-spot checks of individual projects may be carried out on sample basis as well. The frequency and coverage of the on-the-spot checks shall be proportionate to the amount of public support to a project and to the level of risk identified by such verifications and audits of the audit authority for the management of the control system as a whole.

The methodology for the on-the-spot checks shall be described in the description of the national control system (Annex 8.1):

- On-the-spot checks are considered exhaustive in case on-the-spot checks are performed at least once during the project period for each project partner of the concerned Partner State participating in the projects of the Danube Transnational Programme.
- In case the on-the-spot checks are carried out on sample basis, the selection of the projects for on-the-spot checks has to be in line with sampling method presented in the description of the national control system, and the selection has to be also documented.

The verifications covering only administrative aspects performed at the premises of the Project Partner cannot be considered as on-the-spot checks, in case the requirements of the on-the-spot verifications are not covered.

The “**on-the-spot checks**” shall cover the following verifications:

### **Verifications regarding the accounting system and audit trail:**

1.	In case of Lead Partner, the project bank account is available to receive and transfer ERDF and IPA and ENI contribution to the project partners, either by opening a separate EUR bank account or by opening on the existing EUR bank account a sub-account or technical code for the project purposes.
2.	Separate accounting system or an adequate accounting code is maintained for all transactions relating to the project by the Lead Partner/Project Partner.
3.	The expenditure declared corresponds to the accounting records and supporting documents held by the Lead Partner/Project Partner.
4.	Invoices related to the expenditure already declared are available at the premises of the Lead Partner/Project Partner.
5.	Audit trail relevant for the Lead Partner/Project Partner exists and is complete at the premises of the Lead Partner / Project Partner.



- |    |  |
|----|--|
| 6. | If revenues are reported, evidence exists in the accountings documents of the Lead Partner/Project Partner on the revenues generated by the project. |
|----|--|

**Verification of expenditure:**

1.	Services already declared within the project have been delivered in reality, and are available at the premises of the Lead Partner/Project Partner, and are used only for the project purposes.
2.	Equipment already declared within the project have been purchased in reality, are in line with the description given in the approved application form and are used only for the project purposes.
3.	Small scale investments already declared within the project have been implemented in reality, are in line with the description given in the approved application form, and are used only for the project purposes.

**Verification of the compliance with EU policies and other rules:**

1.	In case of ERDF partners evidence is available that the public procurement procedures applied by the Lead Partner / Project Partner are in line with the national public procurement rules, and programme rules on procurements are also kept. In case of IPA and ENI partners, procurement procedures applied are in line with the provisions of the Financial Regulation and Delegated Regulation and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
2.	According to the evidence obtained, the publicity requirements of the Danube Transnational Programme are respected.
3.	According to the evidence obtained, double-financing of expenditure with other EU funds is avoided.

### 4.3 Documentation of checks

The verification of expenditure shall be documented by the Controllers and the work records are to be retained for audit purposes.

The Danube Transnational Programme introduces the eMS to support the control activity in each Partner State. The system will be available to store all control related documents in electronic form.



The main records of the verification of expenditure are the FLC Certificate and the FLC Checklist containing all aspects of the verifications and stating the results of the checks in details.

The FLC Certificate and the FLC Checklists will be automatically stored by the eMS in electronic form. Originals of the FLC Certificate and the FLC Checklists can be printed and stored by the Controller in case it is requested according to the national control system.

The name and position of the person performing the verifications and the date of verifications will be tracked in each case by the system.

Before submission of the invoices and accounting documents of probative value to the Controller for verification, the Project code and Acronym shall be indicated by the Project Partner on the originals with the following text:

Danube Transnational Programme

Project code:

Acronym:

Controllers may request the submission/presentation of the original invoices/or a sample of original invoices.

All documents submitted by the Project Partner outside of the eMS, e.g. invoices, studies, project brochures, photos of project events, training course materials, etc. and deliverables which provide the evidence of the eligibility of expenditure can be kept by the Controller/Control Coordination Body as regulated at national level.

On-the-spot checks should be properly documented: the work records concerning the result of the on-the-spot checks of individual expenditure/project partner sampled should be maintained by the Controller. In case the on-the-spot checks are carried out on a sample basis, the sampling method used has to be described and justified and the all documentation has to be retained for further audits.

The following documents should be retained by the Controllers concerning the verification of expenditure of each project partner. In case of documents stored in the eMS, it is not requested by the DTP to retain documents in other form by the Controllers; however, national rules may request to retain documents in hard copy as well.

No.	Document	Form of document	Place
1.	Approved Application Form	Electronic version	eMS
2.	Partnership Agreement (and its amendments)	Electronic version	eMS
3.	Subsidy Contract (and its amendments)	Electronic version	eMS

4.	Partner Reports	Electronic version (and/or original <sup>9</sup> )	eMS
5.	FLC Certificate	Electronic version (and/or original <sup>10</sup> )	eMS
6.	Each invoice and accounting document of probative value related to project expenditure	As applied at national level	As applied at national level
7.	Supporting documents related to project expenditure e.g. payslips, bank statements, contracts between project partner and subcontractors, etc.	As applied at national level	As applied at national level
8.	Supporting documents in large size e.g. public procurement documents	As applied at national level	As applied at national level
9.	All project deliverables (materials produced during the project period) submitted with the Partner Reports	As applied at national level	As applied at national level

<sup>9</sup> As regulated at national level

<sup>10</sup> As regulated at national level

10.	FLC Checklists related to each Partner Report	Electronic version (and/or original <sup>11</sup> )	eMS
11.	Documentation of each requests for missing documents, completion of the Partner Reports	Electronic version (and/or original <sup>12</sup> )	Electronic storage/controller premises
12.	If relevant, documentation of on-the-spot checks (minutes/reports, checklists, etc.)	Electronic version (and/or original <sup>13</sup> )	eMS/other electronic storage/controller premises
13.	If relevant, audit reports	Original/copy/electronic version (in the form received from the body performing the audit)	eMS/other electronic storage/controller premises

In case state contribution is ensured by the Partner State in which the Project Partner is located, the Controllers shall retain the documents related to the state co-financing (contract and its amendments, documentation of the payment of state contribution, and all requested documents at national level) as well according to the national co-financing system of the Partner State concerned.

## 5. Verification of project expenditure

Programme level rules on the eligibility of expenditure necessary for the preparation of the Application Forms have been included in the relevant Applicants' Manual, however, the more detailed / specific rules and procedures to be followed during the project implementation period are laid down in the relevant Implementation Manual.

The supporting documents requested for each budget line are listed below the eligibility rules, as well as the additional checks of the Controllers.

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<sup>11</sup> As regulated at national level

<sup>12</sup> As regulated at national level

<sup>13</sup> As regulated at national level

## 5.1 Legal background and hierarchy of rules

In the framework of Danube Transnational programme there are three levels of rules that govern the eligibility of expenditure:

### 1) EU regulations:

- REGULATION (EU, Euratom) No. 966/2012 (Financial regulation) of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and the repealing Council Regulation (EC, Euratom) No. 1605/2002.
- COMMISSION DELEGATED REGULATION (EU) No. 1268/2012 of 29 October 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.
- REGULATION (EU) No. 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 - Common provisions regulation is setting the basic rules for, among others, the European Regional Development Fund (ERDF), one of the main financing sources of the Programme. More specifically, Articles 65-71 are dealing with the eligibility of expenditure.
- REGULATION (EU) No. 1301/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 - ERDF Regulation is dealing solely with the ERDF. Regarding eligibility of expenditure, Article 3 is the most relevant in which scope of support from ERDF is established, stating what can and cannot be financed from the ERDF.
- REGULATION (EU) No. 1299/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 - ETC regulation is dealing with the eligibility of expenditure in Articles 18-19.
- COMMISSION DELEGATED REGULATION (EU) No. 481/2014 of 4 March 2014 - Delegated Act on Eligibility for cooperation programmes supplements the ETC regulation and provides detailed rules for staff costs, office and administrative expenditure, travel and accommodation costs, external expertise and services costs, and equipment expenditure.
- REGULATION (EU) No. 231/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 – establishing an Instrument for Pre-Accession Assistance (IPA II)
- REGULATION (EU) No. 232/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 – establishing a European Neighbourhood Instrument (ENI)

- REGULATION (EU) No. 236/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2014 - Common Implementing Regulation for External Actions is laying down common rules and procedures for the implementation of the Union's instruments for financing external action
- COMMISSION IMPLEMENTING REGULATION (EU) No. 447/2014 of 2 May 2014 – IPA II implementing regulation sets more detailed rules for the implementation of IPA II.

**The list of regulations is not exhaustive and the amendments of the above regulations shall be also considered.**

- 2) Programme rules on eligibility of expenditure outlined in the manuals approved by the Monitoring Committee<sup>14</sup>.
- 3) National (including specific institutional) rules which apply for matters not covered by the EU regulations and programme rules.

**Please, note:** The eligibility rules laid down in this document and the Implementation Manuals shall not be overruled by national or institutional legislation.

## 5.2 General eligibility criteria

The rules on eligibility of expenditure for the Danube Transnational Programme are developed based on the Commission Delegated Regulation (EU) No. 481/2014, referred in the Applicants' Manuals as "Delegated Act" and in line with the EU Regulations listed in the Implementation Manuals.

In principle, the same eligibility rules apply to ERDF, IPA and ENI Funds due to the full integration of IPA and ENI Funds at programme level. In case of exceptions due to different rules for IPA and ENI, these are explicitly mentioned under the relevant sections.

### 1) General provisions

In general, in order to be considered **eligible** the expenditure has to fulfil all the following criteria:

- All expenditure are related to the initiation and implementation of the project as approved by the Monitoring Committee, and essential for the achievement of the agreed project activities

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<sup>14</sup> According to Article 18(2) of the ETC Regulation "the participating Member States in the monitoring committee, shall establish additional rules on eligibility of expenditure for the cooperation programme as a whole".

- All expenditure must comply with the principle of efficiency, effectiveness and economy
- All expenditure must comply with the principle of real costs, with the exception of the costs calculated as flat rates and lump sums
- All expenditure are incurred and paid by the project partner indicated in the application form during the eligibility period of the project
- All expenditure relate to activities that have not been financed from other financial instruments
- All expenditure are supported by invoices or other documents with probative value directly attributable to a certain project partner with the exception of the costs calculated as flat rates and lump sums
- All expenditure are in line with eligibility rules on EU, programme and national eligibility rule

## 2) Ineligible expenditure

- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs of gifts, except those not exceeding 50 EUR per gift where related to promotion, communication, publicity or information
- Costs related to fluctuation of foreign exchange rate
- Interest on debt
- Purchase of land and existing buildings
- Value added tax except where it is non-recoverable under national VAT legislation
- Contributions in kind, as defined in Article 69(1) of Regulation (EU) No. 1303/2013
- Project expenditure split among project partners (i.e. sharing of „common costs”)
- Second hand equipment

## 5.3 Eligibility in time

The rules for the eligibility period are set to Article 65 (2) of Regulation (EU) No. 1303/2013. Within the Danube Transnational Programme, the eligible project period shall be set **between 1<sup>st</sup> January 2014 and 31<sup>st</sup> December 2022**.

The project period shall be defined in the approved Application Form by the starting date and end date of the project. In principle, the project starting date is defined after the final approval date of the project by the Monitoring Committee.

**Eligible project expenditure shall be incurred and paid within the project period** defined by the starting date and end date of the project according to the approved Application Form with the exception of:

- **Preparation costs**, if any (see special eligibility rules in section 5.5.1);
- **Control costs related to the last Project Progress Report and Application for Reimbursement**  
can be incurred after the end date of the project period, but it shall be paid within 60 days from the end date of the project at the latest;
- **Costs reported in the last reporting period** and incurred before the end date of the project shall be paid within 60 days from the end date of the project; the deadline for payments will be explicitly given in the subsidy contract.

The Controllers have to check the eligibility in time considering the followings:

- All expenditure have been incurred and paid between the starting date and end date of the project, with the exception of preparation costs, if any, the control costs and costs reported in the last reporting period.
- Approval date, starting date and end date of each project are given explicitly in the subsidy contract.
- As a general rule, the Partner Report has to cover the expenditure incurred in the eligible project period and paid until the end date of the given reporting period and the costs calculated as flat rate related to the given reporting period respectively.
- In case of the final report including the last Project Progress Report, all expenditure shall be paid within 60 calendar days from the end date of the project, according to the following rules:
  - **Costs reported in the last reporting period shall be** incurred before the end date of the project **and have to be paid within 60 calendar days from the project end date at the latest, and**
  - **the control costs related to the last Project Progress Report and Application for Reimbursement can be incurred after the end date of the project period, but it shall be paid within 60 calendar days from the end date of the project at the latest.**
  - These exceptions shall not affect the timeframe of the validation of expenditure for the last Partner Report, as the last Project Progress Report and Application for Reimbursement have to be submitted to the MA/JS within three months after the end date of the project. This means that the verification of expenditure for last Partner Report shall start according to the normal procedures for control at national level, without requesting that all expenditure are paid at the time of the

submission of the Partner Report, but the FLC Certificate can be issued by the Controllers only after the proof of payments are presented for the expenditure with the extended payment deadline.

- **Control costs of the last reporting period** in case the project partner is paying for the control costs:
  - The Controller can issue the FLC Certificate for the last reporting period after performing the verification of all expenditure incurred in the last reporting period except the one related to the control service. Upon acceptance by the project partner, the Controller issues its invoice related to the last reporting period. The Project Partner finalises the Partner Report and includes the invoice of the paid control costs and then the Controller issues the “corrective/amended” FLC Certificate including the costs of last reporting period and the control costs as well. This is one of modalities on how to report the control costs related to last reporting period. However, other modalities are also acceptable in line with the eligibility requirements.
  - **In case the control costs of the last reporting period are not paid within the 60 calendar days from the project end date (deadline given explicitly in the subsidy contract), these costs shall not be included in FLC Certificate** and the project partner has to cover this expenditure from his own resources.

## 5.4 Verification of expenditure by budget lines

In accordance with the Commission Delegated Regulation (EU) No. 481/2014 (as referred to “Delegated Act”) and the relevant EU regulations, specific rules on the eligibility of expenditure within the Danube Transnational Programme are established by budget lines for the five expenditure categories of the Delegated Act. In addition, based on the decision of the Partner States, the Danube Transnational Programme established an additional budget line “Infrastructure and works” for the project activities where the expenditure cannot be covered by any of the expenditure categories of the Delegated Act.

