

Use of the SCO in the ENI CBC and Interreg NEXT programmes

Cagliari, Italy
17-18 October 2023

Interreg
TESIM NEXT

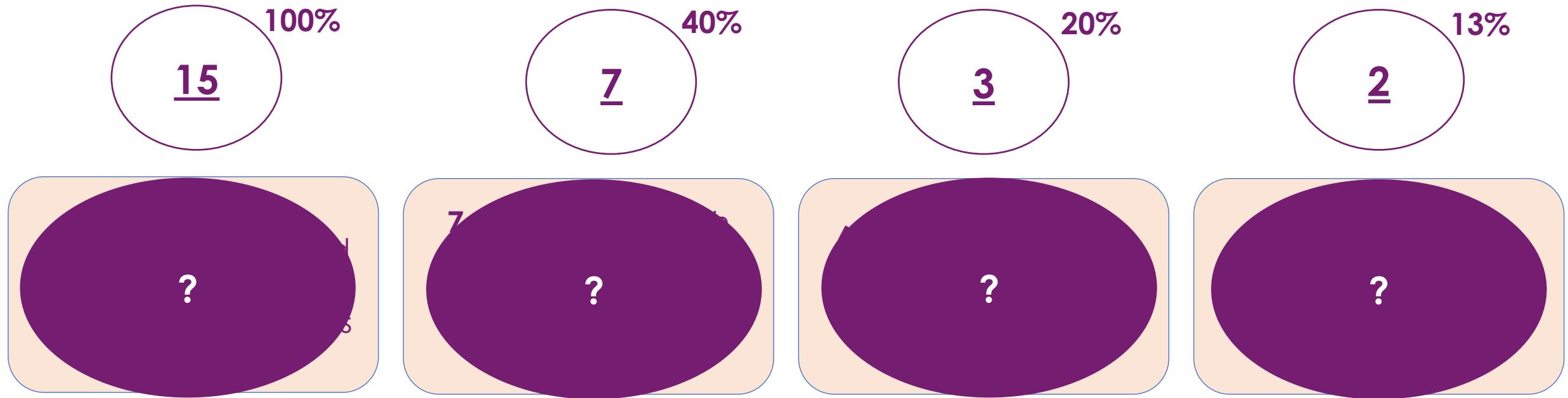


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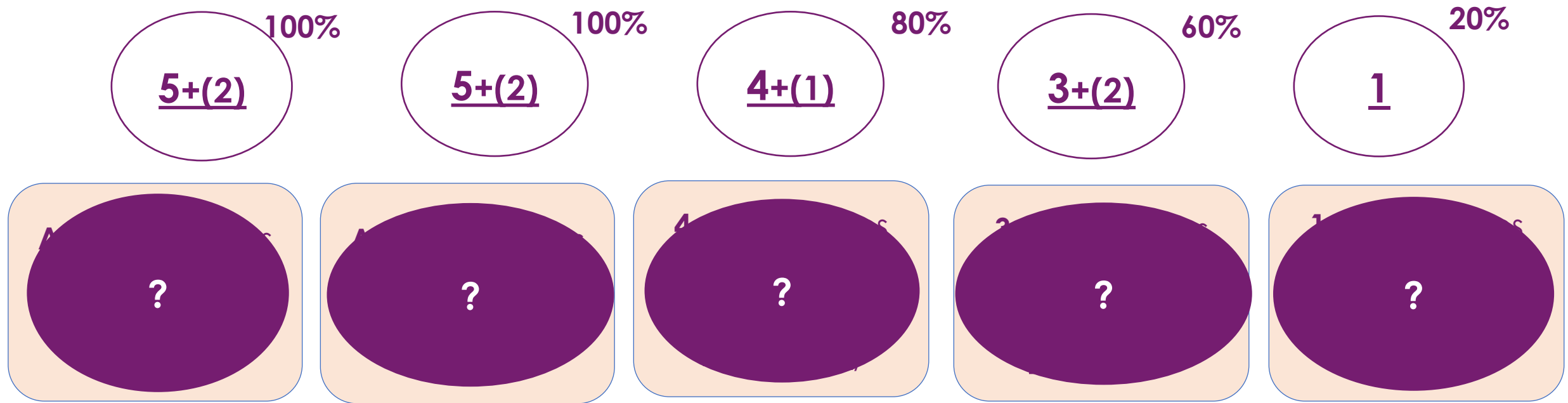
15 programmes (53 calls!)*



