

This Guide regulates general issues regarding the eligibility of costs in research and development projects.

Contains chapters/appendices defining:

- Time frame and principles for cost eligibility
 - Catalogue of eligible costs
 - Catalogue of ineligible costs
- Documenting incurred costs
- VAT as eligible cost
- Own contribution of the Beneficiary
 - Cash
 - Non-cash

COST ELIGIBILITY GUIDE

This Cost Eligibility Guide has been drawn up based on applicable law.

The principles set forth in the documents are of an informative nature. The main objective of the guide is to make it easier for Beneficiaries to classify costs both at the stage of planning and reporting the use of granted funds.

At the same time, we would like to inform you that the aforementioned arrangements do not override nor otherwise impact the occurrence of different arrangements and results of audits conducted by other audit institutions.

It is reserved that this Cost Eligibility Guide and the instructions set forth in the document may not constitute a legal basis for any legal or financial claims against the National Centre for Research and Development.

Definitions:

Beneficiary – within the meaning of the Hosting Institution

1. Purpose of the Guide

Preparing, detailing and illustrating the issue of cost eligibility, which is meant to make it easier for Beneficiaries to work out a cost plan for projects, settle the received funding and improve project monitoring at different stages of assessment providing effective and successful management of public finances as well as equality in accessing public funding by creating uniform, transparent rules for the eligibility of costs.

2. Legal basis

This Guide has been drawn up on the basis of the applicable law regulating the financial management of projects covered by support and the principles of NCBR's activities.

3. Scope of application

§1 General regulations

1.1. The document determines the rules of eligibility of costs in projects implemented at NCBR, and includes a Catalogue of eligible costs as well as a Catalogue of ineligible costs.

- 1.2. Both the Catalogue of eligible costs and the Catalogue of ineligible costs are open. The eligibility of the cost depends on its consistency with the general rules of eligibility, the nature of the implemented project and the inclusion of the cost in approved application for funding.
- 1.3. The rules apply to all eligible costs incurred by the Beneficiary (also Subcontractors) – both within own funds of the Beneficiary and the obtained subsidy.
- 1.4. Depending on the kinds of the projects being implemented, the related applicable legal regulations or the Rules and Regulations of the Call can determine additional criteria for eligibility.

4. Principles for cost eligibility

§1 Time frame of the eligibility

- 1.1 The time frame for the eligibility of costs should be understood as the term of incurring an eligible cost. The costs incurred outside of this term constitute ineligible costs. The time frame for cost eligibility for respective projects should be determined in the project grant agreement. Incurred costs can be shown in a submitted cost settlement based on an accrual basis.

All costs presented in the settlement must be incurred within the time frame of eligibility and paid within 60 days from the day of finishing the implementation of the project, no later than on the day of submitting the final report.

If there are exchange rate differences, the amount of the payment is ultimately considered an eligible cost.

§2 Verifying cost eligibility

- 2.1 Verifying cost eligibility consists of analysing the compliance of its incurrence with applicable law provisions, provisions of the contract and the Guide effective on the day of announcing the call. In the case of updating the Guide, the verification of the eligibility of incurred costs is done based on the version of the Guide effective on the day of incurring the cost. The verification is done based on the application for payment, interim report/final report and also while performing the check-ups on the project.
- 2.2 The project subsidised with funds exceeding the amount of PLN 3000000 is subject to mandatory external audit (Article 44 of the Act of April 30, 2010 on National Centre for Research and Development). The audit is performed pursuant to Appendix No. 3 to the Guide. The cost of performed audit constitutes the eligible cost provided the audit had commenced after having realised at least 50% of expenses planned in relation to implementing the project.

§3 Eligible costs

- 3.1 Eligibility of the cost can be declared provided the below conditions are fulfilled jointly:
- The contract for funding has been executed,
 - The costs have been incurred within the time frame of eligibility,
 - The costs have been proprietarily documented and are verifiable,
 - Are compliant with the binding Guide,
 - Are necessary for implementing the project and have been incurred in relation with project realisation,
 - Have in fact been incurred for products/services
 - Have been incurred effectively and reasonably,
 - Have been incurred in a thrifty manner i.e. based on the principle of striving for certain effects at the best price,
 - Are compliant with binding provisions of European and domestic law, in particular, with the Act on Public Procurement (if applicable).
- 3.2 Eligible costs are costs calculated in accordance with accounting rules and the principles of appropriate finance management as well as the practice of Beneficiary (accounting policy). Each Beneficiary while settling the costs of project uses practices (guidelines) applicable in their institution. The possibility of settling the incurred costs according to accounting policy applicable in a given institution does not mean that the Beneficiaries can create new rules for the purposes of the project.
- 3.3 The Beneficiary of the project is obligated to incur costs in accordance with Article 44 (3) and Article 162 (3) of the Act on public finances.

