

Implementing SCOs

Online, 26-27 September 2024

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Interact



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Interreg

Meeting objectives

- To hear few SCOs updates;
- Practical experiences sharing;
- To discuss and exchange 😊;
- To have a good time.



Plan/ day one

01

Intro & objectives

02

State of play and updates

03

New EC Guidelines on SCOs

04

Practical implications of SCOs on RBMV

05

40% flat rates – verification of projects' achievements

06

Wrap-up & closure (day 1)

Plan/ day two

01

Key messages
from day 1

02

Interesting
SCOs practices
in Interreg

03

SCOs for staff
costs in
practice

04

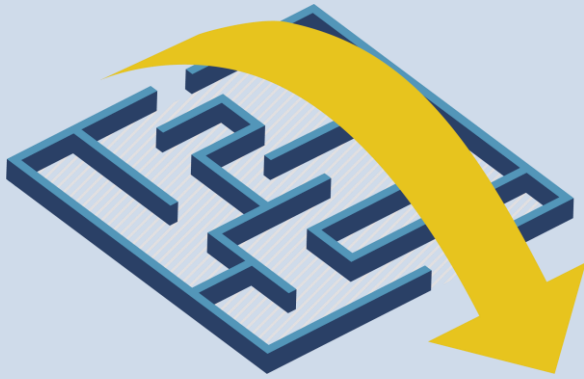
Other SCOs for
travel 15% FR
(when and why)

05

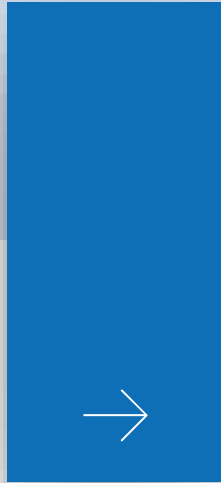
SCOs in post
2027

06

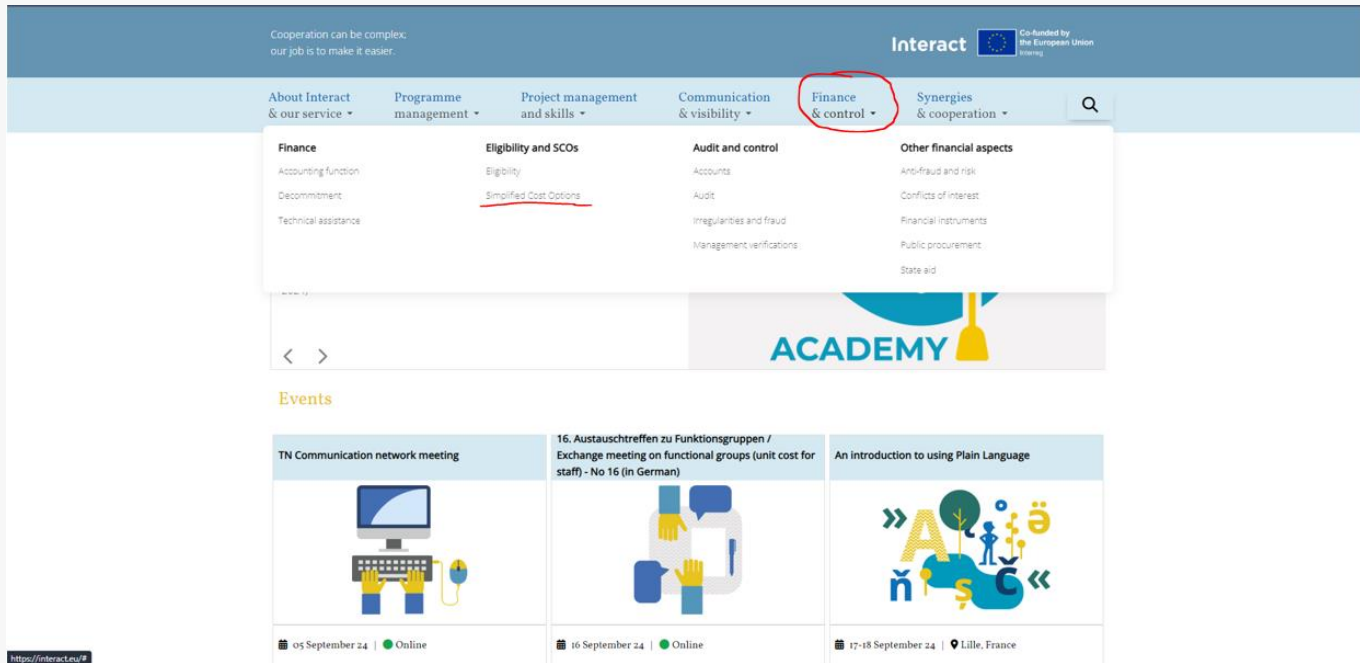
Wrap-up &
closure (day 2)



State of play and updates on SCOs



SCOs on the new Ia website....(1)



Simplified Cost Options

Even though we do not encourage using abbreviations, you will not find a single person in your programme who does not know what the term SCOs stands for (if you do, make sure to give them the link to this page dedicated to simplified cost options).

Using SCOs is one of the key methods of simplifying the implementation of projects, programmes, control and audit procedures within a programme.

Where SCOs are used, the eligible costs are calculated according to a predefined method based on outputs, results or some other costs clearly identified in advance either by reference to an amount per unit or by applying a percentage.

This enables Interreg programmes and institutions involved to significantly reduce the administrative burden, focus on results, rather than trading every euro. Finally, SCOs contribute to a more correct use of the programme funds (performed audits continuously show lower error rate).

Where to start

If you are new to SCOs, Interact launched a **certified training** dedicated to SCOs under the aegis of the Interact Academy. The training will introduce you to SCOs world and their utilisation in the Interreg environment. This is the mandatory position on your to-do list if you are the SCOs newbie.

As you may be aware, there are three types of SCOs- lump sums, unit costs and flat rates. They can be established in 5 different ways. For certain types of projects SCOs are the mandatory option to use. SCOs can be also used in combinations with real costs or with other SCOs. They can be used not only by programme beneficiaries but also by the EC to reimburse resources to programmes.

Would you like to know more?

Please visit our dedicated SCOs Interreg community and the library where you can find lots of interesting materials, programme experiences, tips and exchanges related to the topic.

What we are working on

Interact offers an annual event focused on SCOs where practitioners have an opportunity to exchange on implementation challenges and experiences. We will continue the post 2027 consultation, started at the Interreg Knowledge Fair in March 2024, which is our opportunity to improve the framework of SCOs in the future.

Details of this year's Annual event, September 2024, are available here.

Throughout the year we continue to gather programmes' practices and lessons learnt to complete our work on the collection of SCOs used by all Interreg programmes as well as to update the Manual on the draft budget method to reflect practice.

Last but not least, under Interact Academy project we are working on designing the new SCOs certified training dedicated to practitioners.