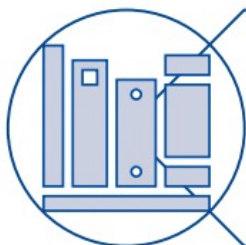
- All ENI CBC programmes have **some experience with SCOs**, albeit **limited to 7% indirect cost flat rate** and **few cases of lump sums**.
- In general, **significantly less than 7% of the project budgets** where covered by SCOs (*lump sum projects excluded!*)
- From the programmes continuing in the Interreg NEXT, Poland-Ukraine is **the most experienced with the SCOs** (*flat rate and lump sums for the preparatory costs + staff costs*)

**No major audit issues
with SCOs. Or?**

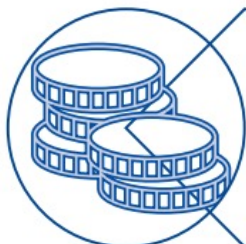
7 programmes = 5 with calls launched (2 with calls in preparation)



- There is significant increase of use of the SCOs in the Interreg NEXT! **In most opened calls**, the programmes offer at least **three flat rates** to the applicants.
- Two **most popular choices of SCOs** are **administrative cost flat rates** and **flat rate for staff costs**
- **BSB programme** offer 40% flat rate for the micro-projects. This flat-rate will cover **all the other costs besides staff** (except staff). Major simplification, worth to observe further!
- Biggest transition **took place in RO-UA/HSRU**: from 7% admin.cost flat rate to three flat rates within one call!
- Budget headings with real costs becoming more important: errors in can impact the expenditure under SCOs. Importance of **getting procurement right!**



Art 54-56 CPR/ art 39-41 Interreg
(off the shelf)

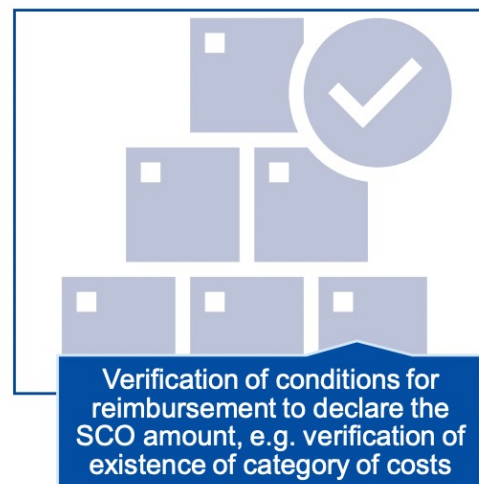
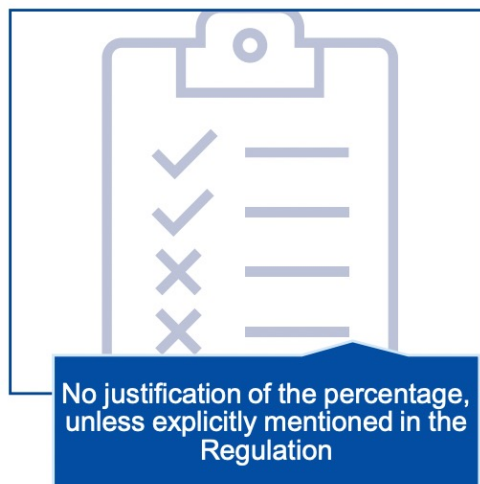
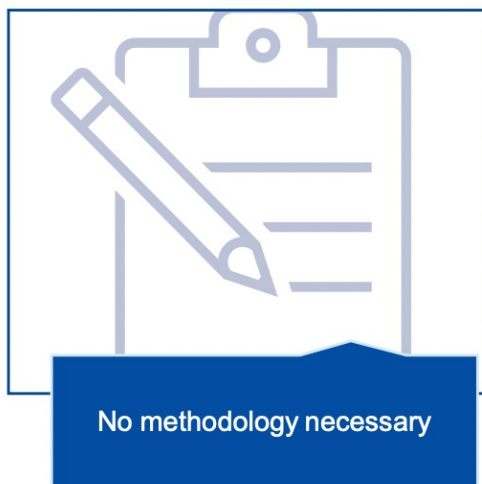


Art 53 CPR (Managing authority –
beneficiary)



Art 94 CPR (Managing authority –
Commission)