§4 Documenting incurred costs

- 4.1 The costs should be documented in a manner allowing the assessment of implementation of the project in terms of finance and merits.
- 4.2 The Beneficiary and Subcontractors implementing the project are obligated to keep separate accounting books for the project in a manner allowing identification particular accounting and bank operations.
- 4.3 Beneficiaries not obligated to keep any accounting books based on binding law provisions (Act of Accounting, tax laws), are obliged to keep records related to operations regarding implementation of the project (accounting books and tax ledgers).
- 4.4 The evidence of incurred cost is a released invoice or other accounting document of an equivalent evidential value. All original copies of accounting documents related to incurred direct costs have to be proprietarily described in such a way that they show the relation with the implemented project. The document description should include information such as: Contract No., No. of assignment/stage according to the Schedule of the project, within which the cost has been incurred, eligible amount with reference to a given assignment/stage, cost category.

§5 No double financing clause

- 5.1 Double financing, in whole or in part of a given cost is not allowed.
- 5.2 Double financing is in particular:
 - Showing the same cost for two different projects co-financed from domestic or European funds,
 - Covering the costs of VAT from the funds of the project, and then retrieving the tax from state budget funds on the basis of the Act on VAT,
 - Purchasing fixed asset with the participation of the funds from domestic subsidy or subsidizing another project, and then showing depreciation of such asset in the project being subject to subsidy,
 - Showing the same cost within settling the subsidy or funding for another project and then showing this cost within the implemented project.

It is not considered double financing if the incurred cost is shown in the project if it's been financed from own funds (income from the business, other sources) of the Beneficiary even if the funds constitute public funds pursuant to the definition of the Act on public finances.

5. VAT as eligible cost

§1 Goods and services tax (VAT)

- 1.1 VAT is eligible cost only if it's been incurred by the beneficiary in relation to eligible costs but the Beneficiary is not legally eligible to retrieve VAT.
- 1.2 The possibility of retrieving VAT shall be considered in reference to Act on VAT.
- 1.3 The Beneficiary is obligated to submit a statement on eligibility of VAT.
- 1.4 It is not legally possible to retrieve VAT if the Beneficiary does not have a right to decrease the amount of receivable tax (related to actions taxable within the project) by charged tax (related to costs of purchased goods and services as well as fixed assets).

Such situations could take place in the below circumstances:

- 1.4.1 In the project there have not been/will not be any income – purchased goods, services or fixed assets are not used to taxable sales, or in the project there's no direct, unquestionable connection between purchased goods, services or fixed assets and taxable actions,
- 1.4.2 The Beneficiary is subjectively exempt from VAT taxation,
- 1.4.3 The Beneficiary performs only the actions exempt from VAT taxation.
- 1.5 If the Beneficiary uses purchased within the project subject to support, goods/services/fixed assets for performing both actions exempt and taxable, the eligible cost can only be proportional part of charged VAT.

1.6 In case when the prerequisites allowing retrieving VAT by the unit occur, the Beneficiary undertakes to notify the Centre on such as well as to make a correction of settlement, also upon the end of the project, to return the tax reimbursed from the funds of subsidy.

The corrections of settlements related to the change of VAT eligibility, change of the index of VAT structure can be introduced by:

- correcting the application concerned,
- **jointly in the current application for payment,**
- or in the Final Report.

Corrections are also introduced in assignments already finalised.

The taxpayer running “mixed” business after the end of fiscal year is obligated to determine the real level of structure index and to correct the settlement of tax charged for the previous fiscal year. Consequently, the Beneficiary is obligated to correct settled subsidy (also after submitting the Final Report), to notify the Centre on introduced correction and to return the funds (of the ineligible part of VAT) at the request of the Centre.

All taxpayers using the ration to take off VAT are obligated to make a correction based on the rules applicable for the corrections done by the taxpayers performing “mixed” actions.

6. Own contribution

1.1 The Beneficiary, under certain circumstances, can/should provide its own contribution in the declared amount for covering in part the eligible costs in the implemented project.