Contact

For more information please contact Grzegorz Golda.

Exchange Community

Interact offers an online space for those exchange on questions of SCOs in Interreg, where information and experiences can be shared. If you would like to learn more about this, please contact Grzegorz Golda.

If you are already a member of the Community, you can access it here.

Additional resources

Briefing note | Manual on the draft budget method

Factsheet - 40% flat rate

Verification of SCOs - practical implications

Factsheet Reusing SCOs from Union Policies

Template | Appendix 1: a mock-up example

Roadmap for a programme specific SCOs

Simplified Cost Options - legal references

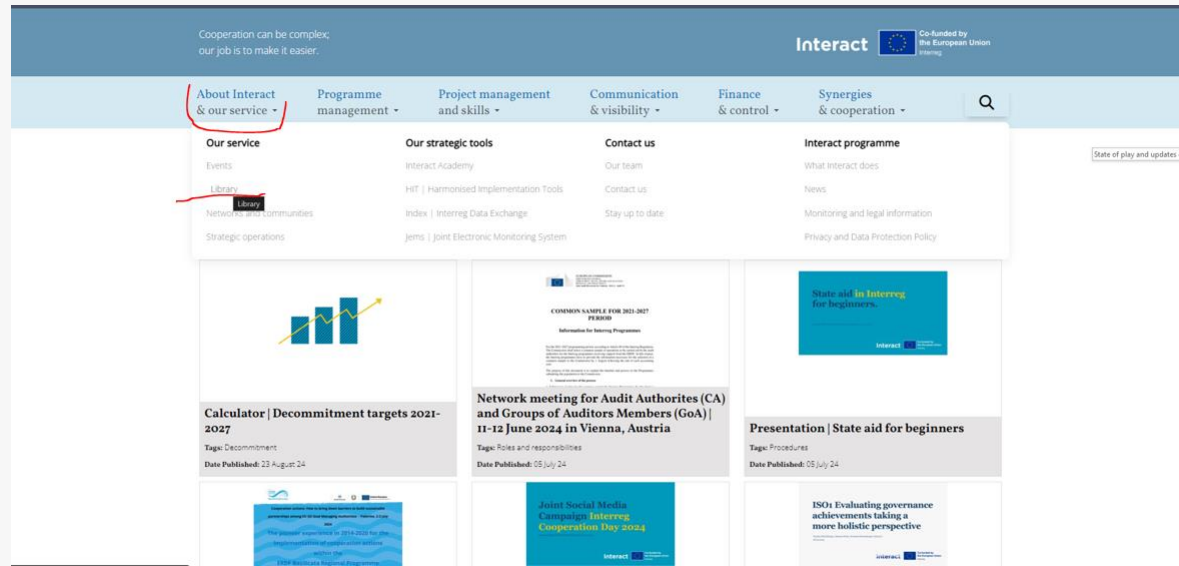
Interreg SCOs 2021-2027 - Collection

Preparation costs Lump sum report

Q&A SCOs in Interreg programmes

BY: Grzegorz Golda

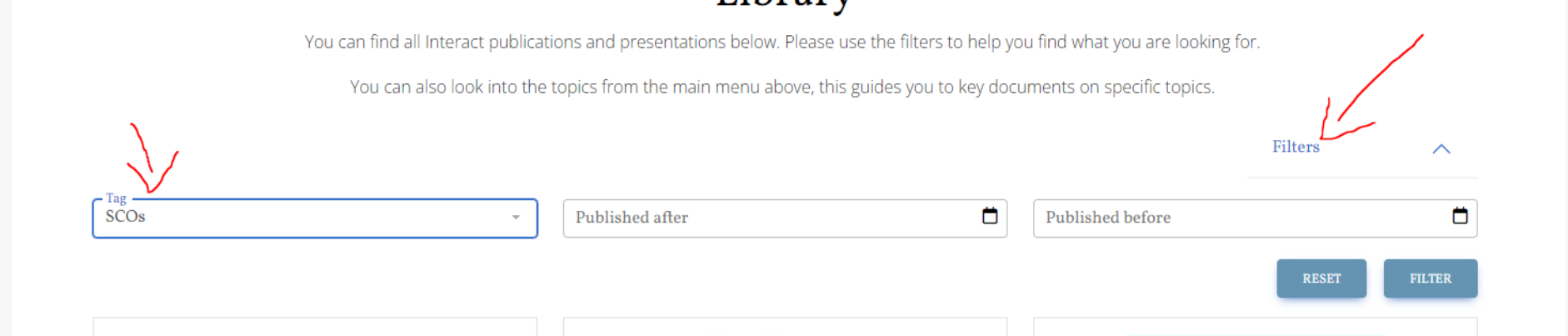
SCOs on the new Ia website....(2)



Library

You can find all Interact publications and presentations below. Please use the filters to help you find what you are looking for.

You can also look into the topics from the main menu above, this guides you to key documents on specific topics.

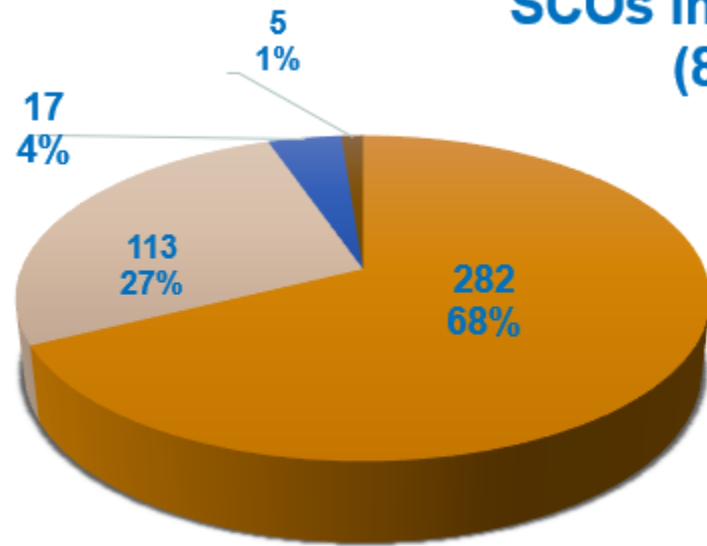


Have a look at the [Interreg SCOs community](#) for more materials and experiences

Collection of Interreg SCOs in 2021-2027



SCOs in Interreg (80)



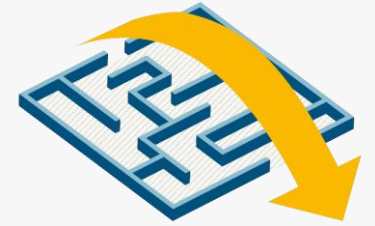
■ OTS ■ FEV ■ DB ■ C/P Union policies & national schemes