Project expenditure is eligible under the following budget lines:

- 1) **Staff costs**
- 2) **Office and administrative expenditure**
- 3) **Travel and accommodation costs**
- 4) **External expertise and service costs**
- 5) **Equipment expenditure**
- 6) **Infrastructure and works**



**Please, note:** in case of PAC support and SMF projects the budget lines 'Equipment expenditure' and 'Infrastructure and works' are not applied.

The sections 5.4.1 to 5.4.6 contain detailed provisions regarding eligibility of expenditure per budget line.

Besides the eligibility provisions, the **list of supporting documents necessary for each budget line is stated.**

The following general documents – that are not strictly related to a particular budget line – will be available through the eMS of the Programme or presented to the Controller with the first Partner Report or with each Partner Report:

- Subsidy contract and amendments (if any) – Lead Partner should keep the original while project partners should have copies
- Application Form and all amendments (if any)
- Partnership Agreement and its amendments (if any)
- Evidence of the accounting system: either separate accounting system or adequate accounting code is maintained for all project-related transactions by all Project Partner
- Confirmation that the project partner's organisation is the owner of the bank account communicated to the Lead Partner
- Partner Report
- List of expenditure by budget line, including invoice number, invoice date, specification of invoice, supplier name, amount, VAT, payment date, expenditure outside of the programme area
- Project outputs such as studies, agendas of meetings, etc. in accordance with activities reported in the Partner Report
- Publicity items such as brochures, publications, webpage, etc. in accordance with activities reported in the partner report
- Confirmation of receipt of ERDF / IPA / ENI from the previous reporting period
- Confirmation of receipt of national, regional, local public contribution, if applicable
- Documentation of net revenue generated, if applicable
- Declaration on the VAT status of the project partner, signed by the authorised person of the project partner's institution

#### 5.4.1 Staff costs

The costs of the personnel employed by the beneficiary institution and executing tasks for the project management (project coordinator, project manager, assistant, financial manager, etc.) and/or tasks for the project content related activities are eligible to be reimbursed by the Programme.

**Expenditure on staff costs shall be limited to the following:**

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;

b. Any **other costs directly linked to salary payments incurred and paid by the employer**, such as **employment taxes and social security** including pensions as covered by Regulation (EC) No. 883/2004 of the European Parliament and of the Council provided that they are:

(i) Fixed in an employment document or by law;

(ii) In accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working; and

(iii) Not recoverable by the employer.

- The above rules apply to any other additional benefits incurred and paid by the employer over the monthly salary. Additional benefits must be directly linked to the salary payments and figure on the payslip. Ad-hoc regulations for additional benefits, ad-hoc salary increases or bonuses applicable only to the project are not eligible. Salary modifications during the project implementation are eligible in case they are well justified (e.g. an increase in the complexity of the implemented activities, additional tasks for the project team, external factors such as economic growth or inflation etc.)
- Overtime is eligible only in case it is directly related to the project, it is foreseen in the employment document and it is in line with national legislation and the standard practice of the beneficiary, and on the basis of appropriate time registration system. In case of part time employment, overtime shall be proportionally allocated to the project.

Staff costs may be reimbursed in the Danube Transnational Programme either:

- a. On a **real cost basis** (proven by the employment document and payslips); or
- b. As a **flat rate up to 20% of direct costs** other than staff costs.

Each project partner must choose one of these reimbursement options already in the Application Form submitted which will remain unchanged through the entire project period.

**ATTENTION:** under SMF projects the staff cost shall be reimbursed only on a real cost basis, the flat rate method cannot be applied.

**a. Staff costs are reimbursed on real costs basis:**

The staff can be allocated to **work full time** (100% of the working time is allocated to the project) **or part time** for the project.

**Please, note:** Staff costs of **the part-time** employees have to be calculated using one of the following methods:

- a. Part-time with a fixed percentage of time worked per month, in line with a fixed percentage of time worked on the operation, with no obligation to establish a separate working time registration system
- b. Part-time with a flexible number of hours worked per month; in line with a number of hours varying from one month to the other worked on the operation, based on a time registration system covering 100 % of the working time of the employee
- c. On an hourly basis

**For part-time assignments with a fixed percentage of time worked per month:**

- The percentage of time to be worked on the project shall be fixed in the employment document (work contract/job description/other equivalent document) by the employer for each project staff member. The percentage of time dedicated to the given project shall be mentioned in the documents where the other tasks / projects are referred, as well as the percentage of time to be allocated to other tasks/projects. Description of project-related tasks and responsibilities of the person working on the project shall be available and the time allocated to the project shall be in line with the project related tasks.
- There is no obligation to establish a separate working time registration system.
- In case the percentage of time to be worked on the project is changed during the project duration, the related document shall be submitted to the Controller, as well as the documents justifying the necessity and plausibility of the changes.

**For part-time assignments with a flexible number of hours worked per month:**

- The reimbursement of staff costs shall be calculated on an hourly rate basis determined either by:
  - (i) Dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours; or

(ii) Dividing the latest documented annual gross employment cost by 1,720 hours for persons working full time, or by a corresponding pro-rata of 1,720 hours for persons working part time. Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12 month period.<sup>15</sup>

- The hourly rates calculated under points (i) and (ii) shall be multiplied by the number of hours actually worked on the operation.
- In case of use of annual gross employment cost method, the hourly rates would be set based on the latest available gross employment costs (or contract for employment) at the time of signature of the Subsidy Contract<sup>16</sup>. The hourly rates would remain fixed for the project duration. For newly employed staff and staff newly assigned to the project the hourly rate should be set within the first 3 months from the date of their employment or assignment.
- Under method point (ii) the denominator of the formula for the calculation of the hourly rate (i.e. 1,720 hours or applicable pro-rata of 1,720 hours) cannot be changed irrespective of contractual conditions applicable.
- Methods under points (i) and (ii) can be combined for the staff of the same partner according to the different contract provisions (e.g. newly hired staff, etc.)
- Time registration system covering 100 % of the working time of the employee shall be established.

**For part time assignment on an hourly basis:**

- Staff costs related to individuals who, according to the employment document, work on an hourly basis, costs shall be eligible applying the number of hours actually worked on the operation to the hourly rate agreed in the employment document based on a working time registration system.

<sup>15</sup> For projects in advanced stage of implementation (1<sup>st</sup> call projects and 1<sup>st</sup> call PAC projects) at the time of application of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 only the documented **annual** gross employment costs and 1,720 hours should be used as the basis for calculation of hourly rate. The exception is only granted for newly employed staff and staff newly assigned to the project which can use the method in its entirety (applicable also from the date of application of the above mentioned Regulation).

<sup>16</sup> For 2<sup>nd</sup> call projects that were signed prior to date of application of the above mentioned Regulation, and in order to ensure the equal treatment of 2<sup>nd</sup> call projects, the hourly rate should be set based on information available within the first 3 months of project implementation but after the date of application of above mentioned Regulation.

- Time registration system covering 100 % of the working time of the employee shall be established.

**ATTENTION:** Staff costs of the employees of the institution involved in the project are to be considered cash contribution and not in-kind contribution! (In kind contribution means unpaid voluntary work, and the value of that work is determined by taking into account the verified time spent and the **rate of remuneration for equivalent work**. According to programme rules, in kind contribution is not eligible).

### Examples for the calculation of staff costs:

Type	Calculation
<b>Full time employment</b>	<p><b>100% of the gross employment costs</b> are allocated to the project</p> <p><u>Example:</u></p> <ul style="list-style-type: none"> <li>➤ Project manager is assigned to work 100% on the project. This is clearly stated in the relevant employment document along with the role within the project and the relevant tasks.</li> <li>➤ Project reporting is on 6 months basis.</li> <li>➤ Gross employment cost of project manager is 3,500 EUR (including 2,660 EUR gross salary and 718 EUR social charges paid by the employer and 122 EUR other payments related to salary including taxes paid by the employer).</li> <li>➤ During a particular month, project manager is working solely on project related tasks.</li> <li>➤ At the end of the reporting period, relevant Partner Report is prepared by the project partner. In the Partner Report the expenditure are claimed for project manager in the amount of 21,000 EUR (6 * 3,500 EUR).</li> <li>➤ No obligation to establish a separate working time registration system – no timesheet necessary</li> </ul>

<b>Part time employment</b>	<p>a. with a <u>fixed percentage of time worked per month</u></p>	<p>The <b>percentage set in the employment document</b> (work contract/job description/other equivalent document) is <b>multiplied by the monthly gross employment costs</b>.</p> <p><b><u>Example:</u></b></p> <p><b><i>50% of working time is allocated to the project</i></b></p> <ul style="list-style-type: none"> <li>➤ <i>Financial manager is assigned to work 50% on the project. This is clearly stated in the relevant employment document along with the role within the project and the relevant tasks.</i></li> <li>➤ <i>Project reporting is on 6 months basis.</i></li> <li>➤ <i>Gross employment costs of financial manager is 3,500 EUR (including 2,660 EUR gross salary and 718 EUR social charges paid by the employer and 122 EUR other payments related to salary including taxes paid by the employer).</i></li> <li>➤ <i>During a particular month, financial manager is working 50% of her/his working time on project related tasks.</i></li> <li>➤ <i>At the end of the reporting period, relevant Partner Report is prepared by the project partner. In the Partner Report the expenditure are claimed for financial manager in the amount of 10,500 EUR = 6*(3500*0,5).</i></li> <li>➤ <i>No obligation to establish a separate working time registration system</i></li> </ul>
	<p>b.(i) with a flexible number of hours worked per month <u>calculated with a monthly hourly rate</u></p>	<p>Number of hours worked in the project multiplied by the pre-calculated monthly hourly rate.</p> <p><b><i>Hourly rate = monthly gross employment cost/ monthly working time fixed in the employment document (expressed in hours).</i></b></p> <p><b><u>Example:</u></b></p>

		<ul style="list-style-type: none"> <li>➤ Monthly working hours according to the contract: 176 hours</li> <li>➤ Gross employment costs for June: EUR 3,500.00 → hourly rate: <math>3500/176 = 19.88</math> EUR</li> <li>➤ Total number of hours worked for the project (June): 80h</li> <li>➤ Total project costs: <math>80h * 19.88 \text{ EUR} = 1,590.40</math> EUR</li> <li>➤ Time registration system covering 100 % of the working time of the employee is established.</li> </ul>
	<p><b>b.(ii) with a flexible number of hours worked per month <u>calculated with a yearly hourly rate</u></b></p>	<p>Number of hours worked in the project multiplied by the pre-calculated yearly hourly rate.</p> <p><b>Hourly rate = latest documented annual (or other applicable) gross employment cost (or employment cost derived from the contract for employment)/ 1,720 hours (or pro-rata of 1,720 hours)</b></p> <p><b><u>Example:</u></b></p> <ul style="list-style-type: none"> <li>➤ Employee working full time for the partner organisation</li> <li>➤ Gross annual employment costs documented: 42,000.00 EUR → hourly rate: <math>42.000/ 1,720.00 = 24.41</math> EUR</li> <li>➤ Total monthly hours worked for the project (June): 80h</li> <li>➤ Total project costs (June): <math>80h * 24.41 = 1,952.80</math> EUR</li> <li>➤ Time registration system covering 100 % of the working time of the employee is established.</li> </ul>

	<p><i>c. with a flexible number of hours worked per month calculated <u>on a contracted hourly rate basis</u></i></p>	<p><i>Number of hours worked for the project <b>multiplied by the hourly rate set in the employment document.</b></i></p> <p><b><u>Example:</u></b></p> <ul style="list-style-type: none"> <li>➤ <i>Hourly rate set in the employment document: 16 EUR</i></li> <li>➤ <i>Total number of hours worked for the project (June): 80h</i></li> <li>➤ <i>Total project costs: 80h*16 EUR=1,280 EUR + 345 EUR social charges paid by the employer = 1,625 EUR</i></li> <li>➤ <i>Time registration system covering 100 % of the working time of the employee is established.</i></li> </ul>
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**b. Staff costs are reimbursed on flat rate basis:**

The flat rate for staff costs shall be applied at the level of the partner budget and **shall not exceed 20%** of the eligible direct costs other than the staff costs of the partner budget.

The eligible direct costs as basis of the calculation of the staff costs are the amounts planned under the travel and accommodation costs, external expertise and service costs, equipment expenditure and infrastructure and works budget lines. The expenditure planned under office and administration is not considered as direct costs, therefore it shall not be included in the basis of calculation of the staff costs.

No further justification or supporting document is needed from the project partners to justify the staff costs declared.

**Further eligibility rules:**

- The flat rate defined in the approved Application Form shall be **automatically applied** by the given project partner for reporting staff costs **in each reporting period**
- In case the flat rate method is applied for the reimbursement of staff costs, **no further staff costs incurred on real costs basis can be reported** under this budget line or under other budget lines
- In case staff costs are not eligible for financing for the given project partner according to national eligibility rules, staff costs shall not be declared on flat rate basis to the project (i.e. the eligibility of expenditure does not depend on the form of reimbursement)



- The flat rate approved in the Application Form shall be applied in case of budget changes of a project partner affecting the amount of direct costs being basis of the calculation of the staff costs.

Additional explanations to the Controllers:

- In general, gross employment cost is eligible. In case of full time employment, the employee is taking holidays, the full amount paid to the employee can be claimed, irrespective of the fact whether employee was working on a particular day (week or month) or he/she was on holiday. The same situation applies in case of sick leave where costs are incurred by the employer. For part-time employment with fixed percentage of time worked per month, holidays and sick leave shall be declared proportionally. In case of part time with a flexible number of hours worked per month calculated with the monthly hourly rate, holidays and sick leave would usually not be considered as eligible staff costs (in the absence of any specific contractual clause the maximum monthly working time should be considered).
- However, in case of flexible hours worked per month, only the actual hours worked on the project are to be multiplied with the determined hourly rate.
- In case of flexible number of hours worked per month calculated with a monthly hourly rate, sometimes the number of hours in the employment document is not expressed by using the month as a reference (but rather week or day). In this case, number of hours on a monthly basis should be established. For these purposes principle number of working days per month is 22 (to be applied for all months). In case weekly working time is stated in the employment document, monthly working time can be calculated in the following manner: (number of weekly working hours divided by number of working days per week) times 22 (e.g. in most case it would be  $(40/5) * 22 = 176$  hours).
- In case employee worked on the project with flexible number of hours worked per month (yearly hourly rate) and it was not possible to use the specific employee data for the calculation the annual gross employment costs of a comparable position employed full-time could be used to calculate the yearly hourly rate for a person working part-time on the project.<sup>17</sup> (
- In case of flexible number of hours worked per month calculated with a yearly hourly rate, the hourly rate is calculated based on the latest documented annual (or other applicable) gross employment cost (or contract for employment) available at the time of signature of the Subsidy Contract.

