

Hands on Articles 24 & 25!

12 March 2021 | online

Interact:

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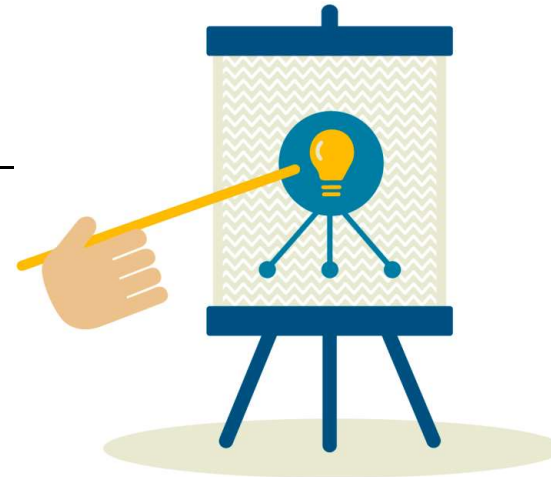


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- Objectives

Articles 24 and 25

- Explaining the new provisions
- Q & A

Basics for the set-up & efficient financial management

- Provisions for the use of SCOs, state aid
- Framing the cooperation in the triangle
- Management verification, audit trail

Objectives for the meeting

Meeting objectives

- Present the articles 24 and 25 and provide room for Q&A,
- Discuss and exchange on major implications for implementation models,
- Collect tricky questions for clarification with COM colleagues at a later stage,
- Start the exchange on proper set-up for efficient financial management,
- Explore what type of tools and support you need in the coming months!

Couple of news ...

„Exhibition‘ in miro

We prepared an exhibition on the relevant legislation in miro:

https://miro.com/app/board/o9J_lak0sdE=

- Did you have time to take a look?

Good project examples – please share!

- For many programmes SPF or small-scale projects is something new – we would appreciate to receive highlights from this period; all topics and approaches welcome!

Communities

Small-scale projects & SPF community

- We've set up a community on small / micro projects SPF and other implementation models – we'd like to use it as the place to inform, discuss and develop jointly ...
- Are you in? If not & interested: request to Greg, Bernhard or small.projects@interact-eu.net

Simplified Cost Options (SCO) community

- Welcome also to the complementary SCO community – the treasury and discussion forum for SCOs
- Not yet in? request to Katja, Iuliia or sco@interact-eu.net



Please let us know:

Are you planning:

- small-scale projects acc. Article 24?
- SPF acc. Article 25?

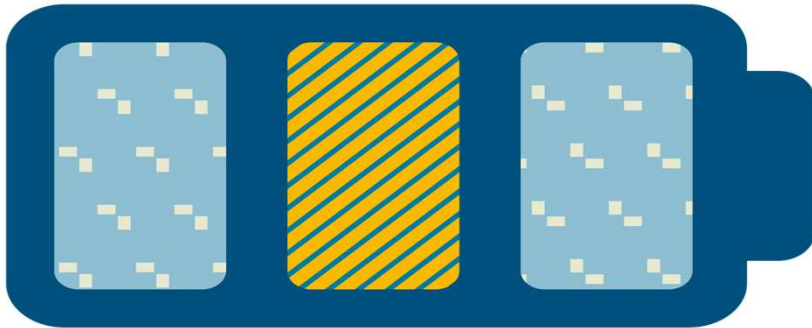
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Go to www.menti.com

and use the code **1054 0566**

Articles 24 & 25

- Provisions for projects of limited financial volume and the SPF



Overarching questions

Questions sent in the registration

- Interpretation of article 24?
- Is it possible to have more than one beneficiary involved in the management of the SPF?
- Is it possible to implement two models, i.e. direct management and SPF in parallel?



What should be in Section 6 of the Template?

Dorota Witoldson (DG Regio, Unit D2)

More questions - 1/100 😊

Questions from 01/02, the registration and sent to D2

Beneficiary

- What about umbrella projects? (i.e. several partners/beneficiaries) managing a similar facility? Would it mean to meet the obligations stemming from article 24?
- SPF in a transnational programme - which body could implement a SPF?
- SPF beneficiary - can the MA act as SPF beneficiary?
- Art. 25.6 introducing the term 'a body managing the small project fund': Is there any difference to the (SPF) beneficiary?

More questions - 2/100 😊

Questions from 01/02, the registration and sent to D2

External programmes

Beneficiary

- Options of setting up a body involving representatives from a Member State and an IPA partner country in case of CBC IPA programmes?

Set up

- Currently some ENI CBC sea basin programmes have operations with a maximum of 30% of financial support to third parties. Small projects are there, but they are just one component of the operation. Would this model still be possible in strand B?