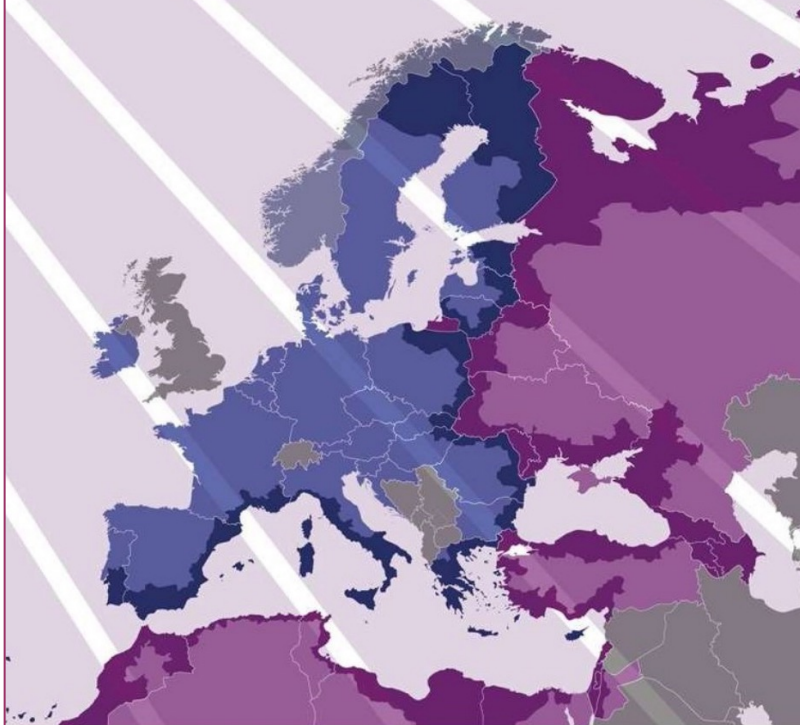
Audits for off the shelf



SCO	Off the shelf
Methodology	No
Application	

Transitioning to Interreg NEXT – Simplified cost options

May 2022



COMMISSION NOTICE GUIDELINES ON THE USE OF SIMPLIFIED COST OPTIONS WITHIN THE EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESI) – REVISED VERSION

[https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0527\(02\)](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0527(02))

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Verification of simplified cost options (SCOs)

September 2023, v.1

Practical implications of SCOs on control and audit work

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Disclaimer: This document has been prepared by Interact and compiled with colleagues from the ESI DAC (draft and). This document expresses the views of Interact and does not represent the European Commission. Only the Court of Auditors of the European Union is competent to authoritatively interpret Union law. This document is a first attempt to help Interreg programmes with the verification of SCOs in the 2021-2027 programming period.

Factsheet | Verification of SCOs. Practical implications of SCOs on control and audit work

Fields of expertise: Simplified cost options

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Let's hear from one of the programmes!

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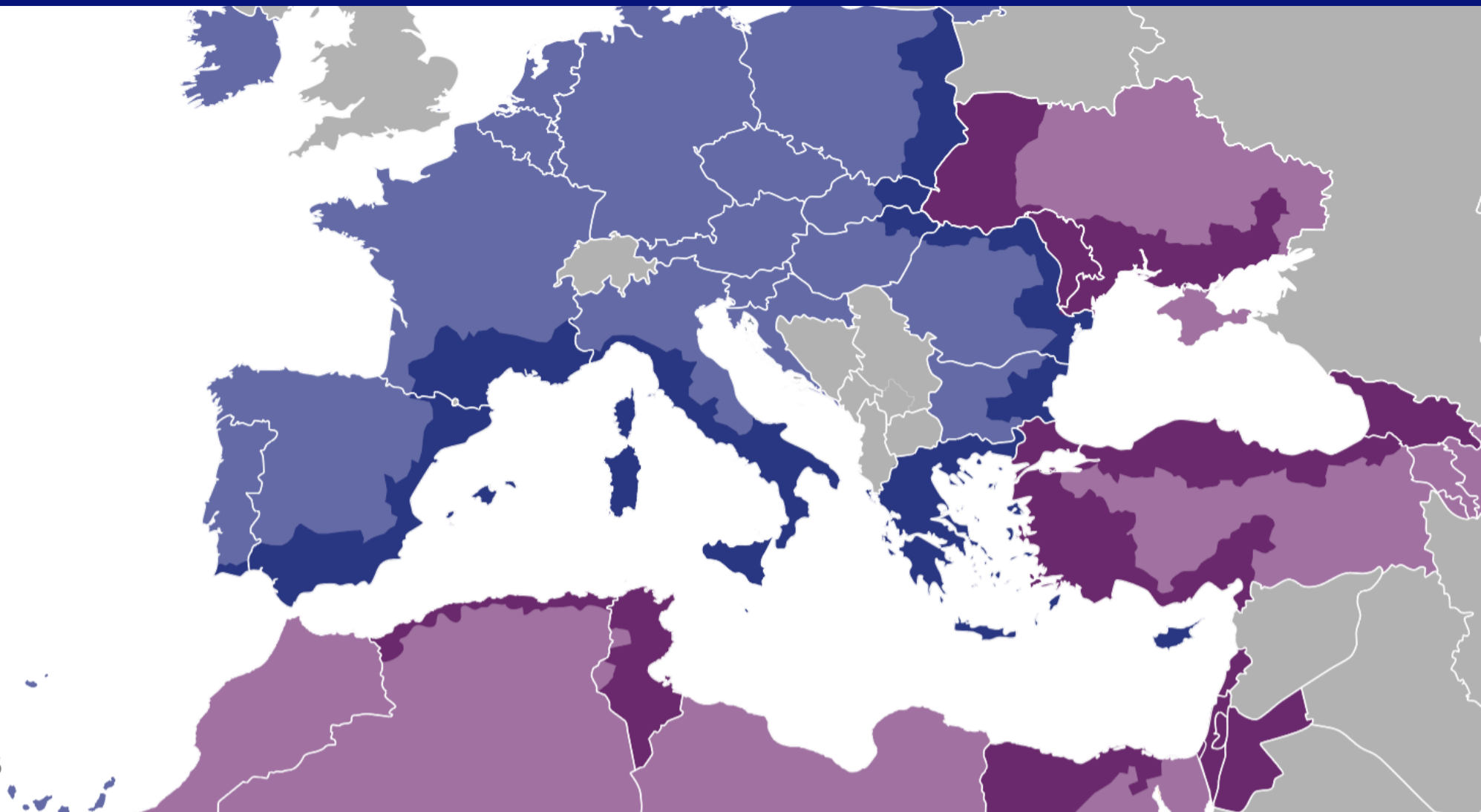
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Management verifications in NEXT

7th audit network
Cagliari, 17 October 2023



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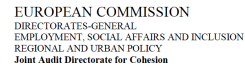


But first...



TESIM

 Ref. Ares(2023)4220662 - 19/06/2023



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Continuity and twist of the new approach (1)

<https://tesim.podia.com>



Free

Interreg NEXT: What's new?

View course



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Interreg NEXT: Simplified Cost Options in a nutshell

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Interreg NEXT: HIT Tools

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Interreg NEXT: Management Verifications

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New rules, new methodologies, new challenges



A message from the EC

TESIM



Message from EC at
the Interact event on
management
verifications

(23-24 November
2022)

Nathalie Verschelde
Deputy Head of Unit
D1

Article 74 (2) Common Provisions Regulation (CPR) 2021 -2027

- **Management verifications shall be risk-based and proportionate to the risks identified ex-ante and in writing:**

**Administrative
verifications**

Desk-based verifications of
the payment claims.

**On-the-spot
verifications**

Focus on reality, delivery,
physical progress, publicity.

in almost all ENI CBC programmes
100% of expenditure was checked
during the expenditure verifications

All of the programmes checked
100% of payment claims

The rationale is to focus management verifications on the risky items/areas of payment claims and operations:

100% verification not required

(not all expenditure items and/or not all payment claims!)

Management verifications focus on a risk-based selection of payment claims from beneficiaries, of expenditure items (e.g., invoices, contracts, salaries) within a payment claim and projects.

3 ENI CBC programmes allowed less than 100% of expenditure verification coverage - no significant financial risks identified so far!

National controllers

- MS in the East and South
- Partner countries in the East

Managing Authority

- Partner countries in the South (except Türkiye)

100% verifications should not be the automatic starting point!

What the ENI CBC experience tells us (on the programme level)?

- **Risk identification:**

- Expenditure verification reports (ENI CBC IR Art.32): ineligible costs identified/removed;
- Data from the project monitoring, incl. administrative and on-spot-check reports (ENI CBC IR Art.26);
- Annual summary of controls (ENI CBC IR Art.68);
- Annual audit report findings (ENI CBC IR Art.68);
- Information from national level;
- Information from the controllers.



The main conditions for well-functioning management verifications are that:

- The management and control system is **classified in category 1 or 2**;
- There is evidence of an **appropriate risk-based approach** for management verifications;
- Appropriate **management verification checklists** are used; and
- Management verifications are **properly recorded and documented**.

Thank you!

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