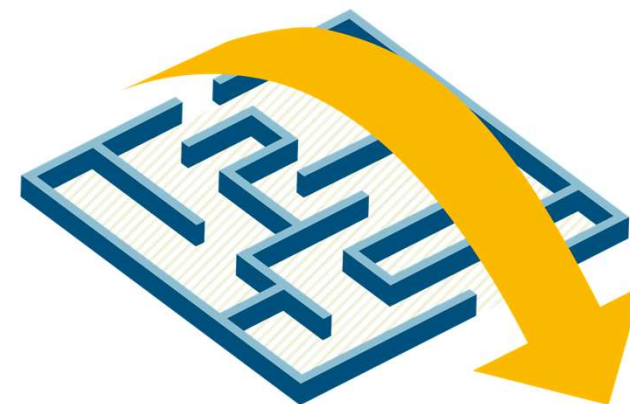


SCOs in 2021-2027

15 September 2022 | Online, Zoom

Welcome!

Aija Prince, Iuliia Kauk, Interact



Agenda

I. **Verification of SCO**s – pick up on the most important messages

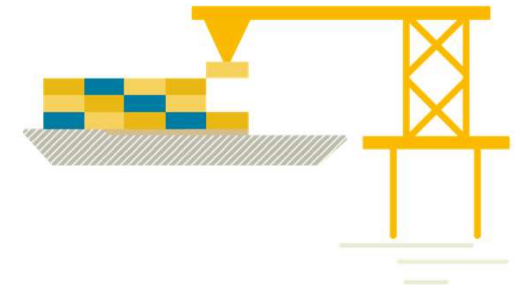
+ Q&A

II. **Risk-based management verifications** + Q&A

- HIT control package + HIT methodology and guidance
- Examples

III. **Group work** – putting theory into practice

- Risk-based verification of a list of expenditures
- Feedback



Glossary - Glossar

English	Deutsch
Simplified cost options (SCOs)	Vereinfachte Kostenoptionen (VKO)
Flat rate	Pauschalrate
20% flat rate for staff	20% Pauschalrate für Personal
40% flat rate for remaining costs	40% Pauschalrate für die Restkosten
Unit cost	Einheitskosten
Lump sum	Pauschale; Pauschalbetrag
Draft budget	Budgetentwurf
Management verification	Verwaltungsprüfung
National controllers	Nationale Kontrollstellen; *früher: First Level Control (FLC)

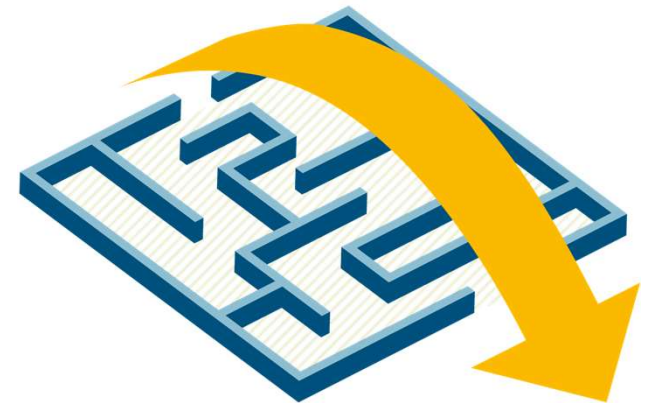
Glossary- Glossar

Programme bodies

English	Deutsch
Managing authority (MA)	Verwaltungsbehörde (VB)
Audit authority (AA)	Prüfbehörde (PB)
Joint secretariat (JS)	Gemeinsames Sekretariat (GS)

SCOs in 2021-2027

Clarifications & points of attention for control work



Re-using SCOs from other Interreg programmes

- **Legal basis for re-using SCOs** - Article 53(3)(a) CPR: SCOs

[...] shall be established in ... a fair, equitable, and verifiable method, based on point (i) **expert judgment**

- 2 ways:

- either MA acts as a group of experts and concludes on the suitability of an SCO from another Interreg programme in its own programme;
- or an external company is procured that would conclude on the suitability of the SCO from another programme in your programme;