1.2 Own contribution must be provided in financial form.

7. Appendices

Appendix No. 1. Catalogue of eligible costs

Appendix No. 2. Catalogue of ineligible costs

Appendix No. 3. Method and mode of performing external audit of spending public funds for projects subsidised with the funds exceeding the total of PLN 3,000,000

Appendix No. 1. Catalogue of eligible costs

1. Catalogue of eligible costs within industrial research and development works

The eligible costs of industrial research and development works of the projects consist of the below categories of costs:

W – Remuneration costs
<p>Within this category, eligible are the costs of remunerations along with outside of remuneration employment costs, including social security and health premiums, of all people hired at implementation of the project – research, technical and auxiliary staff, in part which these remunerations are directly related to implementing the project subject to subsidy.</p>
<p>Documenting the work performed for the project</p> <ul style="list-style-type: none"> • For employment contract – payroll, If a given employee is not involved in the project full time, eligible part of the remuneration shall be done based on: <ul style="list-style-type: none"> – Delegating the employee for the project part time, with indication job description within the project (most optimal solution), or – work chart with assignment description – for people who work irregularly for the project subject to subsidy for example 1 month = 2 hours of work for the project shown in work chart, next month = 5 hours of work,
<ul style="list-style-type: none"> • for the contract of mandate – receipt, receipt protocol.
<ul style="list-style-type: none"> • for the contract of specific task – receipt, receipt protocol.
<p>The eligible cost consists of the below items of staff remunerations and outside of remuneration benefits, proportionally to the involvement of an employee in the project:</p>
<ul style="list-style-type: none"> • base salary; • remuneration mark-ups on employer’s end, including: <ul style="list-style-type: none"> - retirement premium - annuity premium

- accident premium
- premium for the Guaranteed Employment Benefit Fund
- premium for the Employment Fund;
- remuneration mark-ups on employee's end, including:
 - retirement insurance premium
 - annuity insurance premium
 - sickness insurance premium
 - health premium;
- advance income tax payment;
- rewards/bonuses/perks¹, including discretionary bonuses, periodical bonuses and one-time rewards, which: (i) are stipulated in work rules and regulations or remuneration rules and regulations of a certain institution, (ii) have been awarded according to applicable rules of paying remunerations and (iii) include all employees of a certain institution. For periodical bonuses the value of eligible costs should correspond to the period of employee's involvement in the project, for which the bonus is awarded;
- remuneration for time of inability to work, pursuant to law provisions in scope of social security;
- paid vacation;
- seniority pay;
- write-off for Company Social Fund, if the unit has a right to reckon up ZFSS write-offs;
- role perk for holding a managerial position, paid in a fixed amount, provided it regards the role played within the project;
- premium for Employee Capital Plans, provided it's an element of remuneration.

E – Subcontracting costs

The costs of subcontracting, understood as **mandating to the order of third party**, the substantive parts of the project, which are not performed on the territory of the Beneficiary nor under their direct supervision.

For subcontracting cannot pass auxiliary actions, necessary for performing project works such as legal or accounting services.

¹ When remuneration rules and regulations at the Beneficiary's is amended in the course of realizing the project, the binding document is the rules and regulations effective on a day of submitting the application for funding, constituting the basis for project budget planning.

Category E costs up to 10% of total eligible costs.

Op – Other direct costs

I. The cost of scientific and research apparatus and intangible and legal assets (WNIp)

Within this category the below costs are eligible:

- Costs of scientific and research apparatus and other research purpose devices,
- Costs of technical knowledge and patents purchased or utilised on the basis of licenses obtained from third parties on market rules i.e. intangible and legal assets (WNIp) in form of patents, licenses, know-how and un-patented technical knowledge. If purchased intangible and legal assets (WNIp) are not utilised in 100% for the purposes of the project and/or the entire period of depreciation write-offs does not overlap the period of implementing the project, the eligible cost are depreciation write-offs due to decrease in value of a given WNIp.

For scientific and research apparatus the eligible are:

1/ Purchase cost

The cost of purchasing or making the apparatus/devices serving research purposes shall be the eligible cost of the project provided such cost relates to the mean necessary for appropriate implementation of the project and is directly utilised for its realisation and the below conditions are met jointly:

- the value of apparatus, IT infrastructure or other device (equipment) does not exceed PLN 500000,
- in the part Justification of the „Application for financing the Project” the purchase has been planned and included on the list of scientific and research apparatus and other devices (equipment) serving research purposes along with substantial justification,
- the unit does not have the apparatus/fixed asset, which could be used interchangeably.