Supporting documents for staff costs reimbursed on real costs basis:

<sup>17</sup> This only applies to projects in advanced stage of implementation (i.e. 1<sup>st</sup> call projects and 1<sup>st</sup> call PAC projects) at the time of introduction of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018) as other projects have sufficient flexibility to obtain the hourly rate from the actual employee data.

- A document showing contractual relationship: employment/work contract, contracts considered as employment contracts for all persons reporting staff costs (part-time and full-time)
- Written agreement(s) and / or job description outlining work for the project for all persons reporting staff cost (part-time and full-time)
- A document specifying salaries and other related costs for each relevant month and each person working on the project (e.g., pay slips, print-out of the accounting system)
- Proof of payment of salaries and other related costs and employer's contribution (social contribution) (e.g., bank account statement, pay slips)
- Only in case of part-time work on the project based on a fixed percentage of time worked per month: document setting out the percentage of time to be worked on the project for each person reporting staff costs under this option, if not included in the employment contract or job description.
- Only in case of part-time work on the project based on flexible shares or hourly rates: timesheets showing 100% of the work of the person, signed by the employee and the employer
- Only in case of part-time work on the project based on hourly rates calculated using 1,720 hours or pro-rata of 1,720 hours (if applicable): document showing the documented annual (or other applicable) gross employment cost based on the latest available data at the time of signature of the Subsidy Contract
- Only in case of part-time work on the project based on flexible shares or hourly rates: calculation scheme for salary costs for each employee working part-time on the project

### Supporting documents for staff costs reimbursed on flat rate basis:

- No supporting documents needed.
- List of staff members working on the project shall be provided to the Controller on request (e.g. to check the eligibility of travel and accommodation costs)

### 5.4.2 Office and administration expenditure

Office and administration costs related to the project implementation shall be declared on a flat rate basis of **15% of the eligible staff costs of the project (i.e. costs declared under "Budget line 1 Staff costs" no matter if the flat rate or real costs method is used for the staff costs)** in case project partners decided to claim them in accordance with the approved Application Form.

No further justification or supporting document is needed from the project partners to justify the Office and administration costs declared.

Office and administrative expenditure shall not be claimed as direct cost under other budget lines.

The following types of expenditure are included under this budget line (exhaustive list):

- 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
- 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 an operation requires a separate account to be opened
- l. Charges for transnational financial transactions

***Example:***

*IT system support purchased by the project partner to support delivery of general project activities can be covered under this budget line.*

Further eligibility rules:

- The **same flat rate** (15%) shall be automatically applied **for each reporting period**, by each project partner. **In case staff costs are not declared for the relevant reporting period, the office and administration expenditure shall not be declared**
- Office and administration expenditure is eligible also in case the staff costs are declared on flat rate basis
- In case **staff costs are not eligible** for financing for the given project partner according to national eligibility rules, **office and administrative expenditure shall not be declared to the project** (i.e. the institution of the project partner financing the staff of the project shall finance the related office and administration expenditure as well)

- The 15% flat rate shall be applied in case of budget changes affecting the amount of direct staff costs of a project partner's budget

Supporting documents for office and administration expenditure:

- No supporting documents needed

### 5.4.3 Travel and accommodation costs

Project related travelling costs of the project staff employed by the beneficiary are eligible for financing under the travel and accommodation costs budget line. The project partners can choose from the following 2 options in accordance with the national/internal rules:

Option A)

Eligible expenditure includes (exhaustive list):

a. Travel costs:

- Tickets: flight tickets (including the costs for carbon offsetting), bus, train, local transportation tickets, etc.
- Travel and car insurance
- Fuel, car mileage according to the rules relevant for the beneficiary's institution
- Toll
- Parking fees (e.g. parking at the event, at the airport)
- Taxi costs and car rental according to the criteria of "further eligibility rules" of this budget line

b. Costs of meals

c. Accommodation costs

d. Visa costs

e. Daily allowances

In case travel costs, meals, accommodation costs or visa costs or any of these are covered by the daily allowance, the actual incurred expenditure related to the cost covered by daily allowance shall not be reimbursed as an addition to the daily allowance.

Option B)

Eligible expenditure includes:

a. Travel costs:

- Tickets for travels: flight tickets (including the costs for carbon offsetting), bus, train etc. (excluding local travel within the place of mission)
  - Travel and car insurance
  - Fuel, car mileage according to the rules relevant for the beneficiary's institution
  - Toll
  - Parking fees (e.g. parking at the event, at the airport)
  - Taxi costs and car rental according to the criteria of "further eligibility rules" of this budget line (excluding local travel within the place of mission).
- b. Per diems according to the **EC-funded external aid contracts**. In this context, per diems cover accommodation, meals, local travel within the place of mission and sundry expenses. The current per diem rates can be found on the EC website: [http://ec.europa.eu/europeaid/work/procedures/implementation/per\\_diems/index\\_en.htm\\_en](http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm_en) (the latest version should be considered)
- c. Visa costs

### Further eligibility rules:

- Travel and accommodation costs must be clearly linked to the project: they must be justified by activities carried out within the project (e.g. participation in events, meetings organised by the project/project partners, meetings with the MA/JS, seminars, conferences organised by the Danube Transnational Programme or where it is relevant the participation of the project, etc.) and the related activities shall be relevant for the implementation of the project, e.g. participation at the meeting with project partners to prepare any activity, etc.
- The duration of the travel shall be clearly linked to the concerned event/meeting and shall not be longer than from the day before to the day after the concerned meeting, unless it is clearly justified and documented. Further overnights and related costs (e.g. extra hotel costs, extra daily allowances, additional staff costs) not justified shall not be eligible
- In principle, travelling costs of the "project staff" (as defined by the BL1 staff costs) are eligible
- In case staff costs of the partner's institution cannot be charged to the project due to national legislation, but it is proved that these persons are directly contributing to the project implementation, their travelling costs are considered eligible as well (e.g. civil servants)
- Travel and accommodation costs must be definitely borne by the partner's institution as beneficiary. Direct payment of costs by a staff member of the beneficiary must be

supported by a proof of reimbursement from the employer before submitting the expenditure for validation to the Controller

- Travelling costs of the Associated Strategic Partners (ASPs) are eligible, where the invoice and/or the relevant accounting document is addressed to the “sponsoring” ERDF Partner and it is directly paid or reimbursed by the ERDF Partner before submitting the expenditure for validation to the Controller
- Travel and accommodation expenses of external experts and service providers shall be declared under the external expertise and services costs
- Project related travels outside of the Union part of the programme area – such as non-EU countries or regions which are part of the programme area, EU countries or regions outside the programme area, and non-EU countries or regions outside the programme area – are eligible costs, however, travels outside the programme area are subject to approval from DTP side (see also special eligibility rules)
- Daily allowances are eligible according to national legislation / internal rules of the partner’s organisation. In case neither national nor internal rules of the partner’s organisation are available, the daily allowances according to the Commission Delegated Regulation (EU) 2016/1611 of 7 July 2016 shall be applied. Hierarchy of rules (internal and/or national, EU) shall be kept. Daily allowances accounted for the project shall include the related social contributions/taxes according to the relevant national rules
- Daily allowances are eligible for ASPs under condition that the relevant internal rules for the sponsoring ERDF Partner’s institution make possible such payment
- Daily rates for hotel accommodation costs are eligible according to national legislation / internal rules of the partner’s organisation. In case neither national nor internal rules of the partner’s organisation are available, the daily rates for the hotel accommodation costs according to the Commission Delegated Regulation (EU) 2016/1611 of 7 July 2016 shall be applied. Hierarchy of rules (internal and/or national, EU) shall be kept. Higher daily rates can be accepted in exceptional and duly justified cases, e.g. hotel available only for higher daily rate, due to the location of the event (e.g. Brussels)
- As a general rule, the most economical way of transport should be used. In principle, business or first class tickets are not eligible. Business or first class tickets can be accepted only in exceptional cases, if cost effectiveness and efficiency can be clearly proved with documented booking options
- Taxi costs are eligible, e.g. for travelling to/from the airport/train station, to/from the venue of the event/hotel, in case they are well justified (e.g. the only effective travel solution if public transportation is not available)
- Car rental is eligible in exceptional cases and in justified circumstances, e.g. the location of the event is not accessible by public transport, cancellation of travel by public

transport not due to fault of the travelling person, costs effectiveness due to the number of travelling persons, etc.

- Furthermore, it is recommended to use environmentally friendly means of transport (e.g. train over flight, public transport over taxi/car etc.)
- Costs for flight carbon offsetting are eligible provided that the costs are included in the same invoice of the flight. In case it is not included in the flight ticket, the project partner can select the service provider of CO<sub>2</sub> compensation and the costs are eligible provided that the related invoice contains the following details: project acronym/code, name of the passenger, flight number/destination.<sup>18</sup>

Further clarifications to the controllers:

- In case it is possible to pay daily allowance to the ASP, it shall be according to the rules of the ERDF Sponsoring Partner' institution for its own employees.
- Cancellation fees of travel costs are eligible in case of force majeure.

The term force majeure, as used herein covers any unforeseeable events, not within the control of the beneficiary and which by the exercise of due diligence neither beneficiary is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion.

Supporting documents for travel and accommodation:

- List of staff working on the project (including the staff costs declared on flat rate basis, civil servants not eligible for staff costs, and the ASP members)
- Agenda or similar document presenting the objectives and topics of the meeting/seminar/conference
- Authorisation of the mission (if obligatory according to national/ institutional rules)
- Mission report signed by the travelling person
- If relevant: any other proof of participation (e.g. minutes of the meeting, event /signed list of participants/ email confirmation, etc.)
- Invoices or documents of equivalent probative value (hotel invoices, bus/train/plane tickets, etc.)

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<sup>18</sup> Carbon offsets are achieved through financial support of projects carried out by organisations that act as service providers of CO<sub>2</sub> compensation that reduce the emission of greenhouse gases in the short- or long-term



- In case of use of company/private car, calculation sheet according to national or institutional rules stating at least the distance, the unit rate and the total costs of the travel
- Payslip/accounting documents on daily allowance / per diems
- Proof of payment of travel and accommodation costs (e.g. bank statements)
- Proof of reimbursement of travel and accommodation expenditure to staff, in case the staff members pre-financed the expenditure

#### 5.4.4 External expertise and service costs

Expenditure on external expertise and service costs shall be limited to the following services and expertise provided by a public or private law body or a natural person other than the beneficiaries of the project:

- a. Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks)
- b. Training
- c. Translations
- d. IT systems and website, modifications and updates<sup>19</sup>
- e. Promotion, communication, publicity or information linked to the project
- 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. Verifications: Externalised control activities (FLC) for the verification of the project expenditure where it is relevant for the control system of the concerned Partner State
- l. The provision of guarantees by a bank or other financial institution where required by Union or national law or in a programming document adopted by the monitoring committee

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<sup>19</sup> The Danube Transnational Programme website will include and host one website per project.



- m. Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers
- n. Other specific expertise and services needed for the given project

**ATTENTION:** Not the whole list is eligible under the SMF projects. Please, follow the list of selected expenditure element set in the relevant Programme Manual available in the DTP website (<http://www.interreg-danube.eu/>).

Further eligibility rules:

- External expertise and services must be clearly and strictly linked to the project and be essential for its effective implementation
- In case of public procurement the selection of the external experts shall comply in case of ERDF partners with the relevant national public procurement law in force, and in case of the IPA and ENI partners, with the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and, the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- In case the controller is appointed or designated at national level and its costs is paid by the project partner, the rules for the selection of the external experts shall not be applied as the project partner is not free to select a controller
- Programme specific rules shall be applied for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section 5.6.1.) (applicable only for ERDF component of the DTP)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment
- Project Partners and their employees shall not be contracted by another project partner within the same project as an external expert or a subcontractor
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers shall be declared under this budget line. In case only the travel and accommodation costs are reimbursed to the external expert (not receiving fee), the contract or any other supporting document shall state that only travel costs and accommodation costs supported by invoices will be paid
- The stakeholders' travel and accommodation cost not provisioned in the Application Form needs approval from the MA/JS

- If applicable, the deliverables respect the information and publicity requirements of the DTP
- Gifts are eligible up to a maximum value of EUR 50 per item and they must be linked to promotion, communication, publicity or information activities included in the Application Form or approved by the MA/JS beforehand. Information and publicity requirements of the DTP shall be respected for the gifts as well
- Expenditure on external expertise and services shall not be split among the project partners, i.e. common costs are not allowed
- In case of PAC projects the travel and accommodation costs of Steering Group members related to the participation of steering group meetings shall be declared under this budget line based on the service contract concluded or any other supporting document

### Programme rules on project logo and website development:

- In general, DTP projects are not allowed to develop their own project logo. They have to use instead the programme logo including the reference to the project acronym below. However, a specific logo might exceptionally be considered for an output/result with a lifetime going beyond the project if well justified in the approved Application Form.
- DTP projects are not allowed to create their own website but to use the one hosted in the programme website. In exceptional cases, projects might still develop a separate website for tools or products with a life reaching beyond the project and being a project output itself and not a simple communication tool. The development of such a separate website will be subject to approval by the MA/JS and a specific justification will be required. In the event that this separate website is approved, the project will be required to follow the programme's visual guidelines.

### Supporting documents for External expertise and services:

- Documents of the procurement procedure (selection of the external expert/service provider)
- Selected offer
- Service contract, or where it is relevant order for the service
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules
- Proof of payment (e.g. bank statement)
- Calculation method showing the share allocated to the project and justification of the share allocated (only in case of experts and service that are not exclusively used for the project)
- Deliverables and other evidence of the work carried out by external experts

#### 5.4.5 Equipment expenditure

Purchase, rent or lease of equipment costs is eligible in case it is necessary for the project implementation and is foreseen in the approved Application Form.

The purchase, rent or lease of the following equipment is eligible under this budget line:

- a. Office equipment
- b. IT hardware and software
- c. Furniture and fittings
- d. Laboratory equipment
- e. Machines and instruments
- f. Tools or devices
- g. Vehicles
- h. Other specific equipment needed for operations

Cost items accounted under the equipment budget line shall not be reimbursed under any other budget line.

