

Simplified cost options

Management verifications in Interreg
21-22 February 2018 | Thessaloniki, Greece

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Simplified Cost Option (SCO)

- Eligible costs are **calculated** according to a predefined method based on outputs, results or other costs.
- **The tracing of every euro of co-financed expenditure to individual supporting documents is no longer required.**

CPR (1303/2014), Article 67

Forms of grants and repayable assistance

1. Grants and repayable assistance may take any of the following forms:

(a) reimbursement of eligible costs actually incurred and paid, together with, where applicable, contributions in kind and depreciation;

(b) **standard scales of unit costs**;

(c) **lump sums** not exceeding EUR 100 000 of public contribution;

(d) **flat-rate** financing, determined by the application of a percentage to one or more defined categories of costs.

Fund-specific rules may limit the forms of grants or repayable assistance applicable to certain operations.

CPR (1303/2014), Article 67 cont.

Forms of grants and repayable assistance

3. The options referred to in paragraph 1 may be combined only where each option covers different categories of costs or where they are used for different projects forming a part of an operation or for successive phases of an operation.
4. Where an operation or a project forming a part of an operation is implemented exclusively through the public procurement of works, goods or services, only point (a) of the first subparagraph of paragraph 1 shall apply. Where the public procurement within an operation or project forming part of an operation is limited to certain categories of costs, all the options referred to in paragraph 1 may be applied.

CPR (1303/2014), Article 67 cont.

Forms of grants and repayable assistance

5. The amounts referred to in points (b), (c) and (d) of the first subparagraph of paragraph 1 shall be established in one of the following ways:

- (a) a fair, equitable and verifiable calculation method based on:
 - (i) statistical data or other objective information;
 - (ii) the verified historical data of individual beneficiaries; or
 - (iii) the application of the usual cost accounting practices of individual beneficiaries;

CPR (1303/2014), Article 67 cont.

Forms of grants and repayable assistance

5. The amounts referred to in points (b), (c) and (d) of the first subparagraph of paragraph 1 shall be established in one of the following ways:

(b) in accordance with the rules for application of corresponding scales of unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary;

(c) in accordance with the rules for application of corresponding scales of unit costs, lump sums and flat rates applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;

(d) rates established by this Regulation or the Fund-specific rules;

(e) specific methods for determining amounts established in accordance with the Fund-specific rules.

CPR (1303/2014), Article 67 cont.

Forms of grants and repayable assistance

6. The document setting out the conditions for support for each operation shall set out the method to be applied for determining the costs of the operation and the conditions for payment of the grant.

CPR (1303/2014), Article 68

Flat rate financing for indirect costs and staff costs concerning grants and repayable assistance

1. Where the implementation of an operation gives rise to indirect costs, they may be calculated at a flat rate in one of the following ways:

- (a) a flat rate of up to 25 % of eligible direct costs, provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;
- (b) a flat rate of up to 15 % of eligible direct staff costs without there being a requirement for the Member State to perform a calculation to determine the applicable rate;

CPR (1303/2014), Article 68 cont.

Flat rate financing for indirect costs and staff costs concerning grants and repayable assistance

(c) a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.

The Commission shall be empowered to adopt delegated acts in accordance with Article 149 concerning the definition of the flat rate and the related methods referred to in point (c) of the first subparagraph of this paragraph.

2. For the purposes of determining staff costs relating to the implementation of an operation, the hourly rate applicable may be calculated by dividing the latest documented annual gross employment costs by 1 720 hours.

ETC (1299/2013), Article 19

Staff costs

Staff costs of an operation may be calculated at a flat rate of up to 20% of the direct costs other than the staff costs of that operation.

DA (481/2014), Article 3 Staff costs

Staff costs may be reimbursed either:

- (i) on a real cost basis (proven by the employment document and payslips); or
- (ii) under simplified cost options as set out in Article 67(1)(b) to (d) of Regulation (EU) No 1303/2013; or
- (iii) as a flat rate in accordance with Article 19 of Regulation (EU) No 1299/2013.

Why another Q&A on SCO?

- Uncertainty with the new regulations
- New approach for control and audit due to introduction of SCOs
- Many questions arising from the Interreg community
- EC Guidance on SCO not for Interreg alone
- Need for an Interreg-specific guidance on SCOs



Structure/logic of the Q&A on SCO

The document is structured into 2 main sections:

1. General questions on simplified cost options (SCOs)
 - This section includes guidance on how verification should be performed for different types of SCOs:
 - how **public procurement** should be observed when SCOs are used
 - main areas prone to **irregularities** which require special attention from controllers and auditors.
 - general issues concerning the use of **flat rates** and **lump sums**

Structure/logic of the Q&A on SCOs

2. Questions related to the Staff Costs category of expenditure
 - This section raises points of attention for different staff cost calculation methods and highlights specificities of this category with regard to the audit trail requirements.

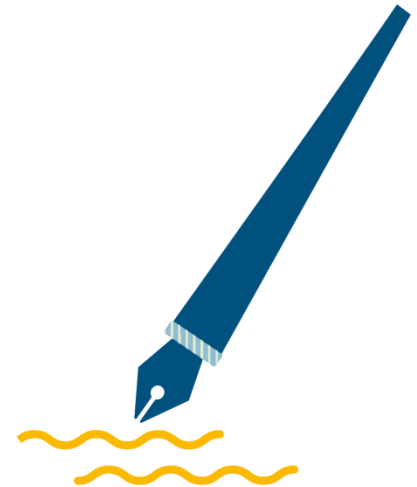


Example of Questions & Answers

Flat rates

Question: Is a beneficiary required to provide any evidence that the amount received as a flat rate was actually spent on expenses of the cost category to which the flat rate applies? Can controllers/auditors request such evidence?

Answer: No, verification of expenditure declared under a simplified cost option should be limited to the verification of the existence of the relevant cost category, the calculation method and its correct application.



Example of Questions & Answers

Lump sums

Question: Is it possible to proportionally reduce the payment of a lump sum?

Answer: Lump sums operate on a binary approach, and there are no other choices than paying 0% or 100% of the grant. However, should the document define a number of milestones as intermediary steps for the input/output, it is possible that partial payments of the lump sum can be made...



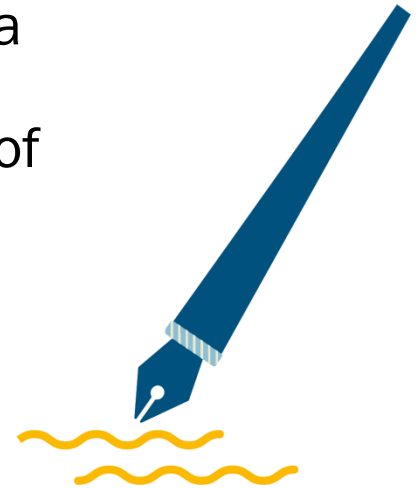
Examples of Questions & Answers

Costs reported do not match

bookkeeping of beneficiary

Question: Costs reported to the programme under a simplified cost option do not match the actual expenditure registered in the bookkeeping system of the beneficiary. How to deal with this?

Answer: In cases where costs are calculated based on simplified cost options, the expenditure might differ from the actual costs registered in the accounting system of the beneficiary. This is a direct consequence of the use of simplified cost options.



Cooperation works

All materials will be available on:

www.interact-eu.net