If all the aforementioned prerequisites are met, the Beneficiary shows once in the Payment application of purchasing or making the apparatus/devices serving research purposes.

2/ Depreciation

Depreciation write-offs due to decrease in the value of apparatus constitute the eligible cost if the below conditions are jointly met:

- the apparatus is necessary for correct implementation of the project and utilised directly in relation with the project
- the apparatus, IT infrastructure or other devices (equipment), serving research purposes are kept in fixed assets ledger of the entities making the purchase.

The eligible value of depreciation write-offs relates exclusively to the period of implementing the project and the ratio of utilizing the asset in implementing the project.

The residual value of fixed asset after finishing implementation of the project is not eligible cost.

The cost of using the apparatus, IT infrastructure or other devices (equipment), of the value exceeding PLN 500000 can be settled within the project only through depreciation write-offs.

3/ Using scientific and research apparatus and other devices for a fee

The costs incurred within using the apparatus for a fee constitute eligible costs to necessary extent and for the period necessary for implementing the project subject to subsidy.

In case of operational leasing, only capital instalments are eligible costs (without interest part and other fees), thus in case of financial leasing – depreciation write-offs.

II. Costs of buildings and land

The costs of buildings and land are eligible to the extent and for the period necessary for implementing the project; in case of buildings those are the costs of depreciation corresponding to the period of implementing the project subject to subsidy, calculated based on accounting rules. In case of land those are the costs of commercial transfer or really incurred capital costs.

Within this category the below kinds of costs are eligible:

- land tenancy – only tenancy instalments without interests,
- perpetual usufruct of land – only the instalments without interest,
- buildings depreciation – in case when they are used also for purposes other than implementation of the project, only the part of depreciation write-off corresponding to the ratio of using the building for the purpose of implementing the project subject to subsidy is eligible.

III. Other operational costs

Costs of materials, consumables and alike products incurred directly in relation with implementing the substantial goal of the project subject to subsidy.

Within this category the below kinds of costs are eligible:

- **materials** – for instance raw materials,
- semi-finished goods, agents,
- lab equipment (generally all purchases of items not qualifying as fixed assets pursuant to the Act on Accounting and applicable accounting policy),
- **costs of maintaining technology lines**, experimental installations, etc. in the period and ratio of using for the project,
- **items used for construction and fixed to the prototype, pilot or showroom installation**,
- foreign services – service and maintenance, costs of repairs, transport services,
- **costs of training employees realizing research assignments** (cost of trainings should be planned in the application for funding the project and be due to justified reasons (ex. new innovative solutions showing up on the market - new materials, new technologies, new techniques of performing certain assignments, etc. – thanks to which the assignment shall be performable more effectively, and can be provided new features),
- **costs of trainings related to maintenance of the purchased scientific and**

<p>research apparatus,</p> <ul style="list-style-type: none"> • cost of external audit, provided it had commenced after realizing 50% of planned expenses related to the project, • costs of advisory and equivalent services – such as the services of technology broker, • costs of keeping a separate bank account (commission and other fees), • costs of promoting the project (publishings, web site costs, etc.), • costs of conference participation, • costs of business trips.

2. Catalogue of eligible costs within pre-implementation works

The eligible costs of pre-implementation works of the projects consist of the below categories of costs:

Direct costs	<p>Remunerations (W)</p> <p>Subcontracting (E)</p> <p>Other direct costs (Op), including:</p> <ul style="list-style-type: none"> - costs of tools and equipment - costs of buildings and land - other operational costs
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W – Remunerations costs

Within this category, eligible are the **costs of remunerations along with outside of remuneration employment costs**, including social security and health premiums, **of all people hired at performance of pre-implementation works** in part which these

remunerations are directly related to performing pre-implementation works of the project subject to subsidy.

Documenting the work performed for the project

- **For employment contract – payroll,**

If a given employee is not involved in the project full time, eligible part of the remuneration shall be done based on:

- Delegating the employee for the project part time, with indication job description within the project (most optimal solution),
- **work chart with assignment description** – for people who work irregularly for the project subject to subsidy

- for the **contract of mandate – receipt**, receipt protocol.

- for the **contract of specific task – receipt**, receipt protocol.