Further eligibility rules:

- Equipment should be clearly and strictly linked to the project (features and functions are in line with the project needs) and exclusively used for the project implementation
- Only equipment listed in the approved Application Form (and associated costs needed for its installation and functioning) are eligible for financing. In case of any change necessary to the equipment, it shall be preliminary approved by the MA/JS according to the rules on project changes
- In case of public procurement the selection of the suppliers shall comply in case of ERDF partners with the relevant national public procurement law in force, and in case of the IPA and ENI partners, with provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two), and the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- Programme specific rules shall be applied for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section 5.6.1.) (applicable only for ERDF component of the DTP)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment

- Equipment expenditure shall not be split among the project partners, i.e. common costs are not allowed

#### Eligible costs of project equipment:

- As a general principle, for all project equipment (purchased before or during the project lifetime) **only depreciation costs should be allocated to the project**

#### *Projects granted under the 2<sup>nd</sup> and further calls for proposals:*

- ***The full costs of the equipment should be allocated to the project, if it is in line with national and institutional regulations. In case national or institutional regulation does not allow that project equipment is reimbursed in full, only depreciation costs are eligible***
- *For project equipment that was purchased before the project starting date, not fully depreciated before and used for the project purposes, **only depreciation costs for the relevant project period** should be allocated to the project. Furthermore, depreciation costs of the equipment are eligible only if the acquisition of equipment is not financed from any other financial instrument (e.g. EU, national, international)*
- The calculation of depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations
- Depreciation costs of equipment should be allocated to the time period when the equipment was used for the project purposes

#### **Example:**

*An equipment item was used from beginning of January to end of June. This would mean that the equipment was used throughout 6 months period. The price was EUR 4,000, with annual depreciation of EUR 1,200. By dividing this annual depreciation further by 12 months, the monthly depreciation would equal 100 EUR. In our example the project could report EUR 600 (=6 months x EUR 100).*

- For equipment rented or leased for certain period during the project lifetime rental or leasing costs for the respective period are eligible
- If according to the national legislation the **equipment is not depreciable** (e.g. low-value asset), **the full costs of purchase, lease or rent could be allocated to the project**. Equipment under this category does not have to be used for project purposes after the end of the project. Moreover, after use the equipment does not have to remain in the ownership of the project partner that had reported the related costs. (In case of the full cost of purchase is allocated to the project and the equipment in question is later sold, please see section 5.7 on project revenues)

#### Equipment which is part of an investment:

- In case **equipment is part of or fully represents an investment item** which was approved in the Application Form, **the full cost of the equipment is eligible**.

In general, equipment which is part of investment belongs to budget line Equipment.

- In case equipment belongs to this category, the following rules have to be observed:
  - The equipment must be a part of an investment as specified in the Application Form
  - The equipment should be solely used for the project purposes, during the project lifetime.

Supporting documents for Equipment:

- Documents of the procurement procedure (selection of the suppliers)
- Selected offer
- Contract, or where it is relevant order for the equipment
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules
- Calculation schemes for depreciations (in case of depreciations)
- Proof of payment (e.g. bank statement)
- Proof of existence (pictures, deliverable note, etc.)

Please, note that the purpose and ownership of the equipment which is part of an investment shall not be changed for at least 5 years after the final payment to the project.

#### 5.4.6 Infrastructure and works

The DTP, as well as the other transnational cooperation programmes, is not intended as an investment programme. This is largely due to its limited budget and its cooperative nature.

For this reason, only small scale infrastructure is eligible where the transnational impact of the investment is demonstrated and the activity is approved in the Application Form.

Please, note that the total investment expenditure can be divided among different budget lines. The budget line 'Infrastructure and works' should only cover costs related to investment having the nature of infrastructure or works and not included under any other budget line. In line with the EU Directive 2014/24/EU Art. 2, the budget line should include execution or both design and execution of works as well as site preparation, delivery, handling installation, renovation.

Eligible investments:

- **Either** follow a transnational physical or functional link over the national border (e.g. transport corridors) which has been analysed from transnational point of view and has a clear impact over the national borders

or

- Create a transferable practical solution through a case study in one area, which is jointly evaluated by the project partners and transferred for testing in at least two other participating countries

### **Examples of possible *investments* :**

- *Infrastructure investments in ports, railways, routes, inland waterways and road junctions improving the operability of a transnational transport corridor*
- *Information and visitor centres, located in different countries of the programme, presenting the Danube region natural heritage (not focused on a specific site or narrow area)*

### **Ineligible expenditure:**

- Investments without transnational relevance
- Costs of purchase of land and buildings

### **Examples of *investments* that are *not eligible* under DTP:**

- *Investments not driven by a transnational need jointly identified by the partnership but by the individual local/regional/national needs*
- *A selection of investments linked by the need of funding*
- *Pilot investments that are not jointly evaluated and transferred for testing in the partnership*

### **Further eligibility rules:**

- In case of public procurement the selection of contractors of investments shall comply in case of ERDF partners with the relevant national public procurement law in force, and in case of the IPA and ENI partners, with the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two), and the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- The programme specific rules set for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section 5.6.1.) (applicable only for ERDF component of the DTP)
- The principles of transparency, non-discrimination and equal treatment

- Depending on the nature of investments and works: all compulsory requirements set by EU and national legislation, including the environmental requirements
- The contractor shall not be a partner in the project
- Expenditure on infrastructure and works shall not be split among the project partners, i.e. common costs are not allowed

Supporting documents for Infrastructure and works:

- Documents of the procurement procedure (selection of the contractor)
- Selected offer
- Contract
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules
- Proof of payment (e.g. bank statement)
- Proof of existence (pictures, deliverable note, etc.)
- Required permits, feasibility studies, etc.

Please, note that the purpose and ownership of the infrastructure shall not be changed for at least 5 years after the final payment to the project.

## 5.5 Verification of special types of expenditure

If the DTP Applicants' Manuals and Implementation Manuals include the eligibility of special types of expenditure (preparation costs and the expenditure of ASP partners), special attention is required to them during the verification of such expenditure.

### 5.5.1 Preparation costs

Projects approved by the DTP Monitoring Committee are entitled to receive the reimbursement of the **preparation costs in a form of a lump-sum, except** for those projects that **already received financial support** for the project preparation under the EU Strategy for the Danube Region (EUSDR) **Seed Money Facility** or on any **other EU fund**.

**Please, note:** In case of PAC support, SMF and DSP calls preparation costs shall not be claimed.



As general principle, the DTP shall not finance the same costs which have been previously covered by any other EU funds. Therefore, it shall be indicated in the Application Form if the project has received other EU financial support for the project preparation.

### Further eligibility rules:

- The lump sum will amount of **17.500 EUR** per project. This amount represents the total budget for the preparation costs and the ERDF contribution part of this amount (which is 85% according to the programme rules) will be reimbursed to the Lead Partner
- This amount covers all costs linked to the preparation of the Application Form and further costs related to the conditions clearing until the final approval date of the project
- This amount shall be part of the Lead Partner's budget and it shall be planned under WP Preparation.

### 5.5.2 Expenditure of the Associated Strategic Partners

**EU partners and non-EU partners of the programme** can be involved as **Associated Strategic Partners (ASP)** in the projects; therefore the following **general conditions** apply:

- The **involvement** in the project **of ASPs** is possible, where it has an added value for the project
- The need for the involvement of the ASP for the implementation of the project and the benefit for the DTP area has to be always demonstrated, in the description of the project proposal and during the implementation
- The **ASP** are **indirectly financed** from the project budget, i.e. the concerned ASP contributes to the project without separate budget
- **The costs of the concerned ASP shall be planned in the budget of one "sponsoring" ERDF PP and shall be paid by the "sponsoring" ERDF PP as well.** In line with the rules set in Article 20(2) of Regulation (EU) No. 1299/2013 EC Regulation, expenditure of the **EU partners located outside the Programme area and non-EU partners of the programme area** shall not exceed 20% of the ERDF PPs' budget in total.
- **Only travel and accommodation costs** of the ASPs related to project activities **are eligible** according to the eligibility rules for BL3 travel and accommodation costs
- ASPs cannot be subcontracted by project partners as external experts.

### Specific rules:

- The costs shall be **traceable** from the **approved Application Form**.
- The expenditure shall be verified by the Controller of the "sponsoring" ERDF PP and has to be reported in the FLC Certificate as well.



The Controllers of the sponsoring partner have to check the eligibility of expenditure of the ASP considering the followings:

- Expenditure of the ASP are directly related to the project and in line with the activities stated in the Application Form
- All expenditure are planned in the budget of the ERDF project partner concerned
- All expenditure are directly incurred and paid/reimbursed by the sponsoring ERDF project partner concerned
- Expenditure of the **EU partners located outside the Programme area and non-EU partners of the programme area** do not exceed 20% of the budget of the ERDF sponsoring partner
- Expenditure are reported only under BL Travel and accommodation (the only eligible budget line)
- Expenditure reported do not exceed the budget planned for the activities of the ASP.

### 5.5.3 20% activities

Project activities co-financed by the ERDF shall be located in the part of the Programme area comprising European Union territory (EU part of the Programme area).

Nevertheless, project partners can, in justified cases, implement part of ERDF-financed activities (i.e. participating in events, organisation of seminars, events or workshops) in EU countries outside Programme area and/or non-EU countries within the Programme area.

Special conditions and eligibility of expenditure:

- costs to be spent according to the 20% ERDF flexibility rule must be traceable from the approved Application Form
- costs shall be clearly planned in the budget of LP or ERDF PP and shall be directly paid by the LP or ERDF PP under budget line External expertise and service costs
- the need for the activities outside the EU part of the Programme area for the implementation of the project and the achievements of its objectives has to be clearly demonstrated
- the benefit of the Programme area has to be always demonstrated, in the description of the project proposal and during the implementation.

Eligible expenditure:

- costs of the organisation of joint meetings in EU countries outside Programme area and/or non-EU countries within the Programme area (e.g. organisation of a workshop in the Republic of Moldova)
- costs for the implementation of specific activities of the project in EU countries outside Programme area and/or non-EU countries within the Programme area (e.g. organisation and implementation of training activities in Montenegro).

## 5.6 Verification of the compliance with EU policies and other rules

### 5.6.1 Public procurements

#### General principles

Public procurement is a process used by organisations and companies receiving public funds for choosing and contracting providers of goods, services and works by ensuring transparency and equal treatment of the potential providers. The public procurement procedures aim at a more efficient and transparent use of public funds as well as at increasing competitiveness. The main principles to be followed when procuring goods, services or works are the principles of transparency, non-discrimination and equal treatment. Compliance with the procurement requirements is vital for the projects, as it ensures the eligibility of the reported costs of the particular goods, services and works.

In the framework of the Danube Transnational Programme, all project partners implementing projects must comply with the relevant public procurement legislation, independently from their legal status. The rules are set at the following levels:

- 1) EU directive (Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on Public Procurement and repealing Directive 2004/18/EC)
- 2) Financial Regulation (Regulation (EU, Euratom) No. 966/2012 and Delegated Regulation (EU) No. 1268/2012)
- 3) National public procurement law of the Partner State of the project partner
- 4) Programme rules set by the Danube Transnational Programme
- 5) Institutional rules relevant for the project partner

In principle the rules set up at EU level in the Directive is subject to be implemented into the national legislation as the Directive does not have direct effect. The procurement rules at national level could be different due to the different types of procedure, contract value, etc. Moreover, different rules apply for ERDF partners and for IPA and ENI partners.

- ERDF partners shall apply the relevant national public procurement rules, and the programme specific rules.

- In addition, in order to have harmonised procurement procedures at programme level, the Danube Transnational Programme is setting a threshold of 5,000 EUR (excluding VAT) to be applied in the ERDF Partner States of the Programme for the procurements below national thresholds. Above this amount and below the national public procurement threshold, the “bid-at-three” rule shall be applied by the ERDF project partners (unless national/institutional rules are stricter in which case they should be applied).
- Below this 5,000 EUR net amount, no specific rules are set at programme level, however, national rules, if any, shall be applied.

### Summary of procurement procedures for ERDF Partners within the Danube Transnational Programme:

Thresholds	Rules to be applied	Procedure to be applied
Below 5,000 EUR (excluding VAT)	National rules (if any)	Procedure to be checked at national level (if any)
Between 5,000 EUR (excluding VAT) and national public procurement thresholds	Programme specific rules or national / institutional rules if stricter	<b>Bid-at three rule or national/institutional rules if stricter</b>
Between national and EU public procurement thresholds	National public procurement law	<b>National level tenders</b>
Above EU public procurement thresholds	National public procurement law	<b>EU level tenders</b>

**“Bid-at-three” rule:** when purchasing goods or services with a contract value between 5,000 EUR (excluding VAT) and the national thresholds the Danube Transnational Programme requires the implementation of a “bid-at-three” rule. This procedure is introduced at programme level to ensure transparent selection procedures, equal treatment and cost efficiency for goods and services below the national thresholds. The same programme level threshold is applied in each ERDF Partner State of the Programme.

Project Partners shall **request at least three offers** to be submitted for all contracting amounts above 5,000 EUR (excluding VAT) and below the national and EU thresholds in case three comparable offers are not available from any other resources (e.g. price list from internet). **In case three offers are not received/arrived, the activities undertaken to acquire the offers have to be documented.** It shall be ensured that prices for similar goods, services or works have been compared and the selection procedure is transparent, as well as the appropriate audit

trail being followed. If at national/institutional level stricter rules have to be applied the national/institutional rules must be followed.

- IPA and ENI partners shall follow the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority. The threshold specified in the Delegated Regulation must be followed.

### Further eligibility rules:

- For all cases of procurement, the **proper audit trail shall be ensured**. The selection and contracting procedure, as well as offers received from the tenderers, have to be well documented according to EU legislation, national and internal rules to ensure transparency of the process
- **Framework contracts** can be eligible for the project's purposes, where goods and/or services have been already procured outside the project by the project partner's organization according to the relevant public procurement rules
- **"In-house" contracting** can be eligible under condition that the requirements set up at national level (the details probably described in the public procurement regulations as an exemption to apply public procurement) for in-house contracting are fulfilled and the costs are declared under the relevant budget line according to the rules on eligibility of expenditure, reporting and audit trail of the Programme are ensured as well. In case in-house contracting only the actual costs is eligible to be reimbursed, no profit margin can be charged by the company contracted with (e.g.: subsidiary company). The controllers have to check the requirements set up at national level for in house contracting have been fulfilled.
- **Sub-contracting of project partners** of the same project or any of the staff of the other project partners of the same project as an external expert or a subcontractor to carry out project activities within the same project **is not allowed** within the Danube Transnational Programme.
- **Risk of conflict of interest** shall be minimised during each procurement process:
  - Conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient.
  - Each project partner is responsible to ensure that the appropriate measures are taken to minimise any risk of conflict of interest during the procurement process. Although the character of the conflict of interest is diverse depending on the parties, types of the relationships and interests involved the common matter to be ensured is transparency of the decision making process and fair treatment for

all tenderers. The national level law regulating this question shall be taken into account as well.