Interreg SCOs 2021-2027						
version	August, 2024					
For each SCO, please use a separate row!						
Interreg programme	Contact person	Type of SCO	Describe an SCO/ amount/ %	Level of application	Type of projects covered	Use
<i>Choose from the drop-down list (order: CBC, TN, INT, IPA, CBC, ENI, CBC)</i>	<i>Indicate a contact person (and email) for SCOs in your programme</i>	<i>Choose from the drop-down list 'OTS' = off-the-shelf SCO IR = Interreg Regulation</i>	<i>also, specify if 'Other SCO' was selected in the previous column, e.g. EUR 10 000 lump sum for preparation costs, 5% flat rate for travel and accommodation costs for all partners</i>	<i>EU - programme SCO - new level in 2021-2027 (SCO should be described in the Annex to an Interreg programme) Programme - beneficiary level - "usual" use of SCOs</i>	<i>Please indicate type(s) of projects covered by an SCO (e.g., all, regular projects, small projects of SPF, small-scale projects, etc.)</i>	<i>Mandatory or optional (also specify, if different for different types of projects)</i>
(Interreg VI-A) Germany/Mecklenburg Western Pomerania/Brandenburg/Poland	Björn Gabier (b.gabier@wm.mv-regierung.de)	Programme-specific: SCO based on fair, equitable and verifiable method, Article 53(3)(a) CPR	13.200€ lump sum for preparation costs (per project / only LP)	Programme - beneficiary SCO, Article 53 CPR	regular projects	Project can choose to take it or to not take it. In the latter case projects are not allowed to report preparation costs
(Interreg VI-A) Germany/Mecklenburg Western Pomerania/Brandenburg/Poland	Björn Gabier (b.gabier@wm.mv-regierung.de)	Flat rate - up to 40% of direct staff costs to cover the remaining eligible costs, Article 56(1) CPR (OTS)		Programme - beneficiary SCO, Article 53 CPR	regular projects	optional
(Interreg VI-A) Germany/Mecklenburg Western Pomerania/Brandenburg/Poland	Björn Gabier (b.gabier@wm.mv-regierung.de)	Flat rate travel and accommodation - up to 15 % of the direct staff costs, Article 41(5) IR (OTS)	4% flat rate for German project partners and 6% flat rate for Polish project partners	Programme - beneficiary SCO, Article 53 CPR	regular projects	optional
(Interreg VI-A) Germany/Mecklenburg Western Pomerania/Brandenburg/Poland	Björn Gabier (b.gabier@wm.mv-regierung.de)	Flat rate for staff costs - up to 20 % of the direct costs other than the direct staff costs, Article 39(3)(c) IR (OTS)	10% for partners with costs for infrastructure and works (CO6) and 20% for partners without costs for infrastructure and works (CO6).	Programme - beneficiary SCO, Article 53 CPR	regular projects	optional
(Interreg VI-A) Germany/Mecklenburg Western Pomerania/Brandenburg/Poland	Björn Gabier (b.gabier@wm.mv-regierung.de)	Flat rate indirect costs - up to 15 % of eligible direct staff costs, Article 54(b) CPR (OTS)	10% flat rate	Programme - beneficiary SCO, Article 53 CPR	regular projects	optional
(Interreg VI-A) Germany/Mecklenburg Western Pomerania/Brandenburg/Poland	Björn Gabier (b.gabier@wm.mv-regierung.de)	SCOs from Union policies for similar types of operations, Article 53(3)(c) CPR	EUR 5.000€ for project closure (per project, only LP), copied from the Interreg IPA CBC Italy-Albania-Montenegro (if possible, checking still in	Programme - beneficiary SCO, Article 53 CPR	regular projects	Project can choose to take it or to not take it. In the latter case projects are not allowed to report closure costs.

Kind request 😊

Please download a copy first, then edit or filter

SCOs in 2021-2027



- Article 94 CPR – SCOs at the ‘upper’ level (EC – programme);
 - currently 5 CBC Interreg programmes with approved schemes from the EC.
- Mapping of MSs SCOs ‘low level’ (Article 53CPR) and ‘upper level’ (Article 94CPR) available in the SCO community [here](#);

Article 94 SCOs

Reminders:

- It is possible to submit schemes for EC adoption during programme implementation (simplified fast-track programme's modification procedure);
- SCOs do not apply retrospectively (legal certainty and Appendix 1);
- Submit only with a positive assessment of the AA;
- Informal consultation with the EC highly recommended;
- Extend the use of SCOs from higher to lower level;
- [SFC 2021 – Quick guide](#) ;
- [a mock-up example](#)



SCOs - implementation issues

Travel and accommodation FR;

The necessity of verification of the existence of the cost category;

Solution:

- the final answer in the new SCOs guidelines – expected by the end of this year;
- according to the draft version:
 - *‘The cost categories covered by the flat rate are necessary for the operation; the existence of the categories of costs covered by the flat rate is verified at selection stage (on the basis of the application for funding and the document setting out the conditions for support).’*

SCOs/ Eligibility - implementation issues

In-kind contribution (in form of voluntary work)

Q: For Interreg Programmes, can voluntary work (i.e. in-kind contributions) be declared as staff costs and therefore included in the basis costs for the application of flat rates, including those set out in Articles 54(b) and 56 CPR and in Article 41 Interreg Regulation?

Solution (Regiowiki QA00318):

*In-kind contributions in the form of provision of work for which no payment supported by invoices or documents of equivalent probative value has been made (unpaid work), **may be eligible if the conditions set out in Article 67(1) CPR are met.***

*The definition of direct staff costs is not linked to whether the staff costs take the form of in-kind expenditure or not. **Therefore, in-kind contributions in the form of unpaid work can be included in the direct staff costs and be used as a basis for the calculation of flat rates, including those under Articles 54(b), 56(1) CPR and Article 41(5) Interreg Regulation.***

SCOs - implementation issues

40% Flat rate

Q: Is it possible to use CPR Art 56(1) provisions to support one project being a part of larger operation, while rest of the projects in the operation are based on real costs?

Answer (Regiowiki QA00298):

It is up to the managing authority to define the scope of the operation.

*According to the described set-up, we understand that the managing authority has defined it as one operation comprising several projects/modules. In line with Article 56(1) CPR, the flat rate of up to 40% is to cover all remaining eligible costs of **the operation** and not of one of the projects/modules of the operation.*

*Therefore, if the Member State makes use of Article 56(1) CPR, **no other costs (i.e. the costs related to other modules) may be declared on top of direct staff costs** and the costs covered by the up to 40% flat rate.*

News from the Regio TN on Simplification



News from the Regio TN on Simplification

Good news! N. of characters allowed in SFC **increased** for App. 1 and 2 

App. 1

Part B / Field 1 - Description of the operation type including the timeline for its implementation:
~~4 000~~ → **8 000 characters**

Part B / Field 10 - Verification of the achievements of the units delivered:
~~4 000~~ → **8 000 characters**

Part C (all sections):
8 500 characters

App. 2

Part B / Field 1 - Description of the operation type:
~~4 000~~ → **8 000 characters**

Part B / Field 10 - Verification of the achievements of the result or condition:
~~4 000~~ → **8 000 characters**

Part B / Field 12 - Arrangements to ensure the audit trail:
~~4 000~~ → **8 000 characters**



However, no need to use them all...
 Keep it concise and relevant!