Article 53(3) CPR

(c) ... applicable in Union policies for a similar type of operation; = SCOs developed by EC, from directly managed funds

(d) ... applied under schemes for grants funded entirely by the Member State for a similar type of operation = within MS

Re-using SCOs from other Interreg programmes

- Re-using SCOs could make sense for Interreg programmes with overlapping geography or where MA can prove the similar level of SCO rates.
- Proper documentation of the method & criteria + justifications on the fit are necessary
 - [A template to document the expert judgment method prepared by Interact](#) (when re-using SCOs from other Interreg programmes)



Briefing note on the draft budget method*

[link](#)

- for applicants and programme management;
- based on several practical examples of the use of the method to date;
- for small projects (SPF) and small-scale projects;
- draft budget method in the project life cycle;
- roles and responsibilities;
- guiding principles, recommendations, and points of attention.

*Article 53(3)(b) CPR



Briefing note on the draft budget method

Points to note:

- Method to establish SCOs for projects with diverse (unique) activities where other SCOs are not suitable;
- Work upfront by the MA/JS/SPF beneficiary (reference costs, cost catalogue, update, eligibility rules, guidance, contracts);
- Assessment of each application (common approach for all);
- Transformation to SCOs (establishing amounts + milestones, where relevant!);
- Keep it lean and simple – projects' value vs admin burden!

Double-financing

How to check?



Double-financing

EC SCOs checklist (mainly for AA, but can be used by MA/ controllers):

1.9	Art. 53 (1e) CPR	Risk of double-financing	
		Can, on the basis of the information available (such as the SCO methodology, instructions to beneficiaries, eligibility rules applicable to the operations, grant agreement template, etc.), the risk of double-financing be excluded?	<p>This question aims at identifying or excluding the risk of double financing of the same expenditure. Whereas several different SCOs and real costs could be used within the same operation, they should cover either:</p> <ol style="list-style-type: none">1) different categories of costs;2) different projects forming a part of an operation;3) successive phases of an operation. <p>It should be ensured that a specific type of expenditure for a beneficiary can only be reimbursed either based on real costs or one type of SCO:</p> <p>If an operation is partially reimbursed on real costs, verify that these costs are not taken into account for the calculation of SCO.</p>

Double-financing

EC SCOs checklist

For flat rates, it should be ensured that there is a clear distinction between the cost categories to which the flat rate is applied and the cost category reimbursed by the flat rate. One or more categories of costs on which the flat rate is based should be pre-established and one should ensure a clear and unequivocal definition of these cost categories.

Where relevant, it will also involve verification of other categories of eligible costs not taken into account in the flat rate financing system (i.e., eligible real costs to which the flat rate is not applied). It aims to ensure that the basis cost or any other real cost does not include any cost item that normally falls under the flat rate.

If **a lump sum and unit costs** are used for the same type of operation, verify that the calculation of the lump sum does not cover the elements reimbursed based on unit costs.

Example:

The programme applies flat rate financing for office and administration costs. It should be verified that no expenditures covered by the flat rate are included in any of the other cost categories, e.g., external expertise and services.

Clearly distinct for Interreg, defined in Articles 39-44 IR + exhaustive lists of eligible items

Double-financing

EC SCOs checklist:

- Where an SCO is copy-pasted from another Union policy/ national scheme, the totality of the method should be re-used – to avoid overcompensation/ double-financing of the same expense (section 1.2 & 1.6).
- The check for double-financing of expenditure items is first performed inside the operation. This check, with regard to the SCO application, does not replace the general requirement prohibiting double financing between different operations of the same beneficiary (section 2.1 – implementation of SCOs)

Double-financing

In HIT Control Checklist:

- for off-the-shelf SCOs (flat rates):

There is no double declaration of the same cost item in other cost categories.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- for real costs:

If the staff is involved in several projects, it is ensured that not more than 100% of the time is reported (e.g., task assignment letters for all projects are not for more than 100%).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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- for partner's accounting system (real costs):