- In case a conflict of interest is detected in the procurement procedure financial implications might be set (see Commission Decision C(2013) 9527 and the annexed 'Guidelines for determining financial corrections to be made to expenditure financed by the Union under shared management, for non-compliance with the rules on public procurement')

### **Examples:**

*Within the framework of projects with transnational relevance, usually at least a few cases of procurement would occur. Some examples of common procurement situations are listed below:*

- *Procurement for development of studies or surveys for different purposes*
- *Procurement for development of IT platform necessary for the project*
- *Procurement of project management and/or communication expertise necessary for the project*
- *Procurement of equipment necessary for project implementation (office equipment or specialised hardware or software)*

### The Controllers have to verify the followings related to procurements:

- In case public procurement of ERDF partners the procedure applied for the procurement of services, equipment or investments is in line with the national public procurement rules, and the programme specific rules. In case of IPA and ENI partners the procedure follows the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- In case of "bid-at-three" procedure if there are no three comparable offers, the Controllers shall check that the activities undertaken by the Project Partner to acquire the offers are documented unless stricter rules must be followed at national/institutional level (in which case the compliance of these rules must be checked by Controllers).
- The Controllers have to check that all procurements are properly documented (requests for offers, offers, contracts are available).
- The Controllers have to check that the requirements set up at national level for in house contracting have been fulfilled, i.e. the requirements at national level might be different.

- In case of subcontracting, the Controller shall check that the external expertise is not provided by a project partner within the same project, and that the staff of a project partner is not involved as external experts for another project partner of the same project.

## 5.7 Project revenues

**Revenues** represent cash inflows directly paid by the users for the goods and services developed by the project.

**Please, note:** As a general rule, the eligible expenditure of a project 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 revenues**<sup>20</sup> are understood as revenues (as defined above) minus any operation costs and replacement costs of short-life equipment incurred during the corresponding period. 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.

In case of revenue-generating projects, applicants have to calculate the expected net revenues following the method described under Articles 15 to 19 of the Delegated Regulation (EU) No. 480/2014.

### **Treatment of revenues:**

#### ➤ **Application phase**

Expected net revenues are to be indicated in the Application Form by the applicants. Applicants shall not indicate expected net revenues in the Application Form if the specific project output generating net revenue is State aid relevant.

#### ➤ **Project implementation phase**

Project Partners are responsible for keeping account of all the revenues and to have the required documentation available (e.g. for control purposes). The net revenues must be stated in the Partner Reports and must be deducted from the eligible expenditure. Project Partners have to provide their Controller with information on the revenues and net revenues generated in the reporting period and to support this with the accounting or equivalent documents.

#### ➤ **After the project closure**

If a project expects to have any revenues within three years after the project closure the respective net revenues have to be reported to the MA/JS and have to be deducted from the final application for payment of the Programme submitted to the European Commission.

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<sup>20</sup> In accordance with Articles 61 and 65(8) of Regulation (EU) No. 1303/2013

The controllers have to verify the followings related to project revenues:

a) The Project Partner reports revenues (foreseen in the approved Application Form and/or possible to estimate the amount of revenues):

- The expenditure reported as revenues are cash inflows directly paid by users for the goods and/or services provided by the project
- Evidence exists in the accountings documents of the project partner on the revenues generated by the project
- Calculation method is provided by the project partner to report the net revenues (the amount to be deducted from the total eligible expenditure reported)

b) The PP does not report revenues (not foreseen in the approved Application Form and the project does not generate revenues):

- Statement of the Project Partner is available containing that the project does not generate revenues
- The accountings documents of the project partner does not contain any revenues generated by the project

c) The PP does not report revenues generated (revenues generated are not declared):

- Evidence exists in the accountings documents of the project partner on the revenues generated by the project
- Suspected irregularity has to be reported by the Controller to the responsible body at national level (see section 7.3.)
- Revenues not reported will be reclaimed by the MA/JS according to the recovery procedure of the DTP.

## 5.8 Currency exchange

The method for the conversion of expenditure incurred in another currency than the Euro is the following:

Expenditure incurred by project partners in a currency other than the Euro shall be converted into Euro by using the monthly accounting rate of the European Commission ([http://ec.europa.eu/budget/contracts\\_grants/info\\_contracts/inforeuro/inforeuro\\_en.cf\\_m](http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cf_m)) in the month during which expenditure was submitted for verification to the controller. This method shall be applicable to all project partners. The conversion shall be verified by the controller in the Partner State in which the respective project partner is located.



The following rules shall be applied for the conversion:

- The **date of submission** of expenditure for verification to the controller is the day in which the project partner **submitted for the first time** the Partner Report **online** through the eMS to the Controller. Further submissions due to completion and/or clarification to the Partner Report, date of submission of documents to the Controller and date of on-the-spot checks by the Controllers shall not be considered
- The date of online submission is registered through eMS which can be traced at any time in the system
- The same rule applies to **all project partners** and not only to beneficiaries located outside the euro-zone

## 5.9 Project changes

During the implementation of the project, certain changes might become necessary, which will affect the eligibility of expenditure at partner level. Therefore, the controller has to take into consideration the project changes, and shall include the necessary verifications of expenditure with regard to the project changes.

The relevant rules for project changes at programme level are described in the Subsidy Contract and in the relevant Implementation Manual, which define different types of changes that might occur during the project implementation.

Any request for modification of the Subsidy Contract has to be justified and submitted by the LP to the MA/JS through the eMS, immediately when such need for the above-mentioned amendments occurs, as regulated in the relevant Implementation Manual. The MA/JS will review the request of modification. The MA/JS or the Monitoring Committee decides on the modification requested according to the rules in the relevant Implementation Manual.

The modified Application Form and the related documents, if any (e.g. Addendum to the Subsidy Contract, etc.) will be available for the controllers in the eMS.

## 6. Verification of TA expenditure

The budget allocated to the Priority Axis 5 (Technical Assistance) is used to ensure the sound basis for the implementation of the program. Activities are related to program management, implementation, monitoring, control, and evaluation are financed by Technical Assistance. The beneficiaries of the Technical Assistance are the programme management bodies of the DTP, such as MA/JS, Certifying Authority, Audit Authority and the National Contact Points.

The Technical Assistance expenditure also needs to be verified by the responsible Controllers of the Partner States depending on the location (country) of the TA Beneficiary.



**Control requirements given in the present Control Guidelines are also relevant for the verification of TA expenditure with the following exceptions:**

- Eligibility of TA expenditure is regulated by the TA Manual of the Danube Transnational Programme
- FLC Checklist for TA expenditure is prepared containing the eligibility requirements set by the TA Manual (Annex 8.5).
- TA Project Progress Report template to report the activities of the National Contact Points shall be used according to the Annex 7.5 of the TA Manual
- In case of TA expenditure, the reporting deadlines of the TA Beneficiaries are different from the deadlines of the projects. The reporting rules and deadlines are specified in the TA Manual
- The timeframe for verifications follows the same indications for the Controllers as for the projects, except that the starting date of the verifications is calculated from the deadline for payment of the TA expenditure in case this deadline is different from the end date of the given reporting period
- In case of TA expenditure, because of the yearly allocation of TA project's budget, the TA Project Progress Report shall include all expenditure incurred in the reporting period concerned and paid within the eligible time period of the project (payment is not limited to the reporting period concerned).

The description of the control system in each Partner State shall include the designated Controller for TA expenditure and the description of the procedure, in case it is different from the verification of project's expenditure.

## **6.1 Verification of TA expenditure**

### **6.1.1 Legal background**

The three levels of rules (EU, programme and national level) which govern the eligibility of TA expenditure are listed in section 5.1. The programme management bodies implementing Technical Assistance projects have to respect and follow the EU and programme level eligibility rules and procedures for TA, and the national (institutional) rules where it is not regulated at EU and programme level.

**Please, note: The eligibility rules laid down in this document and the TA Manual shall not be overruled by national or institutional legislation.**

### 6.1.2 General eligibility rules

The eligibility rules for TA expenditure are developed based on the **Commission Delegated Regulation (EU) No. 481/2014**, referred in the TA Manual as “**Delegated Act**” and in line with the EU Regulations listed in 5.1.1.

In principle, the same eligibility rules apply to ERDF, IPA and ENI TA budget due to the full integration of IPA and ENI Funds at programme level. Exceptions due to different rules for IPA and ENI are explicitly mentioned under the relevant sections.

TA expenditure are generally eligible if they fulfil the following criteria:

- All expenditure are directly related to the TA activities planned in the TA project plan approved by the MC and necessary for the implementation of the TA project
- All the expenditure must comply with the principle of efficiency, effectiveness and economy
- All expenditure must comply with the principle of real costs, with the exception of the costs calculated as flat rates
- All expenditure are incurred and paid by the beneficiary of the concerned TA project
- All expenditure can be verified on the basis of invoices or other accounting documents of probative value with the exception of the costs declared as flat rates
- All expenditure relate to activities that have not been financed from other financial instruments
- All expenditure incurred and paid during the eligibility period of the Programme
- All expenditure are in line with eligibility rules on EU, programme and national eligibility rules

### 6.1.3 Ineligible expenditure

The following costs are **ineligible** for TA within the frame of the Danube Transnational Programme:

- Fines, financial penalties and expenditure on legal disputes and litigation
- Costs of gifts, except those not exceeding 50 EUR per gift where related to promotion, communication, publicity or information
- Costs related to fluctuation of foreign exchange rate
- Interest on debt
- Purchase of land and existing buildings

- Value added tax except where it is non-recoverable under national VAT legislation
- Contributions in kind, as defined in Article 69(1) of Regulation (EU) No. 1303/2013
- Purchase of vehicles
- Laboratory equipment
- Machines and instruments
- Second-hand equipment

#### 6.1.4 Eligibility in time

The rules for the eligibility period are set to Article 65 (2) of Regulation (EU) No. 1303/2013.

**For TA expenditure** within the Danube Transnational Programme the expenditure incurred and paid by the TA beneficiary of the concerned TA project (ERDF, IPA and ENI) is **eligible between 1<sup>st</sup> January 2014 and 31<sup>st</sup> December 2023**.

According to this, the TA activities performed from 1<sup>st</sup> January 2014 and fulfilled in line with the TA project plan approved by the MC shall be eligible retrospectively, i.e. before the date of approval of the CP.

#### 6.1.5 Eligibility of TA expenditure by budget lines

Eligible expenditure categories for the Priority Technical Assistance within the Danube Transnational Programme are the followings in line with the Article 17(1) General rules on eligibility of expenditure of the ETC Regulation and the Delegated Act:

- 1) **Staff costs**
- 2) **Office and administrative expenditure**
- 3) **Travel and accommodation costs**
- 4) **External expertise and service costs**
- 5) **Equipment expenditure**

The same expenditure categories will be eligible for both for ERDF, IPA and ENI TA budgets due to the integrated TA management system of the Danube Transnational Programme.

The **specific rules for the eligibility of TA expenditure** within the Danube Transnational Programme **are established by budget lines for these five expenditure categories**.

## 1) Staff costs

The costs of personnel employed by TA beneficiary institution and fulfilling tasks for the TA project are eligible to be reimbursed by the Programme under the following criteria:

### Specific rules for TA:

Staff costs are eligible from the TA budget for the following activities fulfilled by the staff employed by the TA beneficiary of the given TA project:

- Joint management tasks within the structure of the MA/JS
- Certification activity of the CA
- Audit activities of the AA
- Transnational activities of the National Contact Points. The equivalent of **maximum 3 full time employees** per countries can be nominated as NCP for the Programme

The staff costs for control activities (**FLC staff**) are **not eligible** for financing.

The staff involved in the above activities shall be employed by the TA beneficiary on the basis of an employment document referred in the Delegated Act.

- Staff costs shall be reimbursed on **real costs basis**
- Simplified costs options (Art. 3, (ii) and (iii) of the Delegated Act) are not applied to reimburse staff costs under the TA projects
- Staff costs of the employees of the TA beneficiary are to be considered cash contribution and not in-kind contribution.<sup>21</sup>
- Staff can be allocated to work **full time** (100% of the working time is allocated to the TA project) **or part time** for the given TA project
- In case the staff is involved in part time in the TA project, it is **recommended** to apply “**a fixed percentage of the gross employment cost**, in line with a fixed percentage of time worked on the TA project”, in case the working time registration system of the TA beneficiary makes it possible.

### Expenditure on staff costs shall be limited to the following:

- 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

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<sup>21</sup> In kind contribution means unpaid voluntary work, and the value of that work is determined by taking into account the verified time spent and the rate of remuneration for equivalent work. According to programme rules, in kind contribution is not eligible.

law, relating to responsibilities specified in the job description of the staff member concerned

- b) Any other costs directly linked to salary payments incurred and paid by the employer, such as employment taxes and social security including pensions as covered by Regulation (EC) No. 883/2004 of the European Parliament and of the Council provided that they are:
  - i. Fixed in an employment document or by law
  - ii. In accordance with the legislation referred to in the employment document and with standard practices in the country and/or organisation where the individual staff member is actually working; and
  - iii. Not recoverable by the employer
- The above rules apply to any other additional benefits incurred and paid by the employer over the monthly salary. Additional benefits must be directly linked to the salary payments and figure on the pay slip. Ad-hoc regulations for additional benefits, ad-hoc salary increases or bonuses applicable only to the project are not eligible.
- Overtime is eligible only in case it is directly related to the project, it is foreseen in the employment document and it is in line with national legislation and the standard practice of the beneficiary, and on the basis of appropriate time registration system. In case of part time employment, overtime shall be proportionally allocated to the project.