News from the Regio TN on Simplification

[QA00246 - Question concerning flat-rate financing at the level of beneficiaries - RegioWiki Extranet - RegioWiki \(europa.eu\)](#)

- Is it possible for a beneficiary to select the budget options with different SCOs as well as different percentages for off-the-shelf flat rates within a budget option?



MA may offer several forms of grants for the same category of costs as long as each form is used for different project partners' budgets



Strong recommendation that **MA** sets the percentage of an “off-the-shelf” flat rate to be used for a certain category of costs, within the limits defined in the relevant legal provisions

News from the Regio TN on Simplification

[QA00242 - Use of a flat rate from the General Block Exemption Regulation - RegioWiki Extranet - RegioWiki \(europa.eu\)](#)

Based on which point of paragraph 3, Article 53 of the CPR can we apply this **20% flat rate for indirect costs in R&D operations financed by the ERDF?**

- Commission Regulation (EU) 2023/1315 changed Art. 25 GBER on aid for research & development projects, which now includes a up to 20 % flat rate for additional overheads and other operating expenses calculated other total eligible R&D project costs under GBER



Member State can use the flat for operations co-financed by the Cohesion Policy Funds in accordance with **Article 53(3)(c) CPR** as a corresponding flat rate applicable in Union policies for a similar type of operation

News from the Regio TN on Simplification

Examples of findings – EC audits 2023



Wrong SCO rate used
1700 EUR vs. 1500 EUR
per participant



Wrong adjustment
method (2% vs. 1.1%)



SCO charged despite the
participant being ineligible



Double funding of
expenditure



Flat rate used lower than the
one in the grant agreement



Inaccuracies in
the historical data



Can we draw some lessons?

- (low) financial impact of errors
- design and/or application of the SCO
- analyze the errors and see what improvement needs to be made



News from the Regio TN on Simplification

SCOs combinations

To prevent double-financing, SCOs and real costs can be combined in the following situations (Article 53(1)(f) CPR):

<p>They cover different categories of eligible costs</p>	<p>They are used for different projects in the same operation</p>	<p>They are used for successive phases of an operation (preparation, implementation, closure)</p>
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Double funding

Within the same operation

Double funding with other EU funds

(more) Examples in the guidance for SCO

Review 03/2024: An overview of the assurance framework and the key factors contributing to errors in 2021-2020 cohesion spending – ECA

Ineligible costs due to inappropriate calculation of indirect costs

MA of a ESF/ERDF programme launched a complementary call for projects approved under the Horizon 2020 programme.

Under the Horizon 2020 rules, **depreciation costs** can be included in the basis for calculating indirect costs, which are reimbursable at a flat rate of 25 % of eligible direct costs.

However, the MA transposed the Horizon 2020 rules into national legislation incorrectly.

This led to the situation that beneficiaries could declare the investment costs as direct costs and a hypothetical depreciation of the same investment in the basis for calculating indirect costs.

This led to a systematic over-declaration for all projects under the same national rules

News from the Regio TN on Simplification

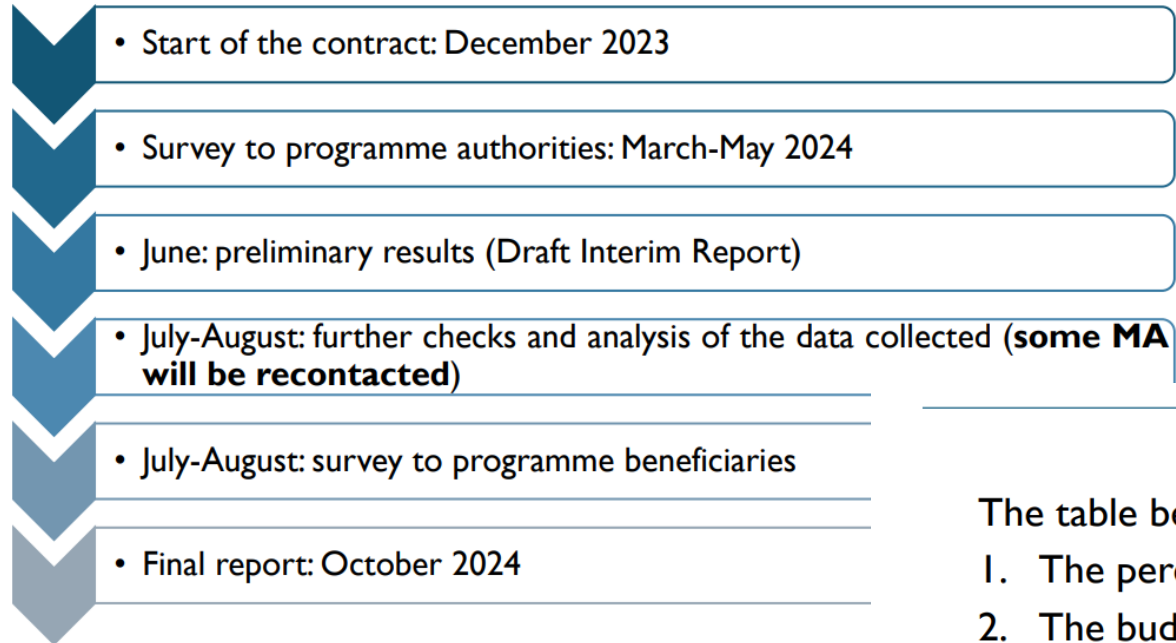


Study on the uptake of SCO and FNLC for the CPR Funds in the 2014-2020 and 2021-2027 programming periods

*Presentation of the preliminary findings
Brussels, 21 June 2024*

News from the Regio TN on Simplification

Timeline – key steps of the study



Preliminary results

The table below shows for both programming periods:

1. The percentage of OP budget covered
2. The budget covered at EU level

SCO budget coverage

		ERDF/CF/JTF		ESF/ESF+	
		% of OP budget covered	Budget* covered at EU level	% of OP budget covered	Budget* covered at EU level
Lower level	2014-2020	5.6%	21,200 MEUR	33.7%	47,245 MEUR
	2021-2027	10.9%	43,831 MEUR	38.9%	55,288 MEUR
Upper level	2014-2020	-	-	6.2%	8,739 MEUR
	2021-2027	1.5%	6,085 MEUR	10.2%	14,500 MEUR

* Budget = EU and national co-financing

SCOs challenges – from the registration

SCOs and double financing (same partner in two or more projects, T&A FR & costs of events)

Verification staff costs

SCOs in regular vs. small scale projects – same partner different rules

Travel and accommodation flat rate

SCOs and budget changes – have a look [HERE](#)

.....