The eligible cost consists of the below items of staff remunerations and outside of remuneration benefits, proportionally to the involvement of an employee in the project:

- base salary;
- remuneration mark-ups on employer's end, including:
 - retirement premium
 - annuity premium
 - accident premium
 - premium for the Guaranteed Employment Benefit Fund
 - premium for the Employment Fund;
- remuneration mark-ups on employee's end, including:
 - retirement insurance premium
 - annuity insurance premium
 - sickness insurance premium

- health premium;
- advance income tax payment;
- rewards/bonuses/perks², including discretionary bonuses, periodical bonuses and one-time rewards, which: (i) are stipulated in work rules and regulations or remuneration rules and regulations of a certain institution, (ii) have been awarded according to applicable rules of paying remunerations and (iii) include all employees of a certain institution. For periodical bonuses the value of eligible costs should correspond to the period of employee's involvement in the project, for which the bonus is awarded;
- remuneration for time of inability to work, pursuant to law provisions in scope of social security;
- paid vacation;
- seniority pay;
- write-off for Company Social Fund, if the unit has a right to reckon up ZFSS write-offs;
- role perk for holding a managerial position, paid in a fixed amount, provided it regards the role played within the project;
- premium for Employee Capital Plans, provided it's a mandatory element of remuneration.

E – Subcontracting costs

Subcontracting costs are understood **costs of advisory or equivalent services (ex. tests, market search) performed for the purpose of performing pre-implementation works in the project.**

In case of advisory or equivalent services **eligible costs are the costs of the below services:**

- performed by outside consultants;
- non-continuous and non-periodical;

² When remuneration rules and regulations at the Beneficiary's is amended in the course of realizing the project, the binding document is the rules and regulations effective on a day of submitting the application for funding, constituting the basis for project budget planning.

- not related to ordinary operational costs of the Contractor, such as tax advisory, legal services, commercials.

Total amount of eligible expenses in category E (subcontracting) cannot exceed 70% of grand total of eligible costs incurred in the project for pre-implementation works.

Op – Other direct costs

I. Costs of tools and equipment

Within this category, the costs of devices and equipment used for pre-implementation works to the extent and for the period necessary for implementing pre-implementation works, are eligible.

1/ Purchase cost

The cost of purchasing devices and equipment shall be the eligible cost of the project provided such cost relates to the mean necessary for appropriate performance of pre-implementation works and is directly utilised for its realisation and the below conditions are met jointly:

- the value of devices and equipment does not exceed PLN 500,000,
- the purchase has been planned in the application for funding,
- the unit does not have the equipment, which could be used interchangeably.

If all the aforementioned prerequisites are met, the Contractor provides the values of purchasing devices and equipment only once in the Application for reimbursement.

The cost of utilizing devices and equipment of the value exceeding PLN 500,000 can only be settled in the project through depreciation write-offs.

2/Depreciation

Depreciation write-offs due to the decrease in value constitute the eligible cost, provided the below conditions are jointly met:

- devices and equipment, for the moment of purchase, fulfil the definition of fixed asset (in accordance with Article 3 (1) (15) of the Act on Accounting: tangible fixed assets of anticipated economic life cycle longer than a year, complete, serviceable and for the use of a unit);
- devices and equipment are necessary for the correct performance of pre-implementation works of the project and are utilised directly in relation with the project;
- devices and equipment used for pre-implementation works are recorded in fixed assets ledger of the entities making the purchase;
- depreciation write-offs have been calculated in accordance with the provisions on accounting and pursuant to the accounting policy of the entity;
- the eligible value of depreciation write-offs relates exclusively to the period of performing pre-implementation works of the project;
- if the devices and equipment are used also for other purposes than the implementation of the project, only the part of the write-off is eligible that corresponds to the ratio of using the assets for performing implementation works of the project;
- the purchase of devices and equipment has not been co-financed from the funds of domestic subsidy or European funds;
- the purchase of devices and equipment has not been settled as the eligible cost of the project;
- depreciation write-offs regard devices and equipment purchased reasonably

and effectively i.e. the prices have not been inflated against market prices and rates.

The residual value of fixed asset after finishing implementation of the project is not eligible cost.

3/ Using devices and equipment for a fee

The costs incurred within using devices and equipment for a fee constitute eligible costs to the extent and for the period necessary for realizing implementation works of the project subject to subsidy.

II. Costs of buildings and land

The costs of buildings and land are eligible to the extent and for the period necessary for performing pre-implementation works of the project³.

Within this category the below kinds of costs are eligible:

- **land tenancy** – only tenancy instalments without interests,
- **perpetual usufruct of land** – only the instalments without interest,
- **buildings depreciation** – in case when they are used also for purposes other than implementation of the project, only the part of depreciation write-off corresponding to the ratio of using the building for the purpose of performing pre-implementation works of the project subject to subsidy is eligible..

III. Other operational costs

The costs of materials, consumables and related products incurred in relation with

³Within the category Op it is possible to settle the costs of buildings or land, which are in whole or in part used directly for the purposes of performed pre-implementation works i.e. labs or other rooms/offices used for research as well as used for the purposes of apparatus, devices, materials and staff of the project settled within direct costs.

performance of pre-implementation works of the project subject to subsidy.

- materials necessary for performing pre-implementation works for example raw materials, semi-finished goods, agents;
- small tools and equipment (generally all purchases of items not qualifying as fixed assets pursuant to the Act on Accounting and applicable accounting policy) used for pre-implementation works;
- the costs related to information and promotion actions such as organizing seminars, conferences and research teams, organizing domestic and international visits, running social campaigns, organizing media events for the purpose of convincing the public to proposed solutions;
- business trips provided they are indicated in the application for funding;
- costs of participation in conferences and organization of meetings with decision makers as well as with institutions with implementation potential for the purpose of convincing the public to certain solutions;
- costs of foreign services of auxiliary character necessary for realizing the project but do not fulfil the definition of category E nor O;
- costs of official fees incurred in relation with performance of pre-implementation works such as costs of obtaining the certificate of conformity authorizing to mark the product with the stamp of conformity with domestic or foreign norm, patent (first registration);
- cost of external audit, provided it had commenced after realizing 50% of planned expenses related to the project.

3. Catalogue of eligible costs for supporting establishment of special purpose vehicles

The eligible costs for supporting establishment of special purpose vehicles consist of the below cost categories:

Direct costs	Subcontracting (E)

E - Subcontracting costs

Subcontracting costs are understood **costs of advisory or equivalent services (ex. tests, market search) performed for the purpose of performing works for establishing special purpose vehicles in the project.**

In case of advisory or equivalent services **eligible costs are the costs of the below services:**

- performed by outside consultants;
- non-continuous and non-periodical;
- not related to ordinary operational costs of the Contractor, such as tax advisory, legal services, commercials.

The aforementioned costs regard expert support in establishing by scientific units, companies which are supposed to commercialise the results of research and development activity of these scientific units.

Appendix No. 2. Catalogue of ineligible costs

Generally, for ineligible costs are considered:

- Costs incurred outside of eligibility period,
- Costs not meeting eligibility requirements stipulated in the Guide,
- Costs not documented or not properly documented,
- Costs incurred inconsistently with the Act Public Procurement Law (if applicable),
- Goods and services tax (VAT), which in the light of the law, can be retrieved,
- fines, tickets, financial penalties, fees and penalty interest,
- cost of external audit, if it had commenced before realizing 50% of planned expenses related to the project,
- in case of the leasing - tax, mark-up of the financing party, re-financing cost interests, insurance fees, general costs,

- the below remuneration components – salary and outside of salary benefits:
 - jubilee reward
 - equivalent for unused vacation days
 - group life insurance premium – considered as taxable employee income
 - supplement for health care
 - financial equivalent (for instance: discount payment for electrical power)
 - supplement for electrical power (considered as taxable employee income)
 - using company car – commuting from home to work and back
 - funding from Company Social Fund ZFŚS (considered as taxable employee income)
 - benefit payments financed from Social Security ZUS funds (ex. maternity leave)
 - overtime
 - costs of preliminary and periodic examinations
 - supplement for the glasses
 - perks for foreign languages, not smoking and other related perks set forth by the employer
 - food stamps for employees
 - premiums for National Fund for Rehabilitating the Disabled

Ineligible costs cannot constitute part nor whole of the required own contribution of the Beneficiary/Subcontractor implementing the project.

Appendix No. 3. Method and mode of performing an external audit of spending public funds for projects subsidised with the funds exceeding the total of PLN 3,000,000

The appendix determines the method and mode of performing external audit of spending public funds for projects subsidised with the funds exceeding the total of PLN 3,000,000, hereinafter referred to as „audit“.

1. The audit is conducted by an auditor, who can be:
 - 1) a person meeting the requirements stipulated in Article 286 of the Act of August 27, 2009 on public finances;
 - 2) legal person or organizational unit without legal identity, hiring for the audit people mentioned in section 1).
2. The Auditor cannot be:
 - 1) an entity dependent on the entity being audited;
 - 2) an entity appraising financial reports of the entity being audited for the period of 3 years prior to the audit.
3. The entity being audited selects their auditor, according to the provisions on public procurement/rule of competitiveness.
4. The manager of the audited entity, subject to the provisions on confidential information protection and information protected by law, provides conditions necessary for effective

- performance of the audit, in particular, shares objects, equipment and documentation as well as enables immediate sharing information and explanations by employees of the audited entity.
5. The auditor has a right to review accounting books and documents constituting the basis for posts and information and data audit related, including those kept on IT data carriers, to make copies and to make excerpts, specifications, print-outs, with preservation for the provisions on confidential information protection and information protected by law.
 6. The employees of the audited entity, at auditor's request, shall provide information and give explanations as well as confirm „the original conformity", make copies of documents and make excerpts, specifications and print-outs to the extent necessary for achieving the goal of the audit and in accordance with presented by the auditor methodology of picking sample documents for the audit.
 7. The goal of project's audit is providing by the auditor an opinion on:
 - 1) credibility of numerical and descriptive data included in documents related to the implemented project;
 - 2) realizing expenses and achieving assumed effects related to the audited project, according to the requirements of the application, decision or contract;
 - 3) correctness of documentation and comprehension of trade operations in a separated – for the purpose of a given project – accounting books.
 8. The audit consists of checking:
 - 1) achieving the goal of the project and the compliance of implementation of the project with the contract;
 - 2) correctness of posting expenses incurred within the the implemented project, their reasonability, method of documenting and separating in the books;
 - 3) payments of expenses related to the project;
 - 4) credibility and timeliness of project realization reports;
 - 5) timeliness of settling funds received for implementation of the project;
 - 6) method of monitoring achievement of project goals;
 - 7) method of storing and securing project documentation;
 - 8) observing law provisions on accounting, public procurement and public finances, including in scope of observing public finance discipline;
 - 9) functioning of internal control system in respect of implementing the project;
 - 10) implementing the comments and recommendations of the previous controls and audits.
 10. The audit of the project begins no sooner than after implementing 50% of planned expenses related to the project and ends before submitting the final report of implementation of the project.
 11. In case when conducting the audit requires specialised expertise, skills or qualifications, the auditor can assign an appraiser at their own cost.

12. 1 Based on gathered evidence, the auditor draws-up a written report of the audit hereinafter referred to as „report“.

12.2 The auditor is obligated to keep confidentiality and not to violate secrets of audited entities in the meaning of the provisions on fighting unfair competition.

13. 1. The report consists of:

- 1) date;
- 2) name and address of the audited entity;
- 3) name and number of the project;
- 4) declaration of the auditor on independence from the audited entity;
- 5) first and last names and prerogatives of the auditors;
- 6) audit goals;
- 7) subject and subjective scope of the audit;
- 8) term of the audit;
- 9) brief description of the audited entity within audited area;
- 10) assessment of the adequacy and effectiveness of the system of management and control in the area of the business of audited entity subject to the audit;
- 11) information on the method and size of the sample for examination;
- 12) presentation of the results of examination at fault;
- 13) determining inconsistencies in audited entity's operation and the analysis of root causes and results;
- 14) recommendations on removing inconsistencies found in audited entity's operation;

13. 2. The auditor attaches an opinion as provided for in section 7.

14. 1. The report is handed over to the audited entity in 7 days from ending the audit.

14.2 The audited entity is obligated to obtain a declaration of the auditor on conducting external audit in accordance with the Appendix. The method and mode of performing external audit of spending public funds for projects subsidised with the funds exceeding the total of PLN 3,000 000. Such declaration should be made in writing and can be included in the report, receipt protocol or other document of the audit.

14.3. The audit report is kept by the audited entity for no less than 5 years and shares it at each request of NCBR.

15. The audited entity hands over one copy of the report to NCBR as well as its potential standpoint with reference to findings included in the report, within 21 days from receiving the report, unless the provisions of the project grant agreement state otherwise.

16. The auditor is obligated to provide explanations within the scope covered by the audit to NCBR as well as to entities authorised by NCBR.