**Further eligibility rules in case of part time assignments to the TA project:**

- a) For **part-time assignments with a fixed percentage of time worked per month:**
  - The percentage of time to be worked on the TA project shall be fixed in the employment document (work contract/job description/other equivalent document) by the employer for each staff member. The percentage of time dedicated to the given TA project shall be mentioned in the documents where the other tasks / TA projects are referred, as well as the percentage of time to be allocated to other tasks/ TA projects. Description of TA project-related tasks and responsibilities of the person working on the project shall be available and the time allocated to the project shall be in line with the TA project related tasks.
  - There is no obligation to establish a separate working time registration system.
  - In case the percentage of time to be worked on the project is changed during the TA project duration, the related document shall be submitted to the Controller, as well as the documents justifying the necessity and plausibility of the changes.
- b) For **part-time assignments with a flexible number of hours worked per month:**

- The reimbursement of staff costs shall be calculated on an hourly rate basis determined either by:
  - i. Dividing the monthly gross employment cost by the monthly working time fixed in the employment document expressed in hours; or
  - ii. Dividing the latest documented annual gross employment cost by 1,720 hours for persons working full time, or by a corresponding pro-rata of 1,720 hours for persons working part time. Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12 month period.
- The hourly rates calculated under points (i) and (ii) shall be multiplied by the number of hours actually worked on the operation.
- In case of use of annual gross employment cost method, the hourly rates would be set based on the latest available gross employment costs (or contract for employment) at the time of approval of the TA project plan by MC. However, considering the long implementation of TA projects the rate might be revised.
- Under method point (ii) the denominator of the formula for the calculation of the hourly rate (i.e. 1,720 hours or applicable pro-rata of 1,720 hours) cannot be changed irrespective of contractual conditions applicable.
- Methods under points (i) and (ii) can be combined for the staff of the same TA beneficiary according to the different contract provisions (e.g. newly hired staff, etc.)
- Time registration system covering 100 % of the working time of the employee shall be established.

### For **part time assignment on an hourly basis**:

- Staff costs related to individuals who, according to the employment document, work on an hourly basis, costs shall be eligible applying the number of hours actually worked on the TA Project to the hourly rate agreed in the employment document based on a working time registration system.
- Time registration system covering 100 % of the working time of the employee shall be established.

### Additional explanations to the Controllers:

- In general, gross employment cost is eligible. In case of full time employment, the employee is taking holidays, the full amount paid to the employee can be claimed, irrespective of the fact whether employee was working on a particular day (week or month) or he/she was on holiday. The same situation applies in case of sick leave where costs are incurred by the employer. For part-time employment with fixed percentage of time worked per month, holidays and sick leave shall be declared proportionally. In case

of part time with a flexible number of hours worked per month calculated with the monthly hourly rate, holidays and sick leave would usually not be considered as eligible staff costs (in the absence of any specific contractual clause the maximum monthly working time should be considered).

- However, in case of flexible hours worked per month, only the actual hours worked on the project are to be multiplied with the determined hourly rate.
- In case of flexible number of hours worked per month calculated with a monthly hourly rate, sometimes the number of hours in the employment document is not expressed by using the month as a reference (but rather week or day). In this case, number of hours on a monthly basis should be established. For these purposes principle number of working days per month is 22 (to be applied for all months). In case weekly working time is stated in the employment document, monthly working time can be calculated in the following manner: (number of weekly working hours divided by number of working days per week) times 22 (e.g. in most case in would be  $(40/5) * 22 = 176$  hours).
- In case employee worked on the project with flexible number of hours worked per month (yearly hourly rate) and it was not possible to use the specific employee data for the calculation the annual gross employment costs of a comparable position employed full-time could be used to calculate the yearly hourly rate for a person working part-time on the project (for most part this would apply to projects in advanced stage of implementation at the time of introduction of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018)
- In case of flexible number of hours worked per month calculated with a yearly hourly rate, the hourly rate is calculated based on the latest documented annual gross employment cost available at the time of approval of the TA project plan by MC.

### Supporting documents for staff costs reimbursed on real costs basis:

- A document showing contractual relationship: employment/work contract, contracts considered as employment contracts for all persons reporting staff costs (part-time and full-time)
- Written agreement(s) and / or job description outlining work for the project for all persons reporting staff cost (part-time and full-time)
- A document specifying salaries and other related costs for each relevant month and each person working on the project (e.g., pay slips, print-out of the accounting system)
- Proof of payment of salaries and other related costs and employer's contribution (social contribution) (e.g., bank account statement, pay slips)
- Only in case of part-time work on the project based on a fixed percentage of time worked per month: document setting out the percentage of time to be worked on the project for



each person reporting staff costs under this option, if not included in the employment contract or job description.

- Only in case of part-time work on the project based on flexible shares or hourly rates: timesheets showing 100% of the work of the person, signed by the employee and the employer
- Only in case of part-time work on the project based on hourly rates calculated using 1,720 hours or pro-rata of 1,720 hours (if applicable): document showing the documented annual (or other applicable) gross employment cost based on the latest available data at the time of approval of the TA project plan by MC.
- Only in case of part-time work on the project based on flexible shares or hourly rates: calculation scheme for salary costs for each employee working part-time on the project

## 2) Office and administrative expenditure

Office and administrative expenditure for TA within the Danube Transnational Programme shall be declared **on a flat rate basis of 15% of the eligible staff costs of the TA project** (i.e. staff costs declared under Budget line 1 Staff costs) in case they are claimed by the TA beneficiary in line with the approved TA project plan.

**No further justification or supporting document is needed from the TA beneficiary to justify the Office and administrative costs declared.**

Office and administrative expenditure shall not be claimed as direct cost under other budget lines.

Office and administrative expenditure shall be limited to the following elements (exhaustive list):

- 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



- 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 an operation requires a separate account to be opened
- l) Charges for transnational financial transactions

**Further eligibility rules:**

- The **same flat rate (15%)** shall be automatically applied for **each reporting period**. In case staff costs are not declared for the relevant reporting period to the TA project, the office and administrative expenditure shall not be declared.
- In case **staff costs are not eligible** for financing from TA budget for the TA beneficiary according to national eligibility rules, **office and administrative expenditure shall not be declared to the TA project**, i.e. the hosting institution financing the staff of the TA project shall finance the related office and administrative expenditure as well.

The 15% flat rate shall be applied in case of budget changes affecting the amount of staff costs of a TA project budget.

Supporting documents for office and administration expenditure:

- No supporting documents needed

### 3) Travel and accommodation costs

In principle, the travel costs of the **persons involved as staff in the relevant TA project** are eligible.

**Specific rules for TA:**

Travel costs of the MA/JS, CA, AA and NCP staff are eligible to be financed for the Danube Transnational programme for travels to the following events:

- MC meetings, annual events, info days for launching new calls, national events where the MA/JS is invited or where it is related to the NCP activities, project meetings (e.g. kick off conference and final conference of the project, project steering committee meeting in case MA/JS or NCP consultation is needed), monitoring visits, technical meetings such as NCP meetings, meetings of the Working Group of Controllers, meetings of the GoA, INTERACT events and other conferences, meetings and trainings relevant to TA activities.

In addition, the following travel costs are eligible for financing in the frame of the TA projects for the National Contact Points under condition that these costs are planned in the approved TA project plan of the Partner State concerned:

- Travel costs of MC members and delegated members for the participation at the MC meetings and at the core events organised by/for the Danube Transnational Programme or of other experts invited by the National Authority in duly justified cases.
- Travel costs of the members of the Working Group of Controllers (controllers/control coordinators) and members of the Group of Auditors for the participation of the technical meetings organised by/for the Danube Transnational Programme or by INTERACT.
- Travel costs in the frame of the TA projects for the National Contact Points are eligible also in case the staff costs are not eligible for financing from TA budget for the TA beneficiary according to national eligibility rules.

The following travel and accommodation costs are eligible for the Danube Transnational Programme, the TA beneficiary can choose between the following options in line with the national/internal rules:

Option A)

a) Travel costs:

- Tickets: flight tickets (including the costs for carbon offsetting), bus, train, local transportation tickets, etc.
- Travel and car insurance for the actual travel
- Fuel and car mileage according to the rules relevant for the TA beneficiary's institution
- Toll
- Parking fees (e.g. parking at the event, at the airport)
- Taxi costs and car rental according to the criteria of "further eligibility rules" of this budget line

b) Costs of meals

c) Accommodation costs

d) Visa costs

e) Daily allowances

In case travel costs, meals, accommodation costs or visa costs or any of these are covered by the daily allowance, the actual incurred expenditure related to the cost covered by daily allowance shall not be reimbursed as an addition to the daily allowance.

Travel costs shall be proved by the supporting documents (e.g. invoices, tickets) according to the relevant rules for the TA beneficiary's institution.

When the costs are directly paid by an employee of the TA beneficiary, the expenditure shall be supported by proof of reimbursement by the project partner's institution to that employee.

#### Option B)

Eligible expenditure includes:

##### a) Travel costs:

- Tickets for travels: flight tickets (including the costs for carbon offsetting), bus, train etc... (excluding local travel within the place of mission)
- Travel and car insurance
- Fuel, car mileage according to the rules relevant for the beneficiary's institution
- Toll
- Parking fees (e.g. parking at the event, at the airport)
- Taxi costs and car rental according to the criteria of "further eligibility rules" of this budget line (excluding local travel within the place of mission).

b. Per diems according to the **EC-funded external aid contracts**. In this context, per diems cover accommodation, meals, local travel within the place of mission and sundry expenses. The current per diem rates can be found on the EC website: [http://ec.europa.eu/europeaid/work/procedures/implementation/per\\_diems/index\\_en.htm\\_en](http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm_en) (the latest version should be considered)

##### c. Visa costs

#### Further eligibility rules:

- Travels within the programme area of the Danube Transnational Programme and within the EU territory are eligible costs
- The duration of the travel shall be clearly linked to the concerned event/meeting and shall not be longer than from the day before to the day after the concerned meeting, unless it is clearly justified and documented. Further overnights and related costs (e.g. extra hotel costs, extra daily allowances, additional staff costs) not justified shall not be eligible
- Daily allowances are eligible according to national legislation / internal rules of the partner's organisation. In case neither national nor internal rules of the partner's organisation are available, the daily allowances according to Commission Delegated Regulation (EU) 2016/1611 of 7 July 2016 shall be applied. Hierarchy of rules (internal and/or national, EU) shall be kept. Daily allowances accounted for the TA project shall include the related social contributions/taxes according to the relevant national rules

- Daily rates for hotel accommodation costs are eligible according to national legislation / internal rules of the partner's organisation. In case neither national nor internal rules of the partner's organisation are available, the daily rates for the hotel accommodation costs defined in Commission Delegated Regulation (EU) 2016/1611 of 7 July 2016 shall be applied. Hierarchy of rules (internal and/or national, EU) shall be kept. Higher daily rates can be accepted in exceptional and duly justified cases, e.g. hotel available only for higher daily rate, due to the location of the event (e.g. Brussels)
- As a general rule, the most economical way of transport should be used. In principle, business or first class tickets are not eligible. Business or first class tickets can be accepted only in exceptional cases, if cost effectiveness and efficiency can be clearly proved with documented booking options
- Taxi costs are eligible, e.g. for travelling to/from the airport/train station, to/from the venue of the event/hotel according to the relevant rules for the TA beneficiary's institution. In case internal rules of the TA beneficiary's organisation are not available, taxi costs can be considered eligible in well justified cases (e.g. the only effective travel solution if public transportation is not available, etc.)
- Car rental is eligible in exceptional cases and in justified circumstances (e.g. the location of the event is not accessible by public transport, cancellation of travel by public transport not due to fault of the travelling person, costs effectiveness due to the number of travelling persons, etc.)
- Costs for flight carbon offsetting are eligible provided that the costs are included in the same invoice of the flight. In case it is not included in the flight ticket, the project partner can select the service provider of CO<sub>2</sub> compensation and the costs are eligible provided that the related invoice contains the following details: project acronym/code, name of the passenger, flight number/destination.<sup>22</sup>

Travel and accommodation expenses of external experts and service providers shall be declared under the external expertise and services costs.

### Further clarifications to the controllers:

- Cancellation fees of travel tickets are eligible only in case of force majeure.

The term force majeure, as used herein covers any unforeseeable events, not within the control of the beneficiary and which by the exercise of due diligence neither beneficiary is able to overcome such as acts of God, strikes, lock-outs or other industrial disturbances, acts of the public enemy, wars whether declared or not, blockades, insurrection, riots, epidemics, landslides, earthquakes, storms, lightning, floods, washouts, civil disturbances, explosion.

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<sup>22</sup> Carbon offsets are achieved through financial support of projects carried out by organisations that act as service providers of CO<sub>2</sub> compensation that reduce the emission of greenhouse gases in the short- or long-term

Supporting documents for travel and accommodation:

- List of staff working on the project
- Agenda (or similar document) presenting the objectives and topics of the meeting/seminar/conference
- Authorisation of the mission (if obligatory according to national/ institutional rules)
- Mission report signed by the travelling person
- If relevant: any other proof of participation (e.g. minutes of the meeting, event /signed list of participants/ email confirmation, etc.)
- Invoices or documents of equivalent probative value (hotel invoices, bus/train/plane tickets, etc.)
- In case of use of company/private car, calculation sheet according to national or institutional rules stating at least the distance, the unit rate and the total costs of the travel
- Payslip/accounting documents on daily allowance / per diems
- Proof of payment of travel and accommodation costs (e.g. bank statements)

Proof of reimbursement of travel and accommodation expenditure to staff, in case the staff members pre-financed the expenditure

#### **4) External expertise and service costs**

The external expertise and service costs are eligible for financing from the TA budget in line with the eligible Danube Transnational Programme TA activities and the list of eligible expenditure of the Delegated Act.

##### **Specific rules for TA:**

###### **a. Meetings**

Services related to the organisation and implementation of management meetings (including rent, catering or interpretation): MC meetings, Contact Point meetings, Working Group of Controllers, other technical meetings, trainings, Programming Committee meetings / thematic / technical meetings for new programming.

###### **b. Strategic planning and evaluation**

Studies or surveys (e.g. evaluations, strategies, handbooks, etc.): external expertise to content related issues e.g. preparation of programme manuals for the call for proposals, thematic expertise, studies related to programme evaluation, external support for programming 2014-2020 and 2021-2027, etc.

**c. Management support services**

External support to management and administrative related issues: e.g. legal advice, IT consultancy fee, Users' helpdesk for MIS, trainings for staff, including language courses, translation of programme related documents, etc.

**d. Development and maintenance of the eMS**

External experts for the IT systems development, modifications and updates

**e. Communication activities**

- Promotion, communication, publicity or information linked to the Danube Transnational Programme, e.g. publications (brochures, leaflets, project books, etc), visual identity, promotional materials, audio-visual tools (programme video, etc), media relations, (advertorials), etc.
- Services related to the organisation and implementation of public events and seminars (including rent, catering or interpretation), e.g. annual events, info days/trainings for Lead applicants and Lead Partners, thematic seminars, capitalisation workshops, etc.
- Development, modifications and updates of the website of the Programme
- Services related to NCP activities according to Partner State needs

**f. Other services (reserve)**

Other specific expertise and services needed for the implementation of the TA activities

**g. Certification and Audit**

- Certification costs on programme level under Articles 126 of Regulation (EU) No. 1303/2013;
- Audit costs on programme level under Article 127 of Regulation (EU) No. 1303/2013

**h. Verifications**

Externalised control activities (FLC) for the verification of TA expenditure of the NCP TA projects

**i. Travel and accommodation costs related to external experts**

Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers (to be included in the relevant service contract or any other supporting document)

**Further eligibility rules:**

- External expertise and services must be clearly and strictly linked to the TA project and be essential for its effective implementation
- In case of public procurement the selection of the external experts shall comply with the relevant national public procurement law in force, and in case of the TA beneficiaries located in IPA and ENI Partner States, with the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- In case the controller is appointed or designated at national level and its costs is paid by the TA beneficiary, the rules for the selection of the external experts shall not be applied as the TA beneficiary is not free to select a controller
- Programme specific rules shall be applied for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section 5.6.1) (applicable only for ERDF component of the DTP)
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers shall be declared under this budget line. In case only the travel and accommodation costs are reimbursed to the external expert (not receiving fee), the contract or any other supporting document shall state that only travel costs and accommodation costs supported by invoices will be paid
- If applicable, the deliverables respect the information and publicity requirements of the DTP
- Gifts are eligible up to a maximum value of 50 EUR per item and they must be linked to promotion, communication, publicity or information activities included in the TA project plan or approved by the MC or MA (if relevant) beforehand. Information and publicity requirements of the DTP shall be respected for the gifts as well
- Catering for meetings and events should be economically effective. In general, costs of meals and non-alcoholic beverages are eligible; alcoholic beverages are eligible in exceptional cases (e.g. receptions of the main programme events).
- Common costs of joint activities are eligible (see section 6.1.6).

### Supporting documents for External expertise and services:

- Documents of the procurement procedure (selection of the external expert/service provider)
- Selected offer

- Service contract, or where it is relevant order for the service
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules
- Proof of payment (e.g. bank statement)
- Calculation method showing the share allocated to the project and justification of the share allocated (only in case of experts and service that are not exclusively used for the project)
- Deliverables and other evidence of the work carried out by external experts

## 5) Equipment expenditure

Purchase, rent or lease of equipment costs is eligible in case it is directly related to the TA project, necessary for the implementation of the TA activity and it is listed in the approved TA project plan.

### Specific rules for TA:

The purchase, rent or lease of the following equipment is eligible under this budget line:

- a) Office equipment
- b) IT hardware and software
- c) Furniture and fittings
- d) Tools or devices
- e) Vehicles: only rent or lease costs
- f) Other specific equipment needed for the implementation of the TA activities

The following items are **not relevant for TA**, therefore the purchase, rent and lease costs are ineligible for TA financing:

- (i) Laboratory equipment
- (ii) Machines and instruments
- (iii) vehicles: only purchase costs

Cost items accounted under the equipment budget line shall not be reimbursed under any other budget line.

As a general principle, for all TA project equipment (purchased before or during the TA project lifetime) **only depreciation costs should be allocated to the TA project**. The calculation of



depreciation or equivalent division of shares of equipment should be done according to a justified and equitable method and be in line with the national or institutional regulations. Depreciation costs of equipment should be allocated to the time period when the equipment was used for the project purposes.

For equipment rented or leased for certain period during the TA project lifetime rental or leasing costs for the respective period are eligible.

If according to the national legislation **the equipment is not depreciable** (e.g. **low-value asset**), **the full costs of purchase, lease or rent could be allocated to the TA project**. Equipment under this category does not have to be used for TA project purposes after the end of the TA project. Moreover, after use the equipment does not have to remain in the ownership of the TA beneficiary.

#### **Further eligibility rules:**

- Equipment should be clearly and strictly linked to the TA project (features and functions are in line with the project needs) and exclusively used for the project implementation;
- Only equipment listed in the approved TA project plan are eligible for financing. In case of any change necessary to the equipment, it shall be preliminary approved by the MA/JS and MC according to the rules on project changes
- In case of public procurement the selection of the suppliers shall comply with the relevant national public procurement law in force, and in case of the TA beneficiaries located in IPA and ENI Partner States, with the provisions of the Financial Regulation (Chapter 3 of Title IV of Part Two) and the Delegated Regulation (Chapter 3 of Title II of Part Two) and the Financing Agreement concluded between the relevant Partner State, the European Commission and the Managing Authority.
- Programme specific rules shall be applied for the procurements between 5,000 EUR (excluding VAT) and the national public procurement thresholds (detailed rules in section 5.6.1) (applicable only for ERDF component of the DTP).
- Procurements shall comply with the principles of transparency, non-discrimination and equal treatment

#### Supporting documents for Equipment:

- Documents of the procurement procedure (selection of the suppliers)
- Selected offer
- Contract, or where it is relevant order for the equipment
- Invoices or documents of equivalent probative value providing all necessary information in line with applicable accounting rules

- Calculation schemes for depreciations (in case of depreciations)
- Proof of payment (e.g. bank statement)
- Proof of existence (pictures, deliverable note, etc.)

#### 6.1.6 Eligibility of common costs under TA projects

The DTP allows the use of “common costs” under TA projects. For each common activity, a responsible partner/programme is to be selected. This partner/programme is in charge of the implementation or the sub-contracting of the activity and following the relevant procurement rules. The share of the partners/programmes will be laid down in an agreement.

The TA beneficiary can be responsible or involved partner/programme in the common activity.

The general steps of the common costs are the followings:

- An agreement is concluded between the responsible partner/programme and the involved partner/programme for the implementation of the common activity laying down the maximum proportion of the common cost.
- The responsible partner/programme is responsible for the procurement procedure; the rules on public procurement in the country of the responsible partner/programme have to be followed.
- The responsible partner/programme is signing the contract with the sub-contractor of the common activity.
- The total amount(s) of the original invoice(s) received - costs of the common activity - are paid (advanced) by the responsible partner/programme to the sub-contractor.
- The responsible partner/programme is obliged to submit the total amount of expenditure to be declared as common costs to its controller for verification. The controller of the responsible partner/programme of the common activity shall issue a certificate/confirmation in order to provide adequate basis for the verification of the shares of common costs reported by the involved partners/programmes in the common activity.
- The responsible partner/programme shall send the copy of the contract, copy of the invoice, proof of payments (bank statements), confirmation/certification issued by its controller and all supporting documents as requested by the controller of each partner/programme involved in the common activity.
- The responsible partner/programme shall ask the involved partners/programmes to

transfer the relevant share of the common costs.

- The involved partners/programmes shall transfer their relevant share of the common costs in full to the responsible partner/programme before submitting their expenditure for verification to their controllers.
- The relevant share of the common cost shall be submitted for verification by each partner/programme involved in the common activity separately to its controller. It has to be ensured that only the relevant share of common costs can be reported by the involved partners/programmes in order to avoid double declaration of costs.

The Controllers have to check the eligibility of common costs according to the followings:

- Agreement between partners/programmes laying down the common activity and the maximum proportion of common costs between partners/programmes is available
- If responsible partner/programme, the TA beneficiary has respected the procurement rules when sub-contracting the common activity. Documentation of the selection of the service provider and the contract concluded are available
- If involved partner/programme, the certification/confirmation issued by the Controller of the responsible partner/programme to ensure the compliance with EU and national rules is available
- The total amount of the common costs is supported by invoice(s)
- Only the relevant share of the common costs is declared by the TA beneficiary
- The relevant share of common costs declared by the TA beneficiary is supported by invoices or documents of equivalent probative value
- The relevant share of common costs has been paid by the TA beneficiary to the responsible partner/programme or to the sub-contractor
- Proof of payment on the transfer (bank statements) by the TA beneficiary to the responsible partner/programme or to the sub-contractor is available
- Common costs are declared under budget line External expertise and service costs.

## **7. Control Systems**

### **7.1 Description of the national control system**

According to Article 23 (4) of the Regulation (EU) No. 1299/2013 (ETC Regulation) each Partner State shall set up a control system to validate the expenditure at national level. For this purpose each Partner State shall formally designate the Controller responsible for verifying the legality and regularity of the expenditure declared by each project partner participating in the project (the “Controller”).

For the designation process laid down in Article 124 of the Regulation (EU) No. 1303/2013, each Partner State shall provide the description of the national control system to the MA/JS in a standard form of the DTP (Annex 8.1 of the Control Guidelines).

The description of the national control system shall provide information on the designated controller/control body for the DTP in the Partner State concerned, on the setting up of the control system, on the organization of the controller/control body, on the procedure for verification of expenditure, on the timeframe of verifications, etc.

In addition, the MA/JS shall be informed on the responsible bodies for control, audit, irregularities and repayment, and national co-financing, as well as the procedures applied at national level for irregularities, repayments and on the system of the national co-financing in the document on the description of the national control system.

In case of any change in the control system, the MA/JS shall be informed by the submitting the up-dated version of the description of the national control system.

For the purpose of up-dating the programme level description of the management and control system, the MA/JS will request the up-dated version of the description of the national control system on yearly basis, by 30 September each year from the national bodies responsible for submission of the Description of the national control system.

### **7.2 Designation and selection of Controllers**

#### **7.2.1 Requirements for the selection of controllers in decentralised control systems**

In case of decentralised systems, the designated Controller, i.e. the “control coordination body” is a formally designated body at Partner State level and responsible for the coordination of control activities and for the proper selection of the individual controllers to each project partner.

The selection of the individual controller to each project partner can be based on a shortlist preliminary established by the control coordination body or on the selection of the project partner according to the requirements at Partner State level.

The steps are the followings:

- 1) The control coordination body has to confirm the selection of controller to each project partner or appoint the controller to the project partner, by issuing a signed designation form at partner level before the submission of the first Partner Report by the project partner to the controller. This designation form shall contain the project code, the partner data, the contact details of controller and the declaration on the independence of the controller (Annex 8.2). Partner States can use their own designation form or other form equivalent (in English) in case the information requested by the DTP is fulfilled.
- 2) The MA/JS will provide access to the eMS to the control coordination body (FLC assignment body in eMS) and to the responsible controllers as described in the eMS Guideline on control.
- 3) The control coordination body is responsible for connecting the responsible controller(s) to the relevant project partner(s) in eMS.
- 4) The designation form or other form equivalent shall be uploaded by the controller to the eMS with the FLC Certificate of the first Partner Report.
- 5) In case of new individual controller, the MA/JS shall be informed by the control coordination body in order to provide access to the eMS. The signed designation form or other form equivalent for the new individual controller shall be uploaded by the controller to the eMS with the subsequent FLC Certificate.

### **7.2.2 Designated controllers in centralised control systems**

In case of centralised control systems, the control body appoints the staff for the verification of expenditure of project partners involved in the Danube Transnational Programme.

The control body shall provide the MA/JS with the list of staff responsible for the control tasks for the DTP. The MA/JS will provide access to the eMS to the control body (FLC assignment body in eMS) and to the responsible controllers as described in the eMS Guideline on control. The control body is responsible for connecting the responsible controller(s) to the relevant project partner(s) in eMS.

In case of any change in the staff, the MA/JS shall be informed by the control body in order to provide access to the eMS.

## **7.3 Reporting irregularities**

Prevention, detection, reporting and follow-up of irregularities, including recovery of amounts unduly paid are regulated in the Article 72, Article 122, Article 132 and Article 143 of Regulation

(EU) No. 1303/2013 of the European Parliament and of the Council and Article 27 of the Regulation (EU) No. 1299/2013 of the European Parliament and of the Council.

Based on the above provisions the detecting, establishing and reporting to the Commission of irregularities are the obligations of the Partner States hosting the project partners and thus managed on national level. It means that the irregularity procedure will be conducted by that responsible organization of the Partner State whose territory the partner concerned is located.

An irregularity might be suspected by the Controllers, the programme management bodies (MA/JS, AA, CA), or any other person on different stages of the project implementation. In order to ensure that the programme management bodies (MA/JS, CA, and AA) are informed on the irregularities determined by the Partner States, the irregularities have to be reported by the responsible body of the Partner State to the MA/JS. The data of the OLAF/summary report has to be registered in the eMS by the MA/JS.

**The procedure for reporting and handling irregularities is as follows:**

- a. Suspecting irregularity by Controllers / MA/JS / CA / AA/ etc.
- b. Reporting suspected irregularity to the responsible body at the Partner State (if any)
- c. Irregularity procedure may be launched according to the respective national level procedures and ended with the decision on irregularity (committed or not) and the financial consequences, if any
- d. Reporting to OLAF by the responsible body at the Partner State in case an irregularity is determined and it has to be reported in line with Article 122 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council. This report also shall be sent to the MA/JS.
- e. Reporting to MA/JS by the responsible body at the Partner State in the form of summary report in case an irregularity with financial consequences is determined and it has not be reported in line with Article 122 of Regulation (EU) No. 1303/2013 of the European Parliament and of the Council
- f. Initiating procedure of MA/JS on the basis of the OLAF/summary report sent by the Partner State concerned:
  - According to the decision at the Partner State: recovery procedure.
  - When the irregularity reported by the Partner State affects the whole project, the Monitoring Committee is also entitled to make a decision related to the legal and/or financial consequences. The decision can be withdrawal from the subsidy contract or reduction of the contribution from the EU Funds to the project.

**The tasks of the Controllers are limited to the reporting of the suspicion of irregularities to the body responsible for irregularities at Partner State level (if any). Controllers have**

to be aware of the procedure of reporting suspected irregularities to their national level body/authority (if any).

## 7.4 Anti-fraud measures

The controllers have to follow the Anti-Fraud Strategy of the DTP to improve effectiveness of dealing with the risks of fraud within the programme.

The fraud risk self-assessment tool prepared by the Commission (together with detailed instructions) and adapted to the Programme needs is used to assess the impact and likelihood of common fraud risks occurring. It is the responsibility of the DTP MA/JS to coordinate and perform the overall annual fraud risk assessment.

With regard to the specific risks related to implementation of programme and verification of activities input, if any, from the controllers — in case of decentralised systems from the control coordination bodies — would be requested. More specifically, they would be requested to provide input with regard risk identification, risk assessment, existing and possible new controls and action plans for risk mitigation. For these purposes fraud risk self-assessment tool would be sent to the controllers. Risk assessment would be done on an annual basis (May to July period of the respective year) and the input from the controllers would be requested at least 1 month prior to the assessment.

## 7.5 Audits

### 7.5.1 System audits

According to the Article 127 of the Regulation (EU) No. 1303/2013 the Audit Authority or external auditors on behalf of the Audit Authority will carry out audits on the proper functioning of the management and control system (MCS) and on an appropriate sample of projects on the basis of the declared expenditure. In addition, audit of the accounts will be carried out.