Verification of outputs, 40% FR

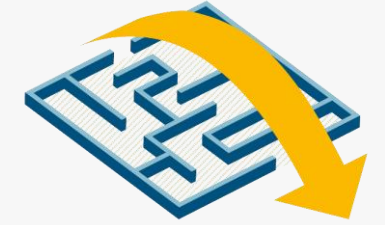
Staff costs – existence of at least one staff member

To check, or not to check, that is the question.

Factsheet | Verification of SCOs



2. Up to 15% flat rate for travel and accommodation costs of direct staff costs ⁹	
What to check	What not to check
The flat rate set by the MA ex-ante is part of the project partner budget (in the latest version of the application form) and indicated in the document setting out the conditions for support (i.e., subsidy contract)	Underlying expenditures of the travel and accommodation cost category (the expenditure has been incurred and paid)
The flat rate covers travel and accommodation costs (as defined in Article 41 of the Interreg Regulation) and uses direct staff costs as the basis costs	Supporting documents to make sure the amount of the flat rate was spent on the expenditures of the travel and accommodation cost category
A correct percentage of the flat rate (as set out in the programme's rules, in the application form and in the document setting out the conditions for support) is applied and the calculation is correct	Evidence that the actual amount spent corresponds to the amount of the calculated flat rate
In case of a change of the flat rate, the new flat rate is not applied retrospectively. It is used only for newly selected operations.	
Basis costs (staff costs) do not contain ineligible costs (verification of the staff costs will depend on the reimbursement method used)	Evidence that all the trips of the project staff planned in the application form were organised
Travel and accommodation costs ⁹ are not included in other cost categories	
The category (travel and accommodation) of costs covered by the flat rate exists. This information can be gathered from either a mission order or report or a recording of a meeting or similar evidence for at least one trip (the existence of the cost category is to be checked at least once in the project's lifetime).	Evidence that the cost category exists with each progress report is not to be checked.



SCOs in 2021-2027 - publications

2023 Factsheet

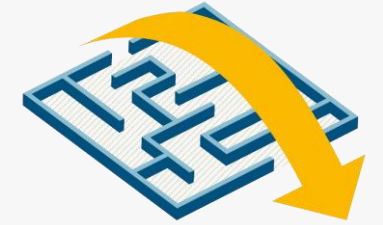
Verification of SCOs – practical implications of SCOs on control work

2023 Factsheet

A 40% flat rate in a project life cycle

2022 Briefing note on..

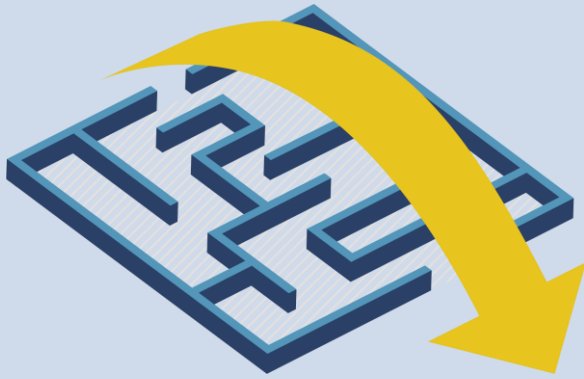
The draft budget method



SCOs in 2021-2027 – Interact Academy

NEW Training programme on SCOs –
SCOs for practitioners

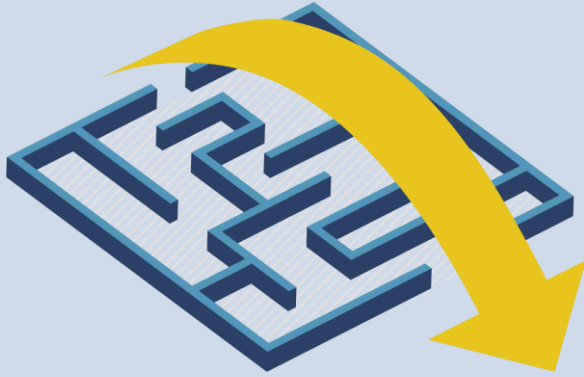
– the registration open until October 11,
2024



New EC guidelines on SCOs

Veronica Cotea REGIO-EMPL Joint Audit Directorate for Cohesion





Practical implications of SCOs on RBMV & audit work



A few reminders... (1)



Article 74(1) CPR

The managing authority shall:

(a) carry out management verifications to verify that the co-financed products and services have been delivered, that the operation complies with applicable law, the programme and the conditions for support of the operation, and:

(i) where costs are to be reimbursed pursuant to point (a) of Article 53(1), that the amount of expenditure claimed by the beneficiaries in relation to these costs has been paid and that beneficiaries maintain separate accounting records or use appropriate accounting codes for all transactions relating to the operation;

(ii) where costs are to be reimbursed pursuant to points (b), (c) and (d) of Article 53(1), that the conditions for reimbursement of expenditure to the beneficiary have been met;

(where points (b), (c), and (d) of Article 53(1) are unit costs, lump sums, and flat rates)

A few reminders... (2)



Audit and control of SCOs are focused on 2 elements:

- verification of the correct establishment of the method (audit part), and
- correct application of the method (audit and control)

In case of SCOs, verification is limited to the verification of the delivered outputs/deliverables (for unit costs and lump sums), or basis costs (for flat rates).

Individual invoices of underlying expenditure, reimbursed on the basis of SCOs, are not checked.

Interact publication:

[Verification of simplified cost options \(SCOs\)](#)

Practical implications of SCOs on control and audit work

A few reminders... (3)



Article 74(2) CPR

Management verifications referred to in point (a) of the first subparagraph of paragraph 1 shall be **risk-based** and **proportionate** to the risks identified **ex ante** and **in writing**.

Management verifications shall include **administrative verifications** in respect of payment claims made by beneficiaries and **on-the-spot verifications** of operations. Those verifications shall be carried out before submission of the accounts in accordance with Article 98.

A few reminders... (4)



Things to in mind



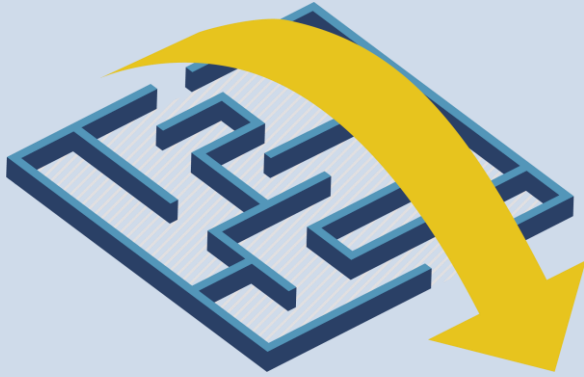
Assess the risk of each type of SCO you use



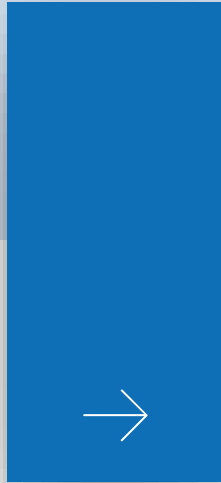
Do not underestimate. Start cautiously. Adjust.



Be brave and simplify



News and updates



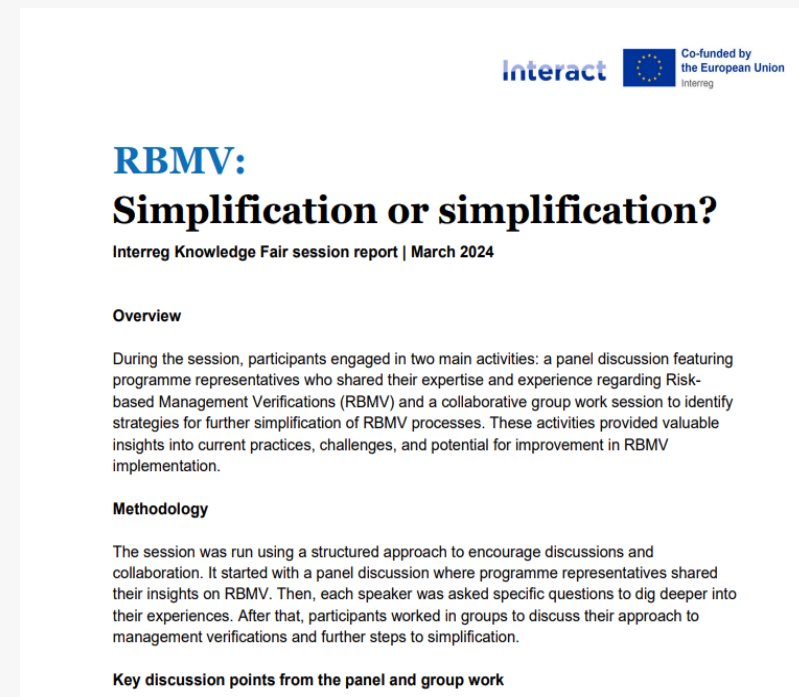
What we learned at the Interreg Knowledge Fair 2024

Past to present:

- from initial resistance to growing confidence
- different approaches to RBMV
- technical implementation challenges
- gathering statistics on practical use

Future:

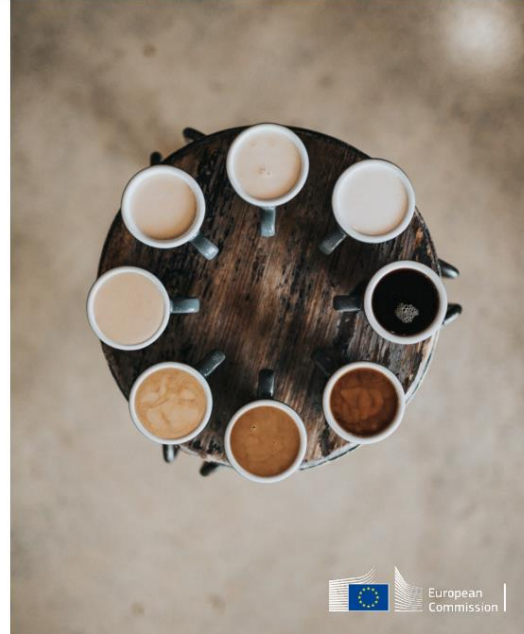
- further simplifications
- harmonizing methodologies
- specific guidelines for methodologies, especially regarding the impact of SCOs



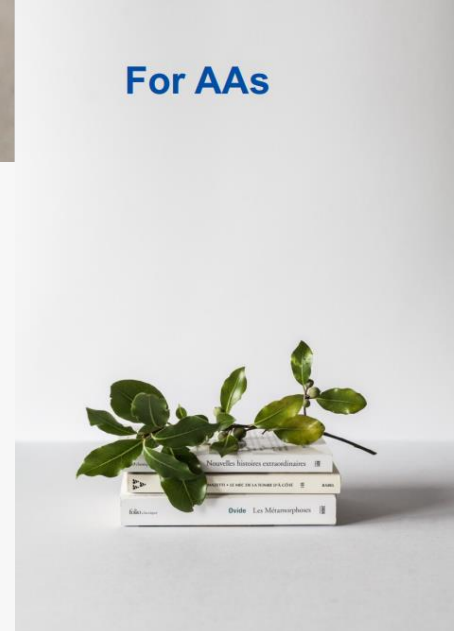
News from the Regio TN on Simplification

For MAs

- you know best (the risky areas)
- tailor made
- be prudent (but not dismissive)
- allow flexibility
- write clearly & back it up with data
- review & update
- start!

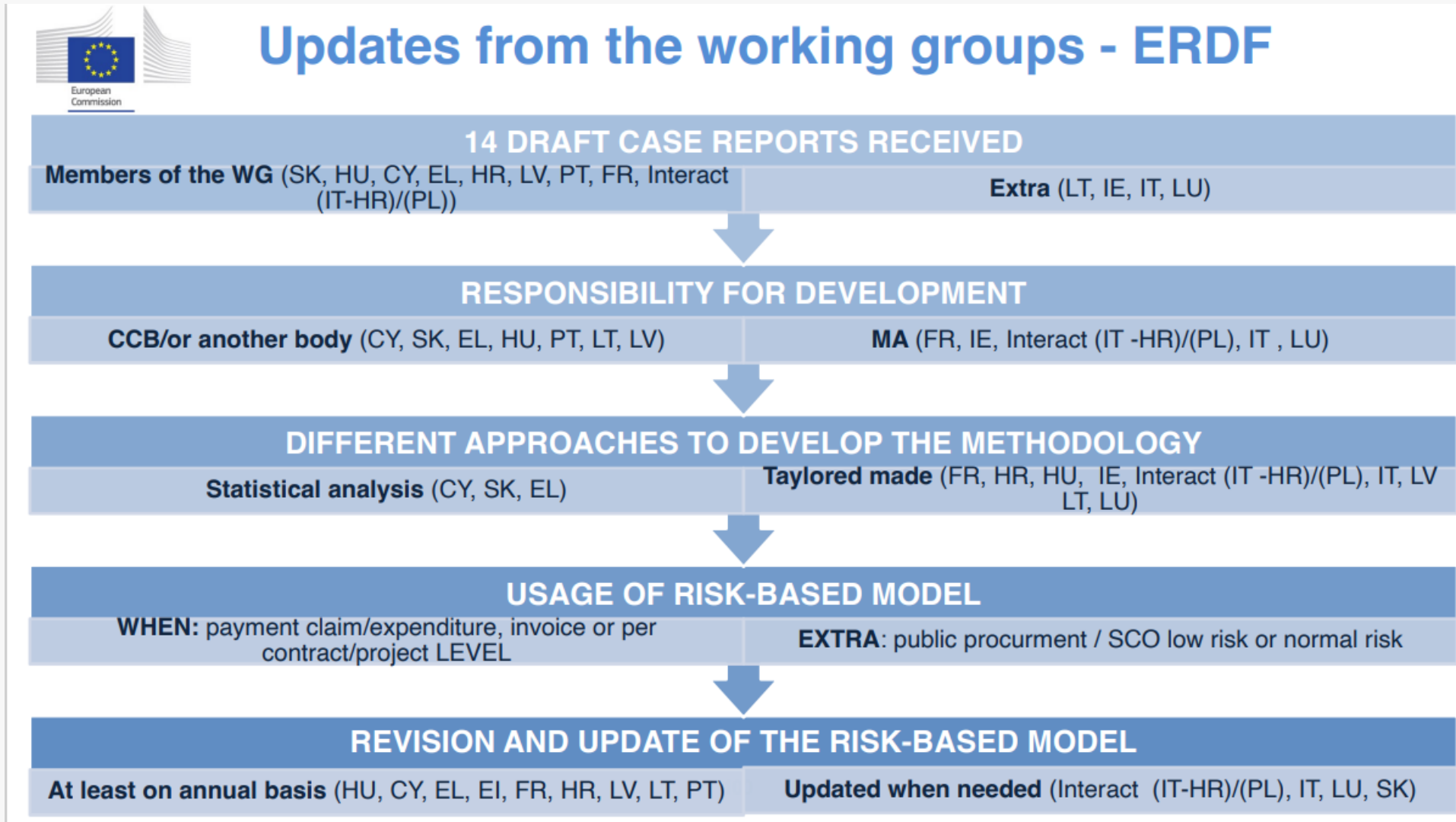


For AAs



- key role
- communication
- system audits (early, but not only)
- balance
- is it clear & justified?
- audits of operations

News from the Regio TN on Simplification



News from the Regio TN on Simplification



GOOD PRACTICES / NOT-SO-GOOD PRACTICES



- One risk-based methodology for all programmes (HU), respectively having a single RBMV model for all MA and IB (PT);
- It is useful to refer to the experience of the previous funding period when identifying the risk criteria (LV);
- Use of expert judgement or an experiences from relevant national competent authorities or other Interreg programmes stakeholders (SK, CY, Interact IT-HR);
- Using methodology on the level of payment claims (Interact PL);
- Need to keep the number of risk factors small, and the scoring system simple and not judgemental (CY, FR);
- Risk factors are defined and calculated by using data available in the IT system (HU, EL, PT);
- Risk assessment is automatically performed by the IT system (HU, EL, PT);
- Practical trainings for all stakeholders (upper and lower management, project managers)(SK);
- Proactively self-assess the effectiveness of the RBMV model and scope of checks yearly (LV);
- Need for cooperation between the MA and the IB, and consultation with the AA (LT);
- Published guidance and capacity building (IE).



- Inconsistent data (SK);
- Not having the historical results of administrative verifications for all funds and MA prevent a two levels RBMV, payment claim and expenditure (PT);
- At the beginning of development of RBMV model using no IT tools – only excel sheets cannot provide necessary audit trail (SK);
- It's not so good when the discussions between MA and IB will only start at the end of the development of the methodology. The development of RBMV requires cooperation between MA and IB from the very beginning (LT);
- Avoid scores that will need to be manually computed or entered each time (CY);
- In the case of aid schemes the risk assessment process could be so time consuming that it would be causing such a delay as to risk not meeting the 80-day period for reimbursement of the final recipient in case of a payment claim (CY);
- Despite having the methodology, controllers tend to choose bigger samples than necessary (Interact PL);
- It is important to avoid continuance of old systems/resistance to change (IE).

News from the Regio TN on Simplification



MULTI-COUNTRY WORKSHOP

Next steps of the working groups on RBMV

- **Single ERDF/ESF+ working group to discuss more horizontally and achieve synergy**
- **Workgroups based on maturity level**
 - A. Starters - Template for Administrative verification plan, audit recommendations on RBMV, catalogue of MS risk factors, scoring system elaboration
 - B. Practitioners: How it works in practice: Implementation results of the model and potential improvements, application of models, RBMV cycle explained, analysis and comparison of MA and AA results; sharing the conclusive results on RBMV when adequate population is reached, revision of methodology
 - C. Experienced: Looking ahead - Best practices of IT systems, digitalisation of risk based approach
- **Sharing experiences:**
 - Audit findings effect on methodology (AA, DAC, ECA), error rates and the results from system audits;
 - audit approach to gain assurance on RBMV model before submission of accounts
 - Q&A on the case reports to clarify specific aspects (e.g. scoring system of MS).
- **Development of IT systems for risk management**
- **Focus on specific topics: e. g. thematic papers on PP, double funding, FNLC, Arachne and other IT to random sampling**

102

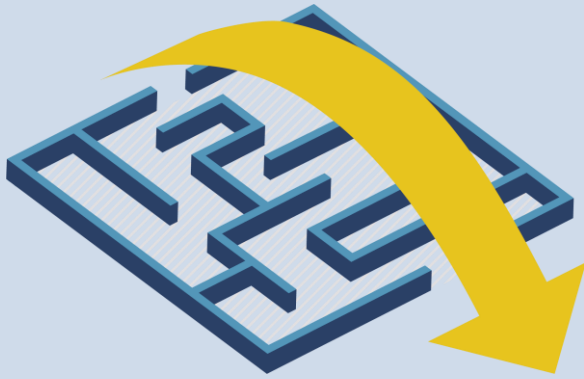


MULTI-COUNTRY WORKSHOP

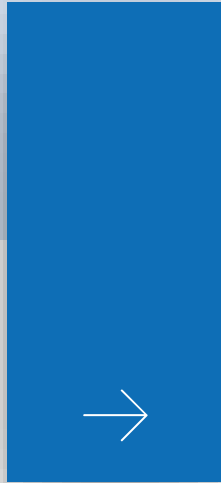
Next steps of the TNs

- **Sharing experience**
 - update the case reports on RBMV practices after first experiences gained;
 - Dissemination of EPSA results,
 - Dissemination of Commission observations: Identification of good and not so good practices by the Commission
 - Main aspect and common elements of MS's methodologies as lessons learned
 - Thematic papers on PP, state aid, CoI, Double financing, FNLC
- **Commission support**
 - support to digitalisation of processes imposed by the regulation (RBMV approach) in terms of financial resources and expertise
 - timely publication of guidance/reflection papers and off-the-shelf solutions
- **ECA on board (participation on TN, sharing experience)**

103



Where are we on the RBMV road map?





Experience sharing:



Interreg programmes managed by Poland

- Inga Kramarz

RBMV updates

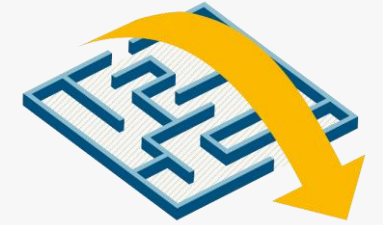
RBMV & SCOs first results – what did they show?

What are your plans for the updates of the RBMV methodology?

RBMV & SCOs – reducing the frequency/not verifying anymore?



What's next (2024)?



Event: Risk-based management verifications in Interreg
Budapest, Hungary, 7 November 2024

Interact Academy: NEW Certified training
Interreg management verifications
beginner level
– the registration open until October 25, 2024

Focus in 2025



RBMV: Exchange event

Interact Academy: Certified training
Interreg management verifications
beginner level
– two cohorts = spring/autumn

Useful resources



Slides from previous RBMV event

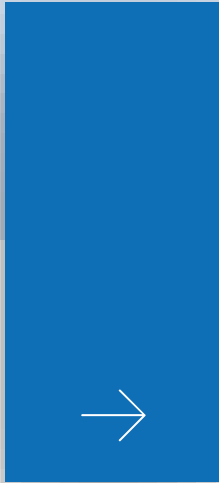
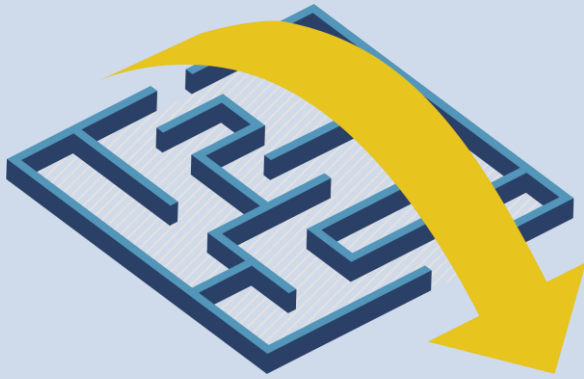
[September 2023;](#)

Slides from Interreg Knowledge Fair session

[May 2023](#)

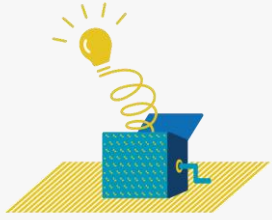
Interact library / publications

[Verification of SCOs and implications for control and audit](#)
[Guidance on the risk-based management verifications and HIT methodology](#)
[Reflection paper on risk based management verifications](#)



**Destination – outputs.
40% flat rates &
verification of projects’
achievements.**

Experience sharing:



North Sea Region Programme

- Peter Racz

40% FR in small scale projects

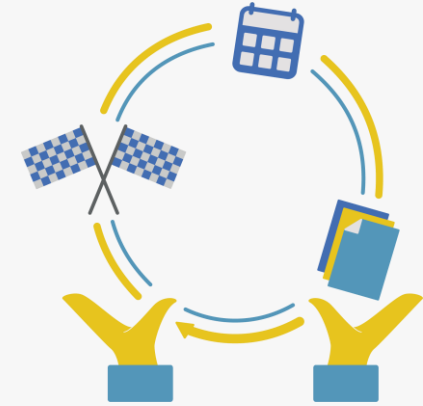
40% FR in Interreg programmes 21-27

<p>40% FR in Interreg programmes</p>	<p>50+ Interreg programmes using 40% FR</p>
<p>Types of projects</p>	<ul style="list-style-type: none"> • only for small-scale projects • both small-scale and regular projects • usually R&D, small innovation projects, p2p, soft projects
<p>Use</p>	<ul style="list-style-type: none"> • mandatory for small-scale projects (some programmes have only this option) • mandatory for all partners (also in some programmes) • optional for regular projects

40% FR in the project life cycle - reminders



Assessment



Is the amount in line with the role of the partner?



Detailed description of the planned outputs/results!



Is the combined budget of all partners in line with their roles?

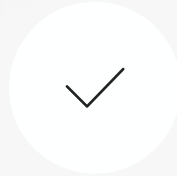


Repository of benchmarks and cost estimates

40% FR in the project life cycle - reminders



Implementation



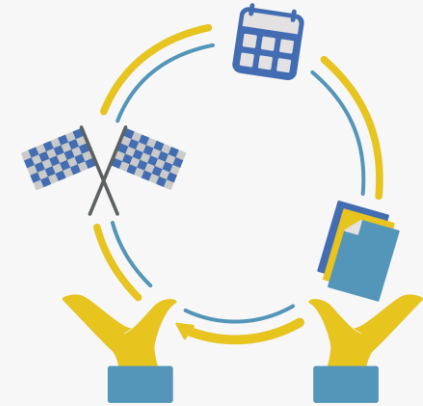
Focus on delivery



Reduces the administrative burden



Limited scope for project changes



40% FR in the project life cycle - reminders



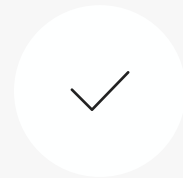
Verification



Focus on verification of staff costs



Quality of reports



Quality of outputs/results

4. Up to 40% flat rate for the remaining eligible costs of the project¹³ of eligible direct staff costs¹⁴

What to check	What not to check
The flat rate set by the MA ex-ante is part of the project partner budget (in the latest version of the application form) and indicated in the document setting out the conditions for support (i.e., subsidy contract)	Underlying expenditures of other than staff costs cost categories (the expenditure has been incurred and paid)
The flat rate covers all remaining costs of the project and uses eligible direct staff costs as the basis costs	Supporting documents to make sure the amount of the flat rate was spent on expenditures other than staff cost categories
A correct percentage of the flat rate (as set out in the programme's rules, the application form and the document setting out the conditions for support) is applied and the calculation is correct	Evidence that the actual amount spent corresponds to the amount of the calculated flat rate
In case of a change of the flat rate, the new flat rate is not applied retrospectively. It is used only for newly selected operations.	
Basis costs (staff costs) do not contain ineligible costs (verification of the staff costs will depend on the reimbursement method used)	Evidence that other cost categories (office and administrative costs, travel and accommodation, external expertise and services, equipment, infrastructure and works) exist
No other cost categories exist in the project (unless different projects forming a part of an operation or successive phases of an operation are used ¹⁵)	

40% FR in the project life cycle - reminders



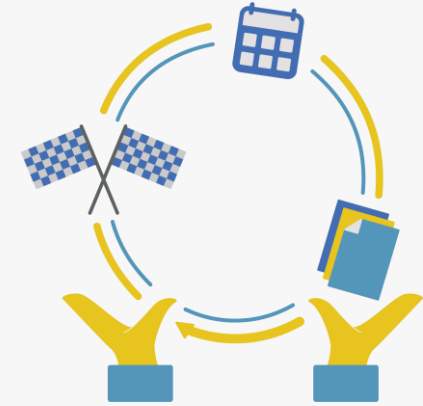
Irregularities



Staff costs irregularity = reduