

Omnibus changes: Emphasis on SCOs & overview on audit novelties

**9th Networking meeting of Audit authorities and members of the Group
of Auditors of Interreg Programmes
29-30 May 2018, Valencia**

1. General overview of Omnibus aim (1)

- Initial objective: introduce focussed simplification
- Commission proposal in September 2016
- Political agreement between co-legislators reached in December 2017
- Changes to Commission's original proposal
- Text final – not yet published (30/07/2018)
- Retroactive application of some changes (to 1/1/2014 or to 1/1/2018)

Vast majority of changes relate to SCOs

1. General overview of Omnibus aim (2)

WHY USE SCOs ?

KEY SIMPLIFICATION MEASURE IN THE CPR

- Increased possibility for using **SIMPLIFIED COST OPTIONS**: flat rate financing, standard scales of unit costs and lump sums.

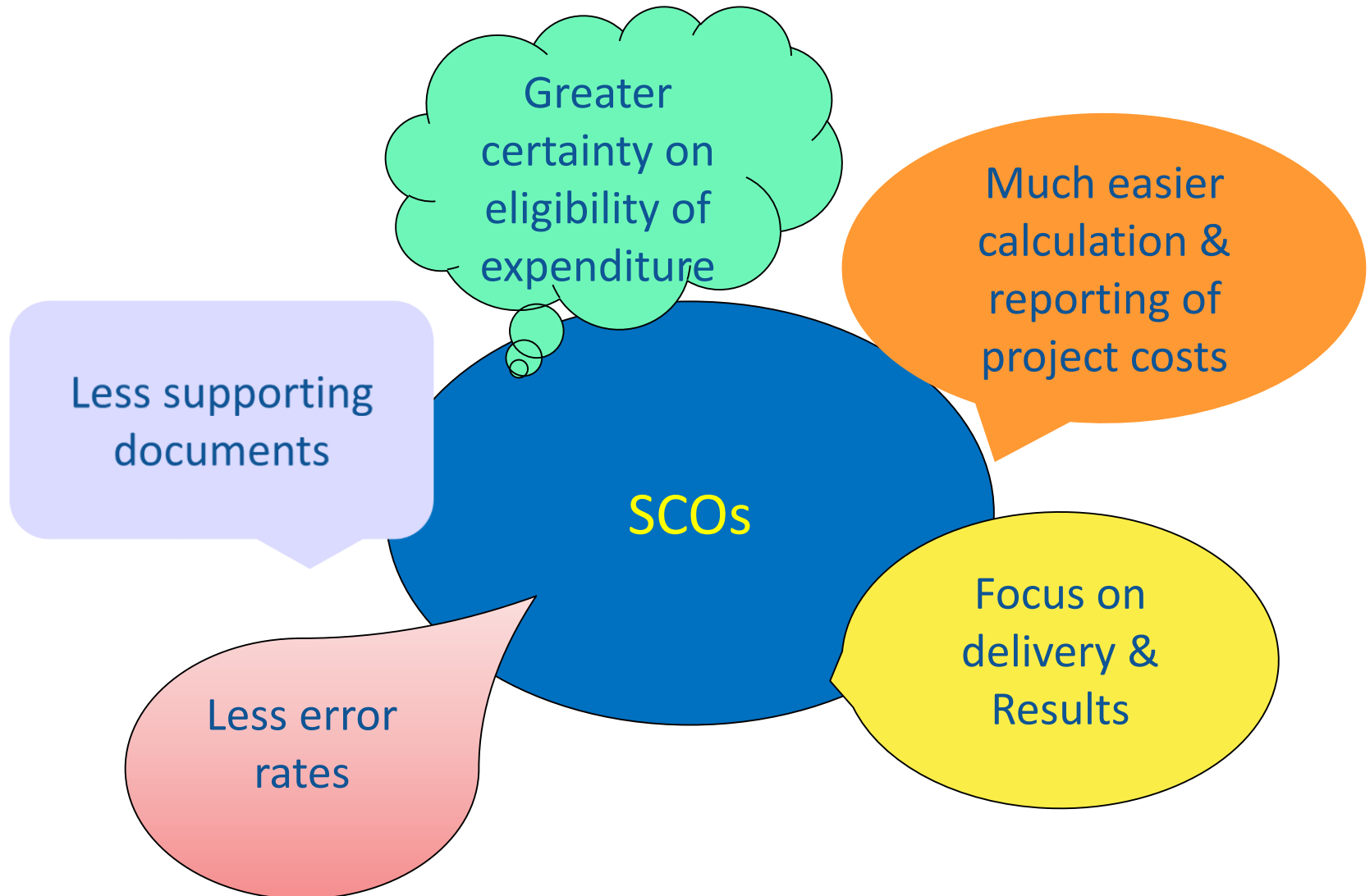
A DIFFERENT MINDSET

- SCOs are about results: if results achieved then accepted
- Balance between trust & control



1. General overview of Omnibus aim (3)

WHY USE SCOs?



2. Omnibus changes: Emphasis on Simplified cost options (1)

A Greater potential for SCOs

ONE Commission position on SCOs



**Use SCOs
as much as possible!!!**

2. Omnibus changes: Emphasis on Simplified cost options (2)

Type of SCOs/Forms of support (i)

- **Lump sums:** removal of the upper limit (Art. 67(1)(c) CPR)
- **Introduction of a new form for grants and repayable assistance:** financing based on the **fulfilment of conditions** related to progress in implementation or the achievement of objectives of programmes - to be defined in **delegated acts** (in a few thematic areas e.g. energy efficiency, TA) (Art. 67(1)(e))
 - **Audit** shall exclusively aim at verifying that the conditions for reimbursement have been fulfilled.
- **Compulsory use of SCO for ERDF and ESF for grants/repayable assistance** where public support does not exceed EUR 100.000 for operations not implemented exclusively through public procurement (moved from ESF Regulation) (Art. 67(2a))

2. Omnibus changes: Emphasis on Simplified cost options (3)

Methodologies for establishing SCOs (i)

- Possibility to **use expert judgment** as an alternative to statistical data or other objective information for setting tailor-made SCOs (**on the basis of fair, equitable and verifiable calculation methods**) (Art. 67(5)(a)(i) CPR)
- **Additional methodology for determining a SCO**: use of a **draft budget** on a case by case basis and **agreed ex ante** by the managing authority in case the **public support does not exceed EUR 100.000** (Art. 67(5)(a)(bis) CPR)
- **Off-the-shelf SCOs**: possibility for COM to adopt **delegated acts** for the definition of **standard scales of unit costs and flat rates** and related methods (Art. 67(5a) CPR)

2. Omnibus changes: Emphasis on Simplified cost options (4)

New flat rates + restructuring of provisions (i)

➤ Calculation of direct staff costs

- Extension of ETC flat rate to all ESIF - 20% of other direct costs of an operation as a flat rate for direct staff costs, (Art. 68a(1))
- No need to perform a calculation to establish the applicable rate
- ✓ Caveat: flat rate cannot be used without calculation method when the direct costs of the operation include public works contracts above threshold defined in the public procurement directive

- **2. Omnibus changes: Emphasis on Simplified cost options (5)**

- **New flat rates + restructuring of provisions (ii)**

- **➤ Calculation of the remaining eligible costs (other than direct staff costs)**

- **Extension of ESF flat rate to all ESIF: 40% of eligible direct staff costs for calculating remaining eligible costs (Art. 68b)**
- No need to perform a calculation to establish the applicable rate
- ✓ Cannot be applied to staff costs calculated on the basis of a flat rate

- **2. Omnibus changes: Emphasis on Simplified cost options (6)**

- New flat rates + restructuring of provisions (iii)**

- **Restructuring Article 68 to clarify that:**

- Art. 68 focuses on flat rates for indirect costs
- Art. 68a focuses on staff costs
- Art. 68b focuses on flat rate financing for costs other than staff costs

- **2. Omnibus changes: Emphasis on Simplified cost options (7)**

- **New flat rates + restructuring of provisions (iv)**

- **Increased flexibility for calculation of hourly rate for staff costs**

- Rules for calculating an **hourly rate for staff costs** (latest documented annual gross employment cost/1720 hours) have been **clarified** (Art. 68a(2)(3) and (4) CPR):
 - in case of **part-time work**: **pro-rata**
 - Where annual gross employment costs are not available: available data or **employment contract** adjusted **for a 12 month period may be used.**
 - Number of hours declared/year cannot exceed the number of hours used for the calculation of the hourly rate

- **2. Omnibus changes: Emphasis on Simplified cost options (9)**

➤ **An additional clarification regarding the use of SCOs is introduced in Art. 125(4)(a) (ii) to specify;**

(i) where costs are to be reimbursed pursuant to point (a) of the first subparagraph of Article 67, **that the amount of expenditure declared by the beneficiaries in relation to those costs has been paid;**

(in accordance with interpretation so far)

(ii) that where SCOs are used, managing authority has to verify that **that the conditions for reimbursement of expenditure to the beneficiary have been met.**

3. Omnibus changes: Overview on Audit novelties (1)

- **Recovery of amounts unduly paid:** Precision that EUR 250 ceiling applies to an operation in an accounting year (Art. 122(2))
- **Designation of authorities:** Clarification that also programme authorities of ETC programmes may be part of the same public authority, provided that the principle of separation of functions is respected (Art. 123(5))
- **Availability of documents:** Clarification that where documents are kept on commonly accepted data carriers, no originals are required (Art. 140)

3. Omnibus changes: Overview on Audit novelties (2)

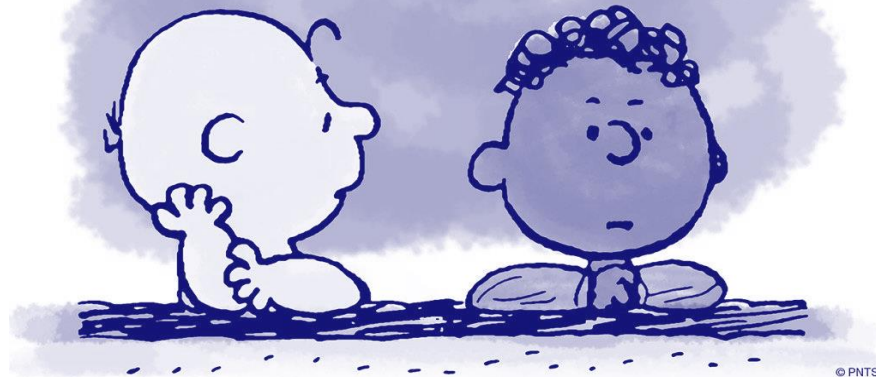
- **New deadlines** will be introduced **for the Commission to provide MS with draft audit reports** (within 3 months following the audit mission – the deadline relates to the informal version i.e. not the national language version) **as well as the final audit reports** (within 3 months following a complete reply by MS (Art. 75(2a))

3. Omnibus changes: Overview on Audit novelties (3)

- **Thresholds below which an operation may be subject to one audit by either the audit authority or COM will be doubled (Art. 148(1))**
 - **But an **escape clause** is introduced for MS in accordance to which if they deem necessary to do so in order to be able to issue an audit opinion.**
 - The Audit authority can carry out more than one audit on operations that fall within the original and the increased thresholds. **This will however be entirely up to the national audit authority's judgment.**

**Thank you
for listening**

QUESTIONS?



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