More questions – 3/100 😊

Questions from 01/02, the registration and sent to D2

Set-up

- Where to place the SPF in the programme? Is it still correct to set up a SPF as a type of action in a specific objective?
- Is it possible to have one application for an SPF covering more than one priority? Or will there have to be 1 SPF per priority?
How to implement SPFs consisting of several POs? --> Budget flexibility between priorities? Is it possible to combine PO5 with SPF?
- Shall the SPF beneficiary be selected an open call or the program may choose the beneficiary without a call and introduce this information in the programme document?

More questions – 4/100 😊

Questions from 01/02, the registration and sent to D2

The projects

- There are now four terms for it ...?
 - a) art 17.3.i) – small-scale projects,
 - b) art 24 - projects of limited financial volume,
 - c) art 25 – small projects
 - d) art 25 - joint small projects
- What is the difference between a small project and joint small projects? (see also art. 25.2) Can ‘small projects’ be selected by a beneficiary without involvement of the aforementioned body?
- Are the selection criteria (article 22 on the selection of interreg operations) applicable to small projects in the SPF and/or to small-scale projects according art. 24?

More questions – 5/100 😊

Questions from 01/02, the registration and sent to D2

Technicalities

- Eligibility of VAT for the SPF (with the 5 MEUR threshold introduced in the CPR?)
- Obligations of the final recipient concerning communication: How to understand "communicate publicly" in Article 36.5?

Final question - 6/100 😊

Questions from 01/02, the registration and sent to D2

Section 6 of the IP Template

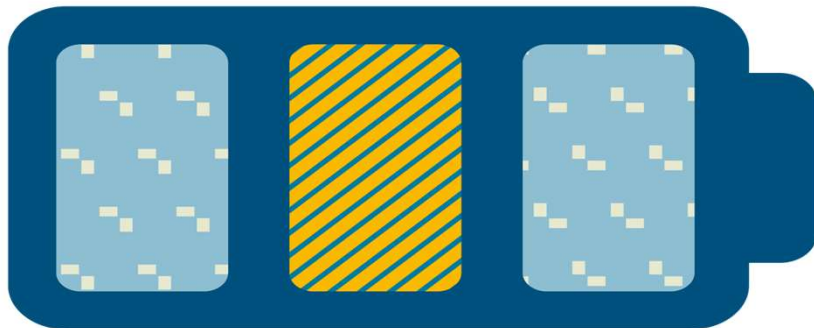
- What is expected in terms of contents?



Questions
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Use of SCOs

Questions & reflections on the use of of SCOs



Use of SCOs – Questions from the registration

Article 24

- Is it mandatory that the projects with limited financial volume use SCOs?
That depends on the financial volume of those projects (next slide).

Articles 24 & 25

- Can we use flat rates as SCO or must we have some lump sums and unit costs?
The Regulations allow for all three options (flat rates, unit costs, lump sums).
- How will the use of SCOs affect the management verification from the controllers point of view?
That depends – covered in the upcoming session.

Use of SCOs – Questions from the registration

Article 25

- The draft budget is a method and not a SCO: does it mean that by using a draft budget composed only of direct costs (no SCO), I do not fulfill the obligations of Art. 25.6 under 100 000 € of public contribution.

The draft budget method must result in one or several SCOs. And it will be checked if projects within the scope of the mandatory use comply with the requirement, for this it is not relevant if the SCOs in use are off-the-shelf or programme specific or are based on a draft budget. The draft budget is a method, which leads to one or several SCOs.

Use of SCOs

Small-scale projects acc. article 24:

- < EUR 200.000 total costs mandatory (Art. 48, CPR)
 - Exception for research and innovation projects (no definitions provided)
 - Exception if State aid involved (De minimis is not State aid)
 - Exception for basis costs, if flat rates used
- Option for draft budget as calculation method, threshold: < EUR 200.000 total costs (Art. 48, CPR)

Small projects acc. article 25(6):

- < EUR 100.000 public contribution mandatory
 - Exception if State aid involved (De minimis is not State aid)
 - Exception for basis costs, if flat rates used
- Option for draft budget as calculation method, explicitly anchored, threshold: < EUR 100.000 total costs

Use of SCOs & State aid

How to read the provision:

- You may use SCOs but you don't have to!

Perception of state aid:

- De minimis is not considered State aid
- Any option from GBER is considered State aid

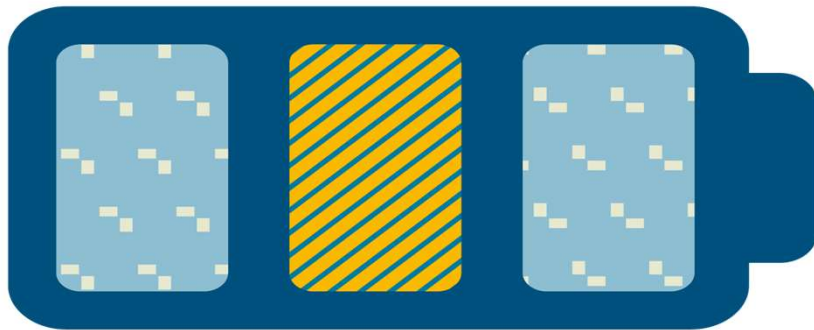
Use of SCOs – reflections (art. 25)

Implications of the provisions on the use of SCOs in the SPF

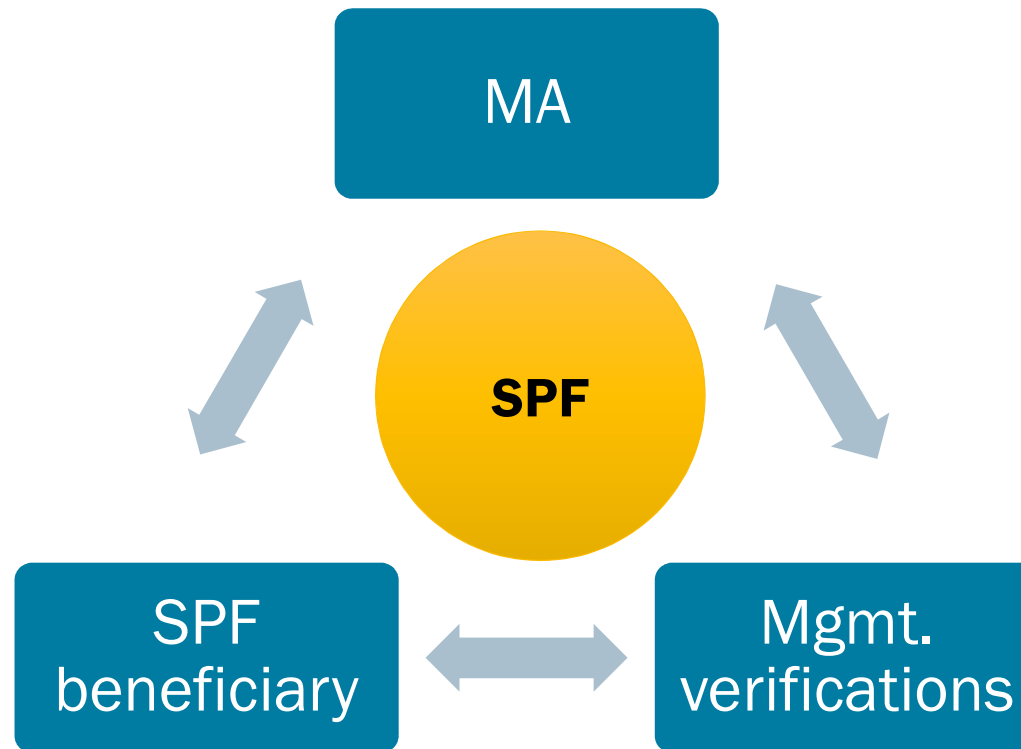
- Watch out: different basis for the use of SCOs and draft budget in article 25!
- System of SCOs and approach to draft budget developed most likely at programme level – resulting obligations for SPF beneficiary?
- Off-the-shelf options at programme level would also be standard options in SPF!

Efficient financial management

Cooperation in triangle, frame for management verification, audit trail, irregularities



**The ‘triangle’:
managing authority – SPF beneficiary – (bodies
responsible for) management verifications**



Management, control

Points of departure:

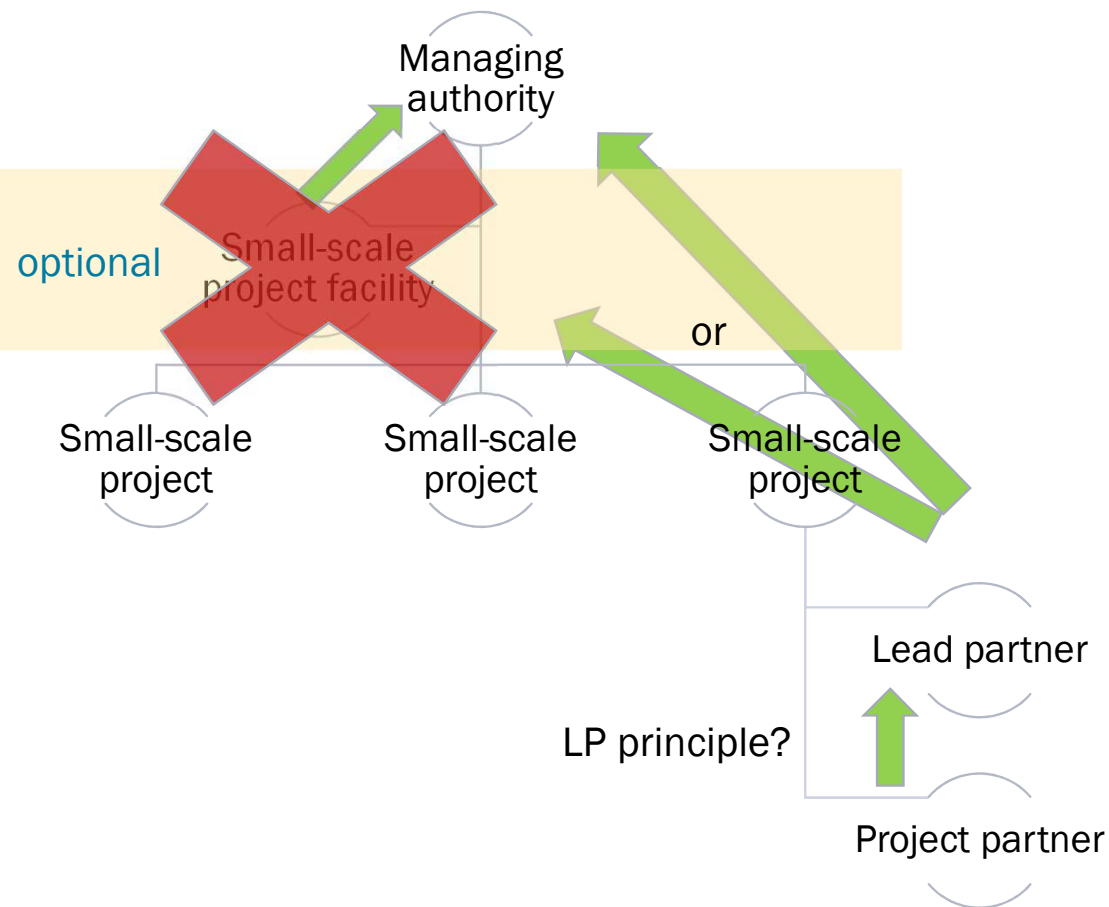
- **Managing authority:** ultimate responsibility for SCOs
- **Management verifications:** responsibility of the MA/MS, risk-based samples in management verification, control of proper application of the respective SCO method(s)
- **SPF beneficiary:** accountable for the implementation of the operation, responsible for the audit trail, no intermediate body (IB)



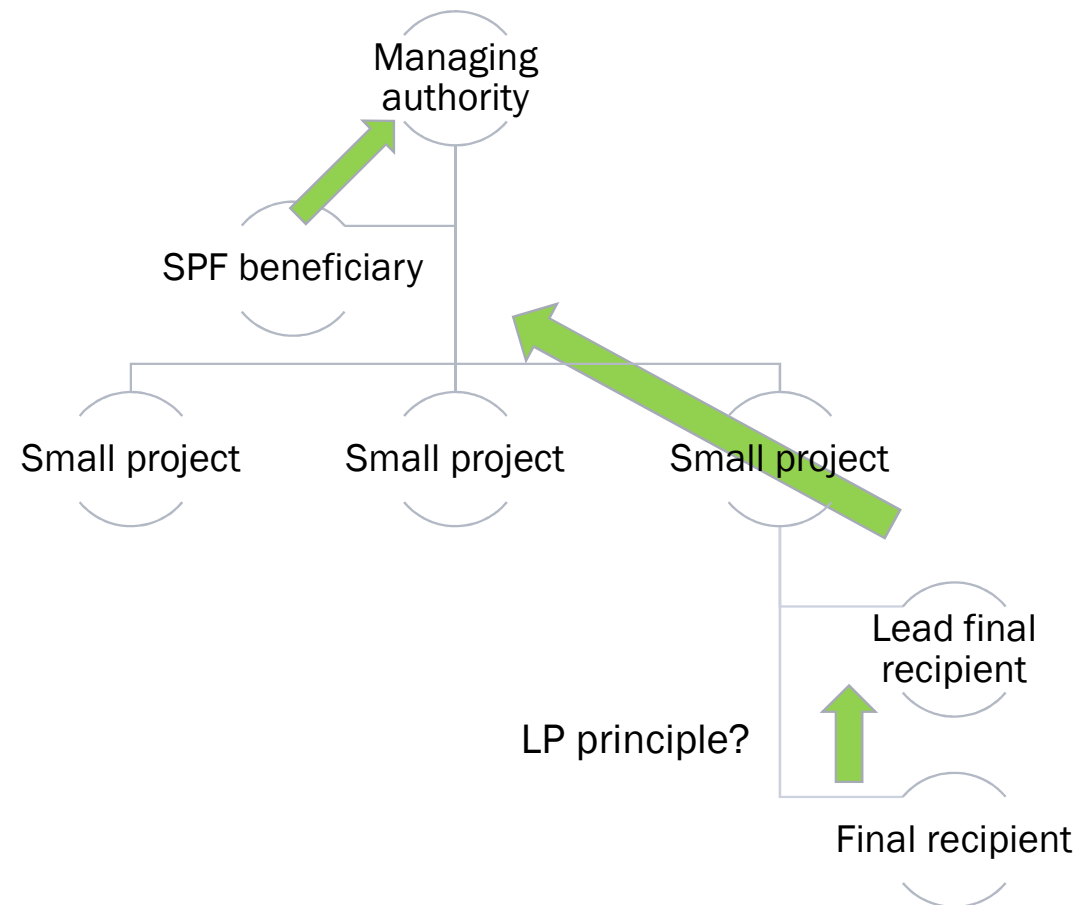
Trust, coordination, communication, compromises!

Management verification – reporting structure

Small-scale projects NOT art. 25

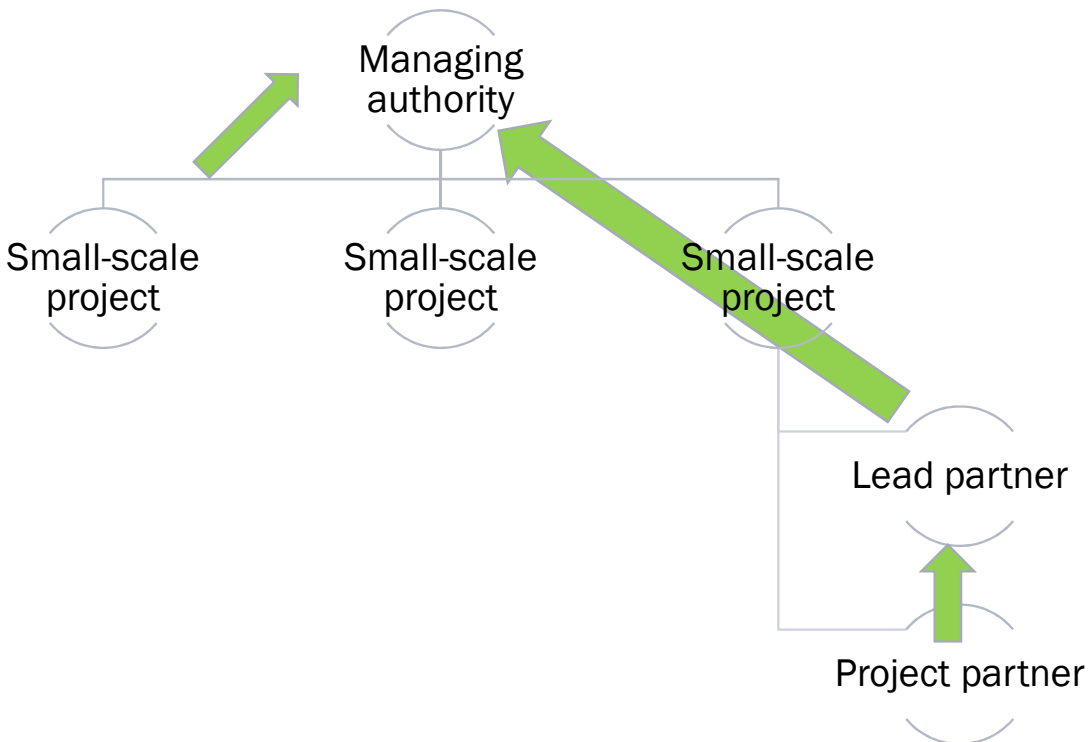


Small projects art. 25

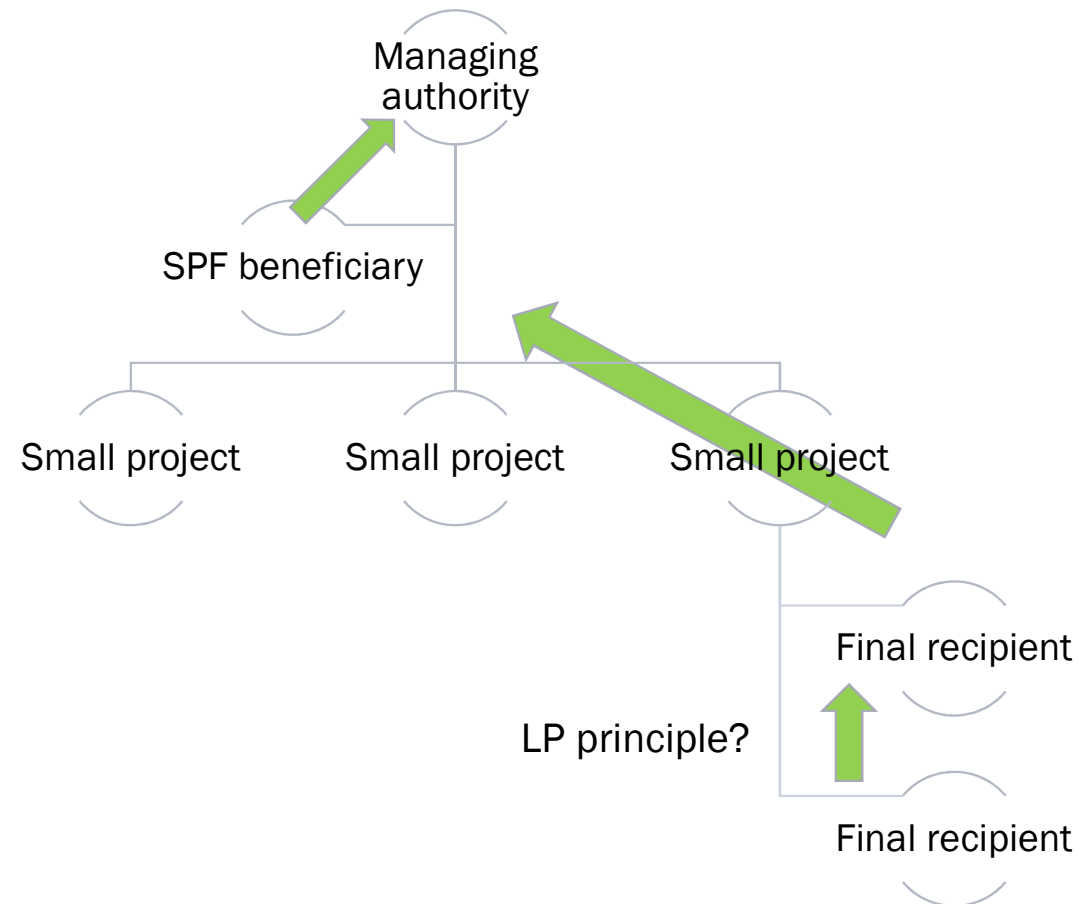


Management verification – reporting structure

Small-scale projects NOT art. 25



Small projects art. 25



Management verifications

Considerations

- Management verifications:
 - Small-scale projects vs. small projects in SPF
 - internal vs external
 - how much external control needed if SCOs?
 - SPF beneficiary
 - internal vs external
 - SCOs?



Cooperation is essential for a user-friendly system avoiding dupli- or even triplication of work!!

Any immediate thoughts on that?

Audit trail

Considerations

- SPF beneficiary is not an intermediate body (in the sense of the Regulation) → impact on scope of system audits
- At the same time responsibilities/functions as if they were an intermediate body ← clean approach, arrangements in grant agreement?
- Audit trail
 - not significantly different to now,
 - keep it straightforward (responsibilities),
 - no gaps (all stored at the right place, without doubling)
 - BUT, responsibility of SPF beneficiary

CPR, Annex XI: Obligatory elements of audit trail for grants taking the forms set out in Article 48(1)(a)-(e):

1. documentation that allows verification of the application of the selection criteria by the managing authority, as well as documentation relating to the overall selection procedure and the approval of operations;
2. document (grant agreement or equivalent) setting out the conditions for support signed between the beneficiary and the managing authority/intermediate body;
3. accounting records of payment claims submitted by the beneficiary, as recorded in the managing authority/intermediate body's electronic system;
4. documentation on verifications addressing the non-relocation and durability requirements as set out in Articles 59, 60(2) and 67(3)(h);
5. proof of payment of the public contribution to the beneficiary and of the date the payment was made;
6. documentation evidencing the administrative and, where applicable, on-the-spot checks carried out by the managing authority/intermediate body;
7. information on audits carried out;
8. documentation relating to the follow-up by the managing authority/intermediate body for purposes of management verifications and audit findings;
9. documentation demonstrating verification of compliance with applicable law;
10. data in relation to output and result indicators enabling reconciliation with corresponding targets and reported milestones;
11. documentation related to financial corrections to and deductions from the expenditure declared to the Commission to ensure compliance with Article 92(5)) made by the managing authority/intermediate body/the body to which the accounting function has been entrusted to;
12. for grants taking the form set out in Article 48(1)(a), the invoices (or documents of equivalent probative value) and proof of their payment by the beneficiary, as well as accounting records of the beneficiary relating to the expenditure declared to the Commission;
13. for grants taking the forms set out in Article 48(1)(b), (c) and (d) and as applicable, documents justifying the method of establishing unit costs, lump sums and flat rates; the categories of costs forming the basis for the calculation; documents evidencing costs declared under other categories of costs to which a flat rate applies; the explicit agreement by the managing authority on the draft budget on the document setting out the conditions for support; documentation on the gross employment costs and on calculation of the hourly rate; where simplified cost options are used based on existing methods, documentation confirming compliance with similar type of operations and with documentation required by the existing method, if any.

Audit trail

Documents (examples)

- Agreements between MA and SPF-beneficiary
- Management and control system description
- Decisions on funding
- Applications
- Project changes
- Supporting documents: reports, evidence for payment triggers (projects & fund) ← management verifications internal or external?
- Checklists
- ...

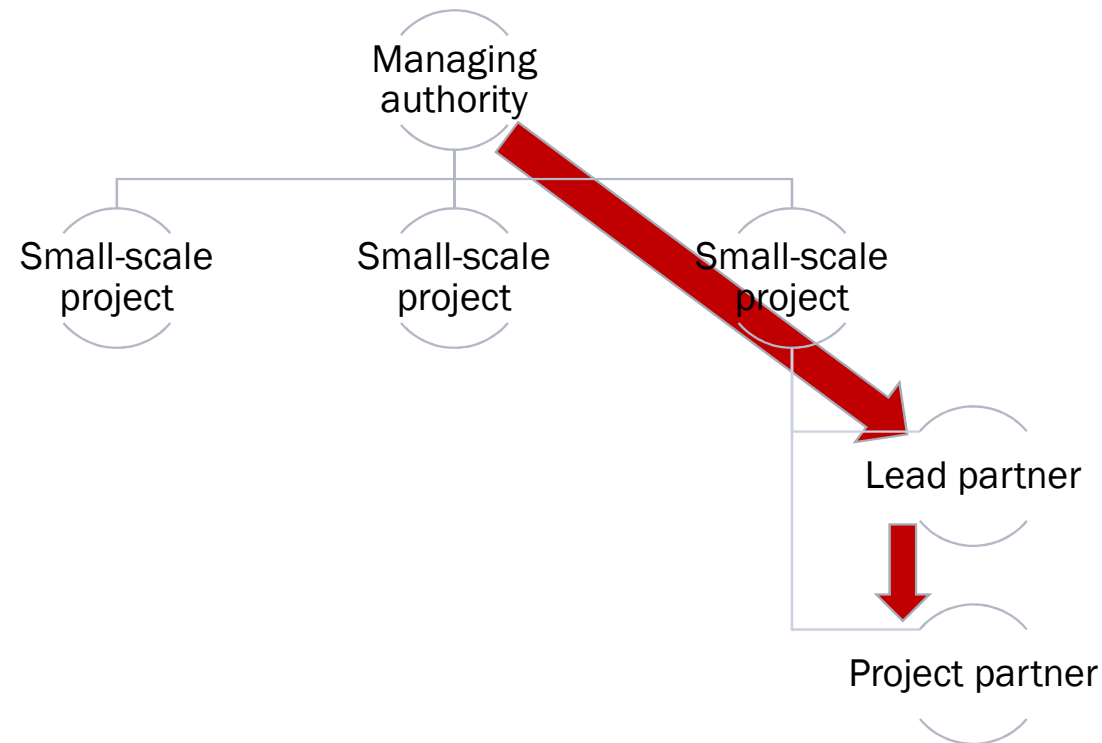
Audits

Basics

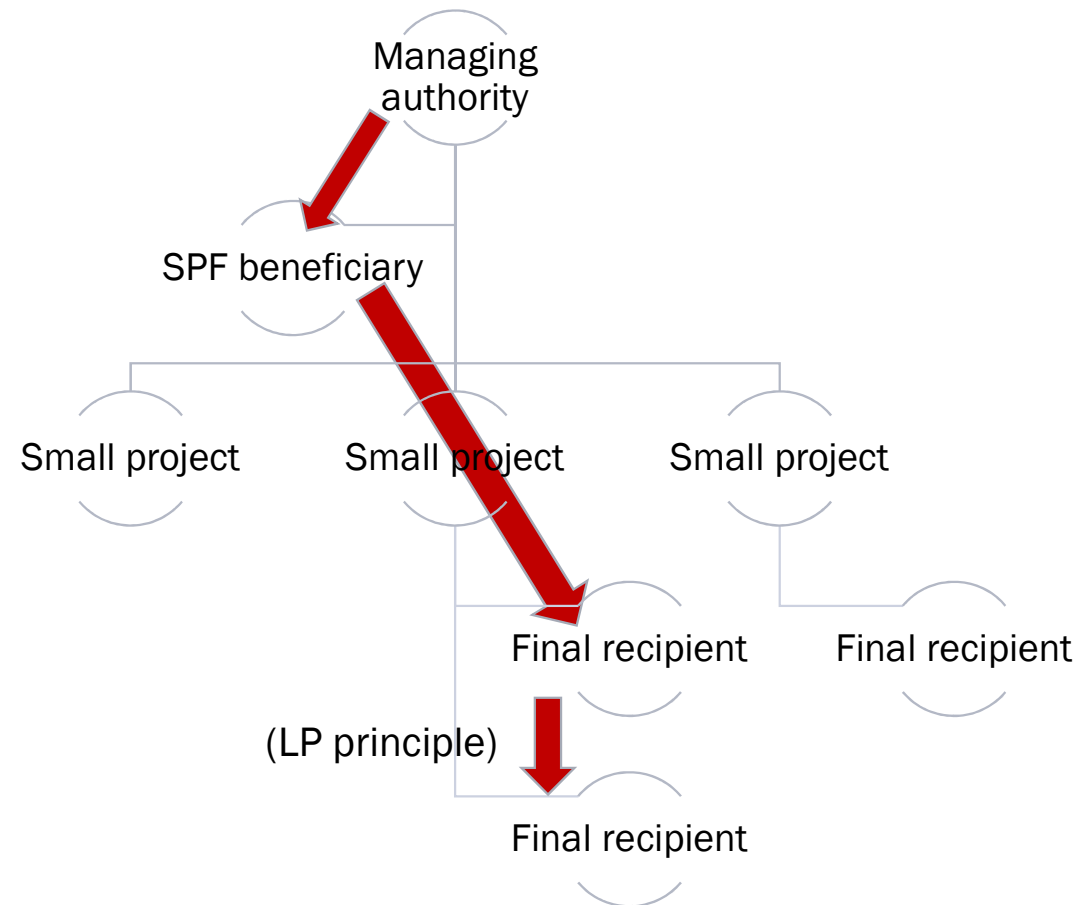
- System audits:
 - MA
- Audit of operations:
 - Common sample for Interreg (current agreement)
 - Sampling unit: if fund, the fund → not the small project; if no fund → the small project
 - Sub-sampling possible within the fund, not all small projects

Irregularities – recovery chain

Small-scale projects NOT art. 25



Small projects art. 25



Irregularities

Considerations

- Recovery chain: new level - impact on timing?
- Irregularities for SPF beneficiary/small-scale project operator and irregularities in small projects
- Art. 97(3), CPR: cancellation of irregular amounts from an operation → impact on SPF budget → impact on 20% for management of SPF



**Your practical experience
with irregularities in small
projects in this period?**



Questions
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Wrap up and Closure

What's coming?



Next steps

Online:

- Slides;
- Explanations Articles 24 and 25 – recording;
- Q&A publication;

Request:

- SPF evaluations;

Next steps

Next events:

Implementation models:

- SPF - Cooperation in the triangle;
- Implementation of small-scale projects;
- SCO systems;

Harmonised Application Forms:

- Material in the community;
- First meeting March 26;



Please let us know:

**Support in the context of articles
24 & 25?**

... in the chat ...

or write us at:

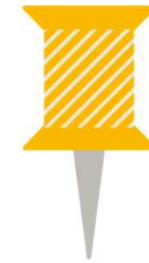
small.projects@interact-eu.net

Feedback questionnaire



Please fill in our evaluation survey – link
in chat!

Thank you in advance for taking the
time!



Next events

When?	What?	Where?
14/04/2021	2021-27: What's new?	Online
20/04/2021	2021-27: Interreg for external programmes	Online

Cooperation works

All materials will be available on:

[**www.interact-eu.net**](http://www.interact-eu.net)