<p>Double-financing is excluded: <i>e.g., accounting system avoids the allocation of the same invoice to different projects and time recording system for staff prevents any duplication /</i> (Pre-filled from the previous report and updated if changed)</p>	<p>Yes <input type="checkbox"/></p>	<p>No <input type="checkbox"/></p>	<p><i>Comment</i> <i>In case of YES, please describe how it was ensured</i> <i>In case of No, please provide further explanation.</i> <i>NOTE for Monitoring systems – In case No is selected, finalisation of the Checklist should not be possible</i></p>
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Double-financing

In HIT task assignment template for fixed percentage method

- A self-declaration –employee level:

In case I am involved in other EU funded projects, I [Name employee] confirm that there is no double financing, as not more than 100% of my working time will be reported.

- **In timesheets*** (for hourly rate – 1720h method, contractual hours, unit costs):
 - *If an employee works partly on the project for a flexible number of hours per month or on an hourly basis, it is necessary to register 100% of the employee's working time.*
 - *If an employee works on more than one project, the project partner is invited to use one single timesheet reflecting all hours worked on the several projects (requires amendments of the model timesheet).*

*Interreg Europe programme approach

Example of the timesheet (HIT, fact sheet Staff costs)**INTERact**

Annex 1 - Example of a timesheet template for hourly rate calculation methods!

1. Timesheets can be used as a tool to record time spent on carrying out project activities by staff members assigned to work part-time on the project (and full-time staff, in the case of unit costs).
2. Timesheet must cover 100% of the actual working time of the staff member.
3. An overall description of the work carried out by the staff member on the project in the month concerned should be provided.
4. Working time should be recorded for every month worked on the project throughout the entire duration of the project.
5. Only time recorded in timesheets is eligible and can be reported by the partner organisation.
6. Estimations of hours worked are not accepted.
7. The total amount of hours worked (annually or monthly) cannot exceed the number of hours used for the basis calculation.

Minimum requirements in a timesheet

Project name:

Project acronym/ID:

Name of project partner:

Name of employee:

Month / Year

Date	Project work description	Number of hours worked	Other activities ¹⁶ (number of hours)	Total
TOTAL				actual 100% working time ¹⁷

I hereby confirm that the project work as stated above is correct and true:

.....
(Signature of project employee)

I hereby confirm that the project work as stated above is correct and true:

.....
(Signature of project employee)

¹⁵ This timesheet template is limited to hourly rate calculation methods.

¹⁶ Other activities include general training not related to the project.

¹⁷ Actual working time does not include sick leave and holidays, because these are already included in the calculation.

Double-financing – mitigating measures

- For SCOs:
 - checking whether costs covered by flat rates are not reported under other cost categories (exhaustive lists per cost category are in IR);
 - no real costs and SCOs in the same cost category (exceptions in point (e) Article 53(1) CPR);
 - where real costs and SCOs are used, checking if costs included in an SCO are not reported as real costs in other cost categories;
 - for staff costs – no matter real costs or SCOs – quality assessment!
 - hourly rate – setting max ceiling (hours) of working hours per year/ period.

Double-financing – mitigating measures

Across projects – e.g.:

- reporting 100% of working time in timesheets;
- self-declarations (e.g., fixed percentage method);
- no possibility to insert an invoice twice in the accounting system (real costs).

For other cases, programme's approach for checking double-financing between projects – as for real costs! – should be used (capacity of controllers to check other projects/ projects from other Interreg/ other programmes?)

Quick summary on what to check/ what not to check per SCO

Practical implications



Real costs

The most extensive and “heavy” verifications as compared to other options!

The accounting system of the beneficiary is part of the usual verification work!

TO CHECK:

- employment/ work contract;
- job description;
- payslips or other documents of equivalent probative value;
- data from the working time registration system for **part-time assignments** (e.g., timesheets, providing information on the number of hours spent on the project per month);
- **proof of payment** of salaries and the employer’s contribution (and other compulsory payments).

NOT TO CHECK:

- For full-time employment – no verifications of data from working time registration system!

