

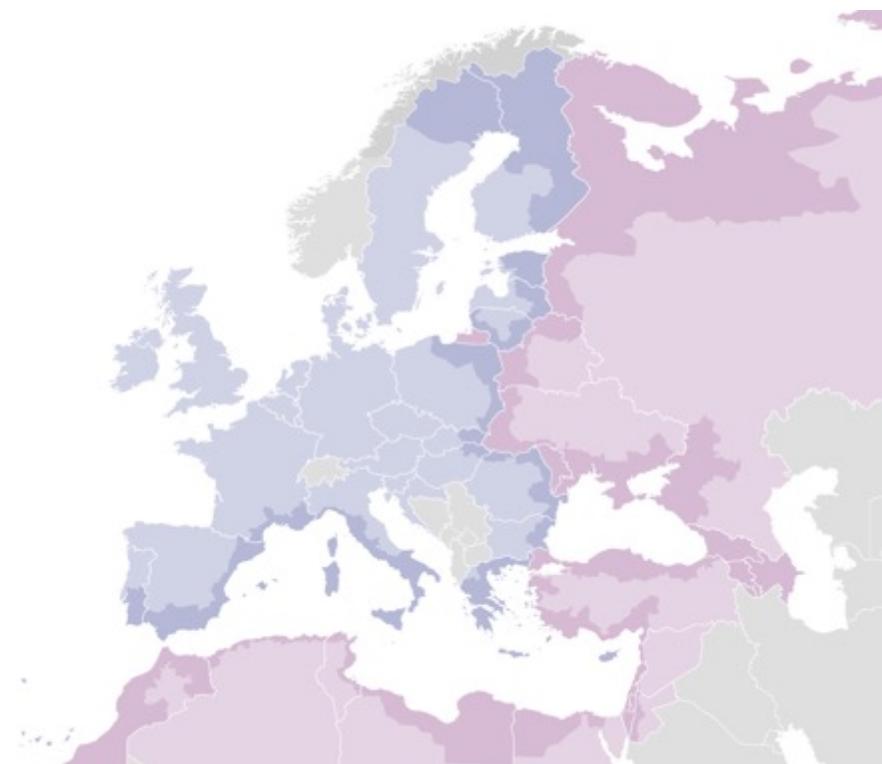


Technical support to the implementation
and management of ENI CBC programmes

Simplified costs in the ENI CBC. How to audit them?

**3rd audit network meeting of ENI CBC
programmes**

Marseille, 29 May 2019



A project funded by the European Union

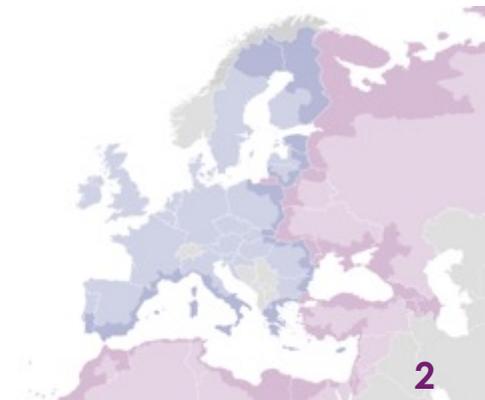


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Eligible costs = **calculated** according to a **predefined method** (outputs, results or other costs).

No requirement to track every euro of co-financed expenditure back to the individual supporting documents.



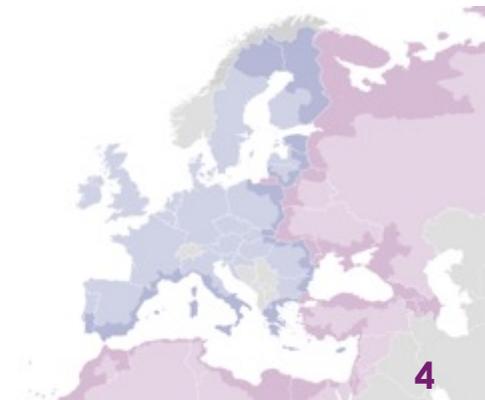
Article 50 ENI CBC IR

- **justification** concerning the **appropriateness of such forms** of financing
- **identification of the costs or categories of costs** covered by lump sums, unit costs or flat rate financing (to exclude ineligible costs referred to in Article 49).
- description of the **methods for determining** lump sums, unit costs or flat rate financing (**reasonably ensure that the no-profit rule and co-financing principles are complied with and that double financing is avoided**)

Calculation methods

- statistical data or similar objective means; or
- a beneficiary-by-beneficiary approach, by reference to certified or auditable historical data of the beneficiary or to its usual cost accounting practices.

Similar to other instruments, but....



Guidance on simplified costs



PRAG is not compulsory in ENI CBC



Specific provisions of Financial Regulation and ESIF Regulations are not compulsory in ENI CBC



- **Only the general limitation on the amounts**

The total amount of financing on the basis of SCOs may not exceed EUR 60 000 per beneficiary and per project, unless the programme establishes otherwise (but not more than EUR 100 000)

- **Only one ready-made solution - Flat rate for indirect costs, but...**

Indirect costs may be calculated on a flat rate of up to 7 % of eligible direct costs, excluding costs incurred in relation to the provision of infrastructure, provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method



Lump sums (in some programmes)

- Micro projects
- Part of projects under lump sums related to activities (project management costs; travel and subsistence costs)
- Project preparation costs

Flat rates

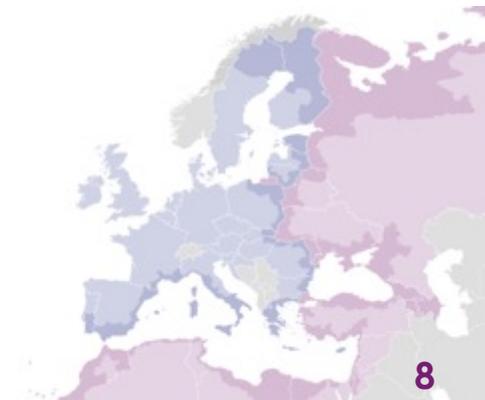
- Indirect costs for up to 7% of total direct eligible costs (except infrastructure) – **all programmes**

Unit costs

- N/A

Practice of the programmes:

- (Absolute majority of cases) calculation of flat rate done on the beneficiary level
- Items declared under flat rate differs from project to project (*data of the beneficiary or to its usual cost accounting practices*)



Flat rate in ENI CBC – example 1

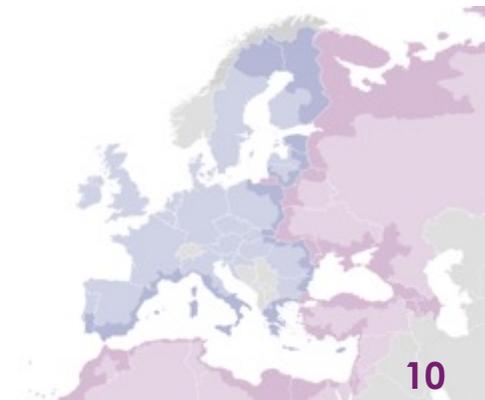


- Proportion of **project staff working time** to **total staff working time**

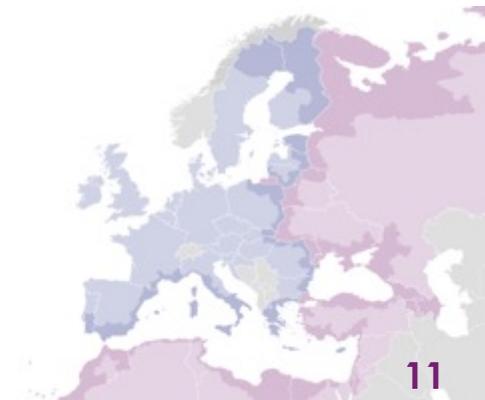
| Overhead cost | Average working months total in organisation per year | Organisation's working months in project per year | Cost per year EUR | Shared cost for project per year EUR | Shared cost for project per month, EUR |
|---------------------|---|---|-------------------|--------------------------------------|--|
| Rent | 408 | 15,6 | 125 808,0 | 4 810,31 | 400,86 |
| Heating | | | | | |
| Water | | | | | |
| Electricity | | | | | |
| Security | | | | | |
| Cleaning | 408 | 15,6 | 12 144,0 | 464,33 | 38,69 |
| Tel / Internet | 408 | 15,6 | 36 192,0 | 1 383,81 | 115,32 |
| Maintenance | | | | | |
| Office consumables | 408 | 15,6 | 6 759,0 | 258,43 | 21,54 |
| Accountant services | 408 | 15,6 | 4 866,0 | 186,05 | 15,50 |
| | | | | | 592 |
| | | | | | Total Euro/month |
| | | | | | 21 308,80 |
| | | | | | EUR for 36 months of project duration |



- Rate of the administrative costs over the project equivalent direct costs (excluding infrastructure) at the level of the whole organisation, with a maximum of up to 7:
 - Calculation of project office space (square meters for the to total building Surface; in %) *100 = % . The proportion is used to calculate the related cost categories (ex. insurance and security, heating, cleaning, maintainance of the office, etc)
 - Project utilities = total value of the invoice (for the total building space) * percentage of the project office space.



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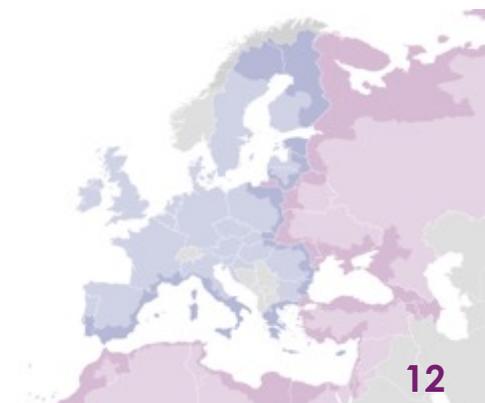
Flat rate in ENI CBC – example 2



Programme funded by the
EUROPEAN UNION

ANNEX 3: CALCULATION METHOD FOR INDIRECT ADMINISTRATIVE COSTS

| PROJECT TITLE: <i>TEST</i> | | | | |
|--|------------------|-----------------|-----------------|-----------------|
| TYPE OF COSTS BY PARTNER | Value (EUR) | PP1 | PP2 | PP |
| Office rent | 4 700,00 | 800,00 | 700,00 | 700,00 |
| Insurance related to the buildings where the staff is located and to the equipment of the office (fire, theft insurance, etc.) | 835,00 | 120,00 | 120,00 | 140,00 |
| Utilities (electricity, heating, water) | 1 600,00 | 250,00 | 300,00 | 250,00 |
| Internet, telephone , fax | 3 000,00 | 500,00 | 500,00 | 500,00 |
| Office supplies and other consumables | 2 250,00 | 350,00 | 350,00 | 400,00 |
| Maintenance IT systems (hardware, software, photocopiers, etc.) | 3 400,00 | 450,00 | 500,00 | 600,00 |
| Archives | 0,00 | 0,00 | 0,00 | 0,00 |
| Postal/courier services | 1 400,00 | 250,00 | 250,00 | 200,00 |
| Cleaning | 0,00 | 0,00 | 0,00 | 0,00 |
| Bank charges | 760,00 | 120,00 | 120,00 | 140,00 |
| Other (please specify) | 0,00 | 0,00 | 0,00 | 0,00 |
| TOTAL | 17 945,00 | 2 840,00 | 2 840,00 | 2 900,00 |



Recital 131 (and others) + article 181 of Regulation 2018/1046

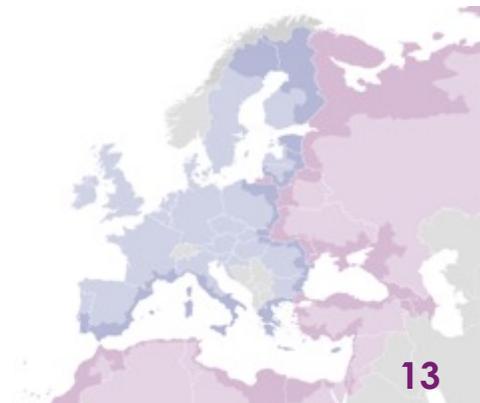
- Recital (131) The scope of checks and controls as opposed to the periodic assessments of lump sums, unit costs or flat rates should be clarified. Those **checks and controls should focus on the fulfilment of the conditions** triggering the payment of lump sums, unit costs or flat-rates, including, where required, the achievement of outputs and/or results.



Which kind of checks?

Let's check the conditions!

Which conditions?



1.

- Submission of supporting documents by project beneficiary on appropriateness, categories of costs and methods

2

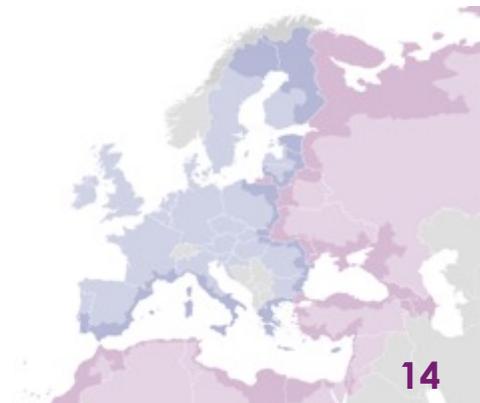
- Assessment and approval by Managing Authority

3

- How the beneficiary calculated the simplified cost

4

- The reality of the outputs



Audit limited to verification of calculation method and its application (*amounts will not be challenged by ex post controls*).

Flat rate is calculated on project/beneficiary level - **fair, equitable** and **verifiable** calculation method case-by-case. Consistency is the key!

Double financing:

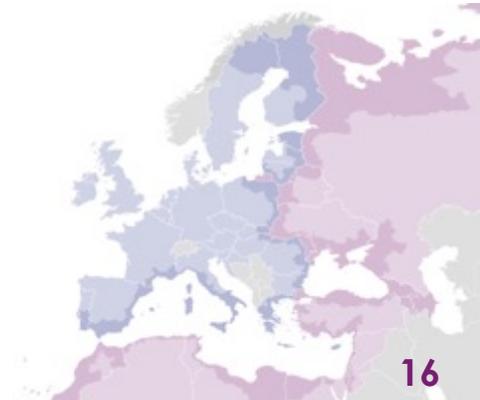
- Whether items used in the calculation method are not systematically covered under other budget headings
- Treatment of potentially double-funded items in other budget headings



Anything else?

What if the whole project or sub-project is under simplified costs?

Let's see discuss how to address specific cases!





Technical support to the implementation and management of ENI CBC programmes

Lets see what's next!



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