

# Updated GD on SCO's

## Assessment of Simplified cost options, one step forward

**2014-2020 vs 2021 – 2027**

Interreg Audit authorities Network meeting, 25 September 2020

DG Regional and Urban Policy  
Directorate C

# Outline

1. Update of the GD on SCOs *draft to discuss in EGESIF meeting on 25/09/2020*
2. Programming period 2014-20 vs. 2021-2027
3. Preparation and assessment of SCO proposals 2021-2027
4. Potential risks and recommendations

# 1. Updated of the GD on SCO

*draft to discuss in EGESIF meeting on 25/09/2020*

- Interpretation based on ESIF QA and Omnibus.
- New draft and structure.

## ❖ Chapter 5 Consequences for audit and control

- The need for a common audit and control approach.
- Managing authority remains the sole responsible of the choice and set-up of method.
- COM highly recommends the ex-ante involvement of the Audit authority to validate the scheme. These results can be used during future audits.

## ❖ Chapter 5 Consequences for audit and control

- The AAs assessment is part of the SCO schemes submitted with the programme (approval or amendment) based on Article 88 (2) draft CPR.
- AAs provide clear positive conclusion on the basis of the audit work carried out to give assurance in Annex V: *“of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data.”*

## ❖ Chapter 5 Consequences for audit and control

### Management verifications and audit scope:

- Article 125(4)(a)(ii) CPR states that for SCOs, management verifications (and, as a consequence, audits) shall aim at **verifying that the conditions for reimbursement** of expenditure to the beneficiary have been met.
- Article 88 (3) draft CPR states that: Member States shall use one of the forms of grants as referred to in Article 48(1) to support operations for which expenditure is reimbursed by the Commission on the basis of this Article.

**Commission or Member States audits shall exclusively aim at verifying that the conditions for reimbursement by the Commission have been fulfilled.**

## ❖ Chapter 5 Consequences for audit and control

### Management verifications and audit scope:

- **Outputs/deliverables** for unit costs and lump sums; **basis costs** in case of flat rate financing

“Management verifications and audits will not cover the individual invoices and specific public procurement procedures underlying the expenditure reimbursed on the basis of simplified cost options. As a consequence, these underlying financial or procurement documents shall not be requested with a view to check the amounts (expenditure) incurred and paid by the beneficiary.”

# Next steps: Presentation and discussion

- 25/Sep. 47th EGESIF meeting with Member States.
- 08-09/Oct. Transnational Network on SCOs ERDF practitioners.
- Based on comments received – preparation and adoption of COM final version

## 2. Programming period 2014-20 vs. 2021-27

	2014/20	2021/27
<b>Types of SCOs + tools</b>	Flat rates, unit costs and lump sums + Financing not linked to costs (introduced by Omnibus)	Idem
<b>Option</b>	Optional, except for small ESF and ERDF operations below EUR 100 000  Not when an operation or a project forming a part of an operation is fully procured	Optional, except for operations below EUR 200 000  Fully procured operations
<b>Legal instrument</b>	Delegated act and its amendment	<b>Operational programme and its amendments</b> Delegated act and its amendments
<b>Responsibility for the SCOs assessment</b>	National flat rates, unit costs and lump sums: AA DA: EC	OP and national SCOs: AA and EC DA: EC

# Forms of Union contribution and form of support by Member States

## New forms of Union contribution to programmes (2)

### Chapter I Forms of Union contribution

Article 46: The Union contribution may take any of the following forms:

- (a) financing not linked to costs in accordance with Article 89
- (b) reimbursement of eligible expenditure incurred by beneficiaries or the private partner of PPP operations and paid in implementing operations
- (c) unit costs in accordance with Article 88
- (d) lump sums in accordance with Article 88
- (e) flat-rate financing in accordance with Article 88
- (f) a combination of points (a) to (e).

Continuation of the reimbursement methods based on the current Article 67 CPR :

- Article 85(4) payment application
- Article 87(4) common rules for payment
- Article 88 reimbursement of eligible expenditure based on unit costs, lump sums and flat rates
- Appendice 1 to Annexes V and VI (programme templates)
- Audit trail in point III of Annex XI

# Forms of Union contribution and form of support by Member States

Article 88 and Article 89 – in detail

Simplified Cost Options &  
Financing conditions for reimbursement to  
Member States  
may be established:

**In the programme (Articles 88(2) and 89(1)CPR) -**

This is part of the programme when negotiating the programme or request for amendment.

For each individual MS / programme

SCOs or financing conditions set out in a Delegated act **(COM initiative)**.

Articles 88(4) and 89(4)CPR

May be used by any MS  
**(EU-level SCOs / financing not linked to costs)**

# Forms of Union contribution and form of support by Member States

Article 88 and Article 89 – in detail (II)

Financial Management

Commission – MS

Reimbursement on the basis of SCO (Art. 88) or financing conditions (Art. 89) set out in the programme (Art. 88(1)) or in a delegated act.

MS – beneficiary

Reimbursement on the basis of any of the forms set out in Article 48.

**Audit – limited at verifying the conditions for reimbursement to the MS have been fulfilled.  
Amounts paid to beneficiaries are not subject to audit.**

# 3. Preparation and assessment of SCO proposals

## Roles in the process

- Managing authority (design of the SCO proposals, data collection)
- Audit authority (Assessment of the methodology)

**Article 88 (2) Annex V Table C. Q.5.** *Assessment of the audit authority(ies) of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data.*

**Early involvement of the AA** (to plan the capacity, to avoid overlapping with the current PP, to ensure OP approval on time.)

- Commission (approval of the SCO proposals and assessment carried out by the AA).

## 4. Potential risks and recommendations

Risk	Recommendations
Frustrations and misunderstandings among authorities and other stakeholders	Clarify the expectations, understanding on the roles and responsibilities
Delay with the approval of the OP and overlapping with the current programming period	Agreement on the timing with the MA Communication with the MA on the preparation of the SCO for PP 2021-27 Re-use of the current SCOs in DA (national or EU-level)
Lack of expertise on the assessment of the SCO proposals	Participation on the TN ERFD SCO practitioners meetings Peer-to-peer exchanges Use of check-list for SCO and seek guidance from the Commission if needed

# Thank you for your attention!

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