Fixed percentage (real costs method)

TO CHECK:

- employment/ work document;
- task assignment (a document setting out the percentage of working time on the project per month - could be also specified in the employment document - with job description (task assignment) providing information on tasks and responsibilities of an employee related to the project);
- payslips OR other documents of equivalent probative value (where the gross salary, employer's social contributions are clearly identifiable),
- proof of payment of salaries and the employer's contributions.



NOT TO CHECK:

- No registration of the working time (e.g., timesheets) and should not be provided to controllers even if kept by the institution!
- NO additional periodic staff reports!! -> gold plating!

Only % is checked (in justified cases could change over the project lifetime); hours worked on the project per month do not matter and should not be checked!

Flat rate – up to 20% of all other direct costs

TO CHECK:

- **existence of cost category** – beneficiary employs staff by, e.g., checking registration at the social insurance agency or annual payroll account (organisation should employ at least 1 employee!) – one-time check (even dropped by some programmes); (will be confirmed separately in an email)
- **“basis” costs** – other direct costs of an operation (= not other flat rates!)
 - e. g., if travel and accommodation and office and admin – flat rates, direct costs of an operation – external expertise and services, equipment, infrastructure
- **correct calculation** (% of other direct costs in line with SC/AF);
- **no staff costs are reported in other cost categories (no double-financing).**

NOT TO CHECK:

- underlying expenditure under staff costs;
- timesheets;
- payslips, proof of payment of salaries and the employer's contributions;
- employment/ work documents.

Unit cost (functional groups)

TO CHECK:

- allocation of an employee to a **correct functional group**;
- proof that the person is **employed** by the employer (one-time check with the first-time costs are reported, per employee)
 - e.g., *employment contract or appointment decision (for seconded staff – secondment agreement)*
- **timesheets** for persons working not 100% on the project without any details, keywords on activities performed (for full-time employees maybe some more elegant solution could be found – extrapolate unit costs to calculate unit cost per month -> verification of that);
- correct **calculation** (number of hours * unit rate);
- **no infringement in the ceiling** of the annual hours worked (e.g., if 1720h method is used - max 1720h per year/ pro-rata for part-time, any daily thresholds).

NOT TO CHECK:

- indirect salary costs;
- payslips and proof of payment of salaries and the employer's contributions.

1720 hours method/ hourly rate – off-the-shelf unit costs

TO CHECK:

- employment/ work contract + job description;
- total number of hours declared per person for a given year/ month does not exceed the number of hours used for the calculations of that hourly rate;
- payslip(s) or other documents of equivalent probative value (12-month/annual – **latest documented gross employment costs**) - when establishing the hourly rate or when changing it. Once it has been confirmed, those supporting documents are no longer needed!
 - latest annual gross employment costs need to be documented (accounts, payroll reports, etc). They do not have to be audited ex-ante but have to be auditable.
- data from the working time registration system (e.g., timesheets).

NOT TO CHECK:

- payslips – after the hourly rate is confirmed;
- proof of payment of salaries and the employer's contribution.

Flat rate – up to 15% of the eligible staff costs

Office & admin; travel & accommodation costs

TO CHECK:

- “basis” costs – eligible staff costs:
 - verification of the staff costs is based on the reimbursement method of staff costs (can be anything);
 - if a flat rate for staff costs is used, verification of “basis” costs – other direct costs of a project;
- correct calculation (% of other direct costs in line with SC/AF);
- no office and administration costs (Article 40 IR) and no travel and accommodation costs (Article 41 IR) are reported in other cost categories (no double financing).

NOT TO CHECK:

- underlying expenditure under office & admin and travel & accommodation costs.

40% flat rate

Article 56 CPR



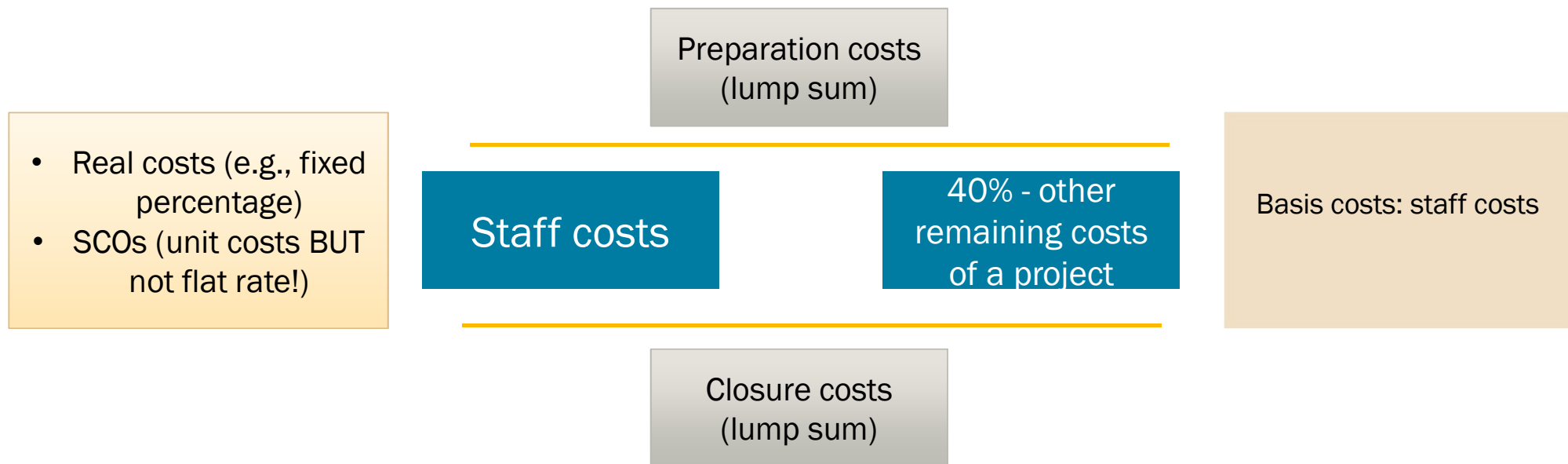
40% flat rate - combinations

Article 56(1) CPR

A flat rate of up to **40 % of eligible direct staff costs** may be used in order to cover the remaining eligible costs of an operation.

Article 53(3) CRP

e) a combination of the forms referred to in points (a) to (d), provided that each form 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**.



Flat rate – up to 40% of eligible direct staff costs for remaining eligible costs of an operation

TO CHECK:

- “basis” costs – eligible staff costs:
 - verification of the staff costs is based on the reimbursement method of staff costs (could be unit costs or fixed % or **real costs**);
 - double-financing – staff costs cover only staff costs (as only 2 cost categories);
- correct calculation of up to 40% flat rate.

NOT TO CHECK:

- underlying expenditure covered by the 40% flat rate!
- costs hidden under FR correspond to 40% of the staff costs!!!! – quality assessment and value for money – checked by the MA/JS at the assessment stage (ultimate question to answer: are the outputs/ activities promised by the project worth the X amount of the total project budget?)

40% flat rate ≠ a free pass on programme rules

Programme rules (as well as EU rules) are still there and applicable when SCOs are used, project partners must comply with them.

BUT

- Neither MA/JS nor controllers are checking this (only staff costs);
 - it's only relevant for organization's internal checks which normally happen anyway before any control.

Quality case-by-case assessment & value for money!

- Same principles for staff-heavy real costs projects;
- approach to quality of outputs – same for real costs and SCOs;
 - with real costs – each deliverable is seen as a separate item in the list of expenditures (easy to be removed as amount X from the list if irregular);
 - SCOs – bigger picture, quality of output (in case of irregularities, the item is removed and all costs linked to it, *including staff costs*).

Gold plating

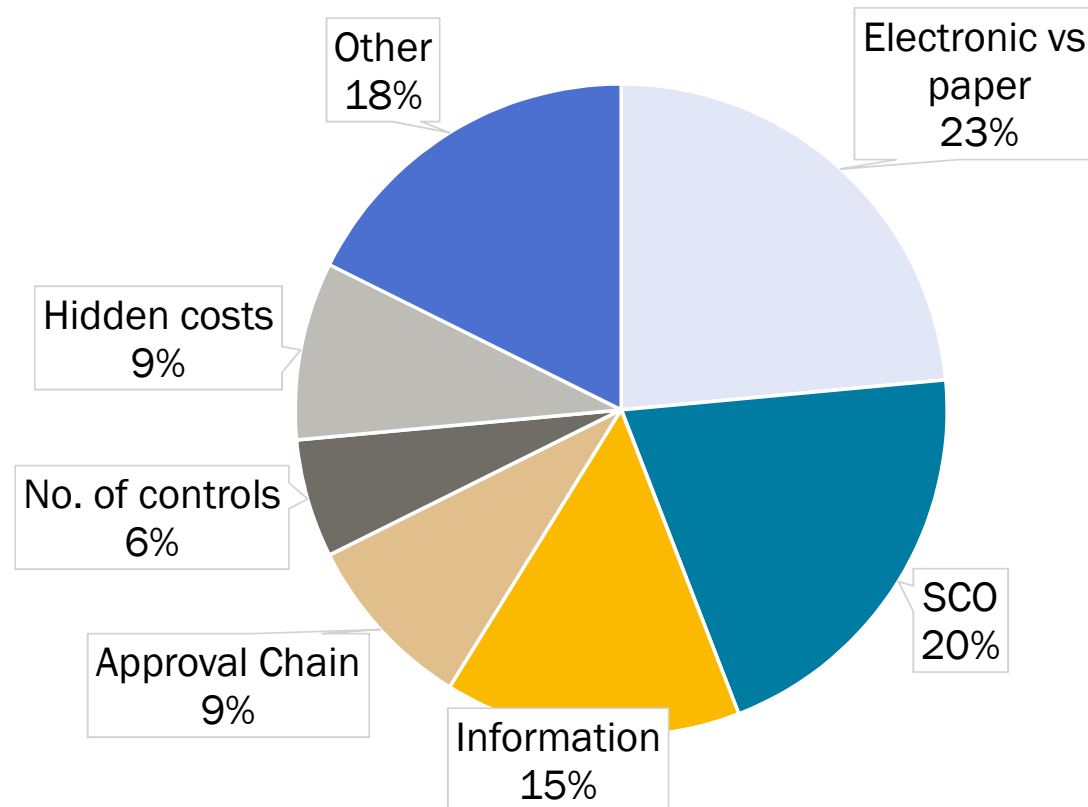
In management verifications and SCOs (TN SCOs network – extract)



Gold plating

Requirements beyond legislation  increased administrative burden

Types of gold plating



[Source](#)

Gold plating and SCOs

- Verification of real costs;
- no SCOs in operations below EUR 50 000;
- wrong application of off-the-shelf SCOs;
- incorrect financial corrections for SCOs.



Key requirement 4 (KR4) – adequate management verifications*

- Too complex requirements established by the beneficiary for end recipients;
- sample verifications were only used for expenditures below a very low threshold (~400 euro); the rest were 100% verified;
- although the electronic system is functional, risk-based analysis for management verifications and audit trails are available only on paper;
- requesting bank guarantees for land, equal to the amount of the grant;



*Annex XI CPR - Key requirements of management and control systems and their classification - Article 69(1) CPR

KR4 – adequate management verifications

- data from beneficiaries manually reintroduced in IT system by IB;
- same documents requested at different stages;
- identical, repeated checks (IB and MA);
- excessive visa chain (each endorser had his/her own checklist);
- check required at IB level not mandatory as per EU or national legislation.



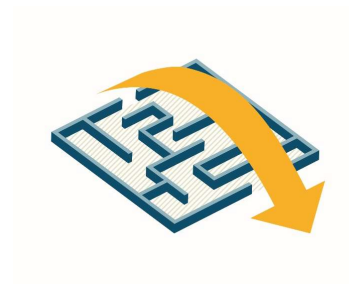


Questions

Additional material

- [SCOs explained – online course](#)
- New SCOs course –

[All you need to know about SCOs in 2021-2027](#)



- Join Interreg online community on SCOs – contact sco@interact-eu.net

Cooperation works

All materials will be available on:

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