In order to obtain a high level of assurance and to express an opinion on the functioning of the MCS, system audits should be carried out, including compliance testing of key controls at key bodies. Such **compliance testing** should be carried out for a number of projects, transactions at the level of the MA/JS, the CA and the **national Controllers**.

The following steps are usually undertaken when performing the assessment:

- 1) Evaluating the assessment criteria for each key requirement<sup>23</sup>
- 2) Conclusion by key requirement on the basis of the assessment criteria

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<sup>23</sup> See Commission Delegated Regulation (EU) No. 480/2014 for the list of key requirements



3) Conclusion by Authority

4) Overall conclusion

More detailed information on the assessment criteria, key requirements and the methodology of assessment can be found in Guidance for the Commission and Member States on a common methodology for the assessment of management and control systems in the Member States.

### 7.5.2 Audit of operations

The Audit Authority or external auditors on behalf of the Audit Authority will perform audits of operations on an appropriate sample of projects on the basis of the declared expenditure. The declared expenditure shall be audited based on a representative sample and, as a general rule, on statistical sampling methods.

A non-statistical sampling method may be used on the professional judgment of the Audit Authority, in duly justified cases, in accordance with internationally accepted audit standards and in any case where the number of operations for an accounting year is insufficient to allow the use of a statistical method.

The projects selected for audit of operations will be audited at the premises of the Lead Partner and Project Partners selected.

The Controller can be also present during the audit at the premises of the LP or PPs selected. In case it is needed, further clarification might be requested from the Controller, in that case, the Controller shall cooperate with Audit Authority/External auditor on behalf of the AA and shall provide the body with all information.

**Controllers and control coordination bodies at national level will receive feedback on the findings of the audit of operations.**

In case of irregularities, or ineligible expenditure detected by audit the procedures described in Section 7.3 have to be followed.

## 7.6 Control function of the eMS

### 7.6.1 General description of control function in the eMS

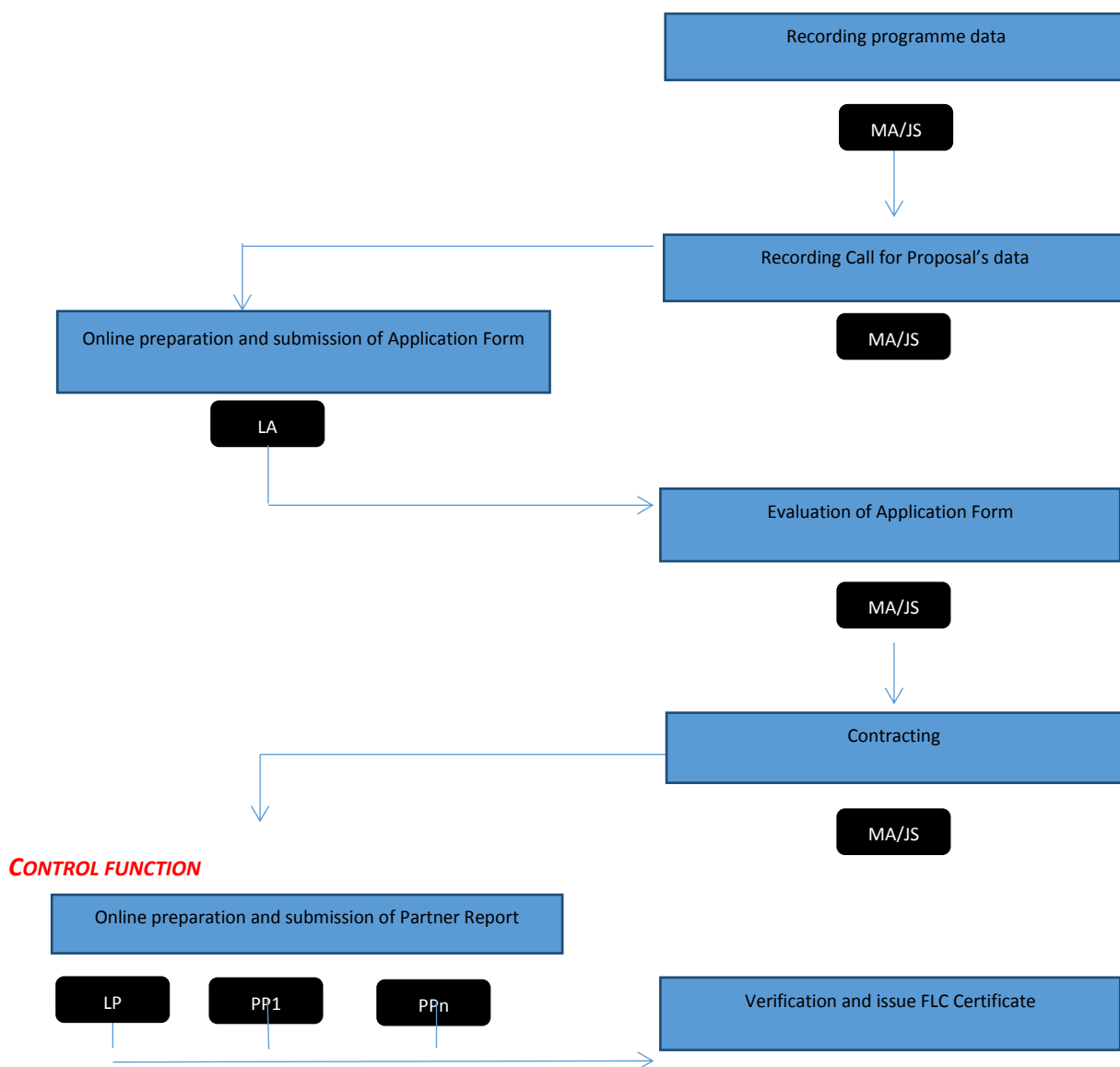
The control function of the eMS supports the reporting procedure at national level in case of each Partner State. The financial data registered in the system on partner level enables each Project Partner of the projects to prepare and submit the Partner Report via the eMS which can be validated by the controllers in the system. When preparing the Project Progress Report on project level, the system aggregates the financial data of each Project Partner's FLC Certificate.

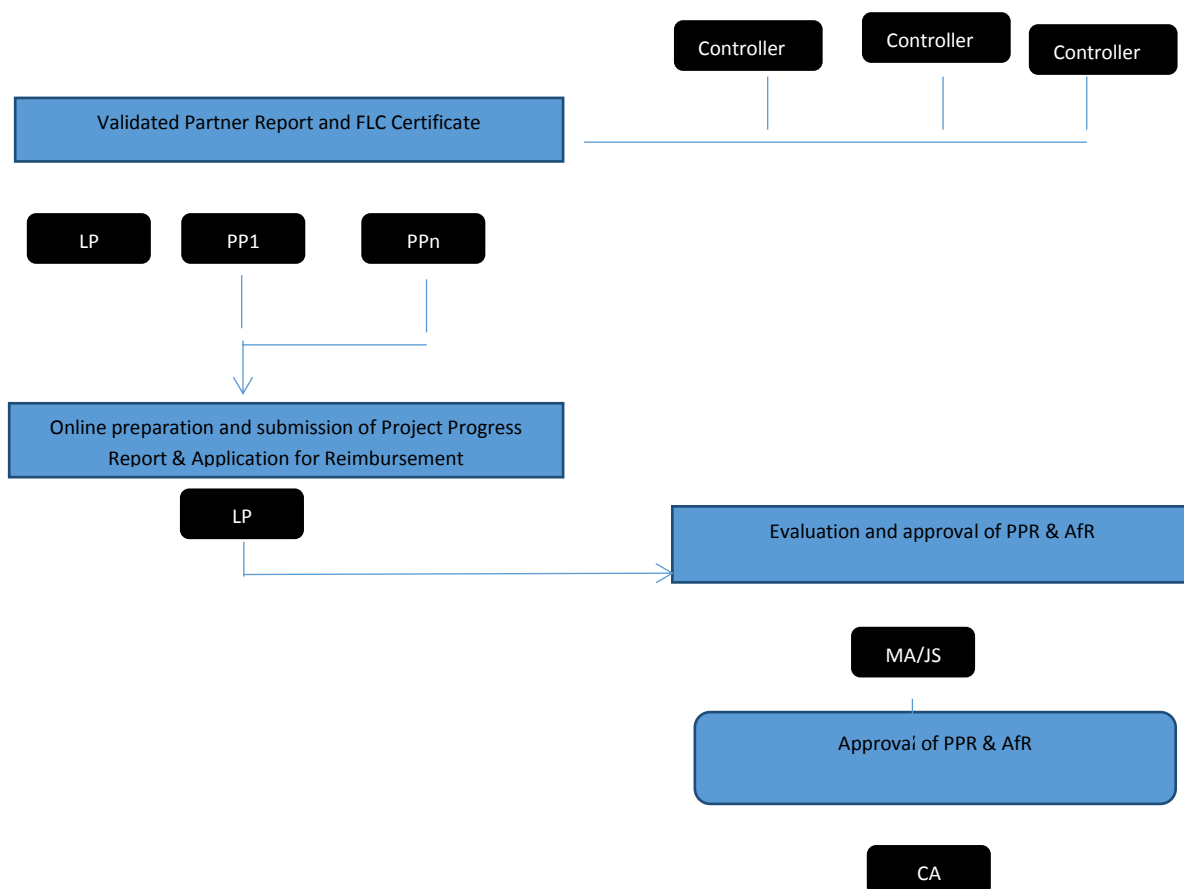
This control function disposes of several advantages:



- Uniformity of procedures for the verification of expenditure (standard checklists, templates, verification process in the system)
- Shorter timeframe of validation: online submission of the Partner Report and the FLC Certificate, no paper version of the reports/documents requested
- Overview on the verification process at all stages (LP and MA/JS are informed through the system)
- Enhance the Project Progress Report preparation with the aggregation of validated expenditure from partner level.

### 7.6.2 Overview of general procedures in the system





### 7.6.3 Control procedures supported by the eMS

#### 1) Online preparation and submission of Partner Report (Project Partners)

The Project Partner records the data of the Partner Report into the eMS, by using individual username and password related only to its project part. After registering the data in the system, the Partner Report as document will be generated by the system. The Partner Report is submitted online through the eMS to the Controller. The processes are the followings:

##### 1. Recording Partner Report by the Project Partner:

The following data are recorded with regard the implementation of activities:

- Summary of the project partner's activities in the reporting period
- Target groups reached
- Activities by WPs in details carried out in the reporting period
- Deliverables

The activity data is not aggregated to project level. The Lead Partner shall summarise in the Project Progress Report the information received from the Project Partners.

The following financial data are recorded:

- Data of expenditure incurred and paid in the reporting period recorded at invoice level
- Data on partner contribution and the spending forecast

Financial data recorded by the Project Partners will be automatically aggregated to the project level in the amount validated by the controller (after FLC Certificate issued).

➤ **Attachments**

➤ **Document generated by the system**

The Partner Report is generated by the system after built-in checks carried out automatically by the system.

2. Online submission of the Partner Report via the eMS to the Controller

The responsible person of Project Partner submits the Partner Report to the Controller.

**2) Verification of expenditure and validation process (Controllers)**

After submission of the Partner Report, the verification of expenditure is fulfilled by the Controller in the eMS. The processes are standard for all Controllers using the system. The standard checklists will be used by the Controllers, but in case of any changes needed, the checklists can be customised in the eMS by the MA/JS after agreement with the controllers. Checklists filled in by the Controllers will be saved in the system after each verification process.

The processes are the followings:

1. Verification of the submitted Partner Report

➤ **Verification of the Partner Report**

- Checking the submitted invoices and activities according to the FLC Checklist in the eMS

➤ **On-the-spot check** (if relevant)

➤ **Completion of invoice data via the system** (if relevant)

➤ **Attachments**

- Checklists of the controller not included in the system (e.g. procurement)
- On-the-spot check report, if relevant
- Audit report, if any
- Designation Form, if relevant

➤ **Documents generated by the eMS**

- FLC Certificate
- FLC Checklist

2. Issuing the FLC Certificate

After verification of expenditure, the Controller issues the FLC Certificate in the eMS. The FLC Certificate will be available online in the eMS to the Project Partner.

**3) Availability of FLC Certificate**

The Partner Report and the related FLC Certificate are available to the Lead Partner in the eMS (for review and preparation of the Project Progress Report). In this way the system enhances the preparation of the Project Progress Report and Application for Reimbursement with the aggregation of validated expenditure from partner level. All supporting documents attached to the Partner Report will be also available electronically for the LP in the eMS.

**7.6.4 National level functions not supported by the eMS**

The following main responsibilities to be fulfilled at national level are not supported by the eMS:

1. Irregularity procedures at national level

➤ Detecting, establishing and reporting irregularities to the Commission

2. Risk assessment by the Controller

➤ Risk assessment according to national rules

3. Handling of state contribution (if relevant)

➤ Transfer of pre-financing and/or payment of state contribution

**7.6.5 Verification of TA expenditure in case non-availability of the eMS**

In case the eMS does not ensure the performance of the tasks of the TA beneficiary and the Controllers, the documents (TA Project Progress Report, FLC Certificate) to be generated by the system automatically and the Application for Reimbursement shall be prepared and submitted on paper with the necessary signatures.

The supporting documents to the TA Project Progress Report shall be submitted to the Controller for verification purposes. The Controllers shall prepare the FLC Certificate on paper and send it to the TA beneficiary. Availability of data and documents shall be ensured for audit purposes and in line with the audit requirements. All data generated during the non-availability of the eMS shall be recorded into the system afterwards.

## 7.7 Network of Controllers

According to the Danube Transnational Programme, to ensure smooth functioning of the control system in the Partner States, representatives of controllers of each Partner State will be organised in a **network of controllers** which will be coordinated and supported by the MA/JS. Regular consultations and trainings for the network of controllers shall be organised during the programme implementation period. At least one meeting per year will be held, and additional meetings can be organised if needed.

The network of controllers, being a “working group” has a consultative role between the DTP and the Controllers. Conclusions of the Controllers’ meetings will be taken into consideration and the main outcomes will be reported to the Monitoring Committee.

Each Partner State has to officially nominate maximum two representatives of the Controllers to the network of controllers. The members of the MA/JS, Certifying Authority and Audit Authority also participate at the Controllers’ meetings. The representatives of National Contact Points, MC members, representative of the EC can participate at the meetings as observers. The list of the network of controllers is handled by the MA/JS. In case of any changes, the MA/JS shall be informed in written form.

## 8. Annexes

- **8.1 Control System description template**
- **8.2 Form for the designation of Controller**
- **8.3 FLC Certificate**
- **8.4 FLC Checklist for projects**
- **8.5 FLC Checklist for TA projects**