

Annex 8b) Fact Sheet on administration costs (for projects approved in the first, second and third call for proposals)

The information provided here gives some practical advice on recurring issues in the financial management of projects. It does not of course substitute the INTERREG IVC Programme Manual or any EC or national regulation or the advice of the first level controller.

What the manual says:

“Administration costs may include cost items such as **stationery, photocopying, telephone, fax and internet, heating electricity, office furniture, maintenance, office rent**. Administration costs may be direct or indirect costs. Direct administration costs belong directly to the project while indirect administration costs (overheads related to the project activities) are calculated on a pro-rata base.

INTERREG IVC Programme Manual, Section 2.4.2.2 Administration costs

Common errors:	The right way:
<u>Calculation & Documentation</u>	
<p>Administration costs are not based on real costs, but on lump sums. No invoices, no paid out expenditure are traceable, as a single fixed amount is applied (e.g. 10% of the partner’s budget).</p>	 <p>Administration costs must be calculated on the basis of actual costs and capable of verification. For both direct and indirect costs, it must be possible for an auditor to verify the respective expenditure on a basis of invoices and expenditure born directly by the project institution!</p>
<p>The method for calculating the administration costs is not traceable (e.g. the percentage of office rent / heating costs / telephone costs allocated to the project is not clear).</p>	 <p>All calculations must be properly documented and self-explanatory!</p> <p>The allocation of the organisation’s eligible administration costs to the project could be done e.g. on the basis of the following keys (depending on which key best reflects the type of cost):</p> <ul style="list-style-type: none"> the ratio “number of people working for the project / number of people working in the organisation or department” or the ratio “number of hours worked on the project / number of hours worked in total in the organisation or department” or the ratio “surface used by the personnel working for the project/surface of the organisation or department”. <p>DO NOT USE LUMP SUMS, OVERALL ESTIMATIONS OR ARBITRARY KEYS!</p>
<u>Ineligible items</u>	
<p>Administration costs include non-project related costs, e.g. a project includes in the administration costs (partially) the costs for the construction or maintenance of a car park or the installation of an office alarm system, although these items have no direct link to the project and are not directly necessary for the implementation of the project.</p>	 <p>All administration costs (direct or indirect) reported must have a direct link to the project and must be absolutely necessary for the implementation of the project (such as the cost items listed in the programme manual and above)!</p> <p>Do not artificially inflate the administration cost budget through the inclusion of overhead cost categories which lack a clear project link. In case of doubt it can only be advised to exclude the cost categories in question from the calculation to avoid</p>

	problems later on.
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Some administration costs are in general ineligible: general legal consultancy fees, notarial fees, costs of technical and financial experts, accountancy and general audit costs when they lack a direct link to the project.	 <p>Certain administration costs which are in general not eligible can be reported and are eligible if they are directly linked to the project, e.g. the audit of the project (see Regulation (EC) No 1828/2006 Article 49 c).</p>
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In-equitable calculation method

Administration costs are reported twice. Once as direct administration costs with 100% (i.e. total telephone costs for an employee working exclusively for the project) and as indirect costs (overheads) (i.e. x% of the total institution's telephone costs (overhead costs related to the project's activities)). This double funding is of course not eligible.	 <p>The calculation of indirect administration costs have to be done on the basis of the actual costs according to a duly justified, fair and equitable method that should remain the same during the whole implementation period and cannot include the already directly reported administration costs!</p>
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Applying an unreasonable pro rata base, e.g. 80% of staff costs are reported as administration costs.	 <p>It is clearly stated in the programme manual that the calculation of administration costs has to be according to a duly justified, fair and equitable method!</p>
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Methods used in other European or national funding programmes (eg. declaration on the basis of a lump sum / flat rate) are applied in order to report administration costs under INTERREG IVC.	 <p>It is important to distinguish between the rules applicable in other programmes and the ones specific to INTERREG IVC. Differences might exist resulting from different funding objectives and legal bases. In INTERREG IVC, the calculation of indirect administration costs can only be done on the basis of the actual costs according to a duly justified, fair and equitable method! The allocation key must be verifiable.</p>
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<p><u>Useful references:</u></p> <ul style="list-style-type: none"> ○ INTERREG IVC Programme Manual (i.e. Section 2.4.2.2 Administration costs) ○ Annex 6 of the Programme Manual, INTERREG IVC control report, Checklist question n°7. Administration expenditure, n° 15 Other eligibility considerations ○ Regulation (EC) no. 1828/2006; Regulation (EC) no. 1080/2006; Regulation (EC) no. 1083/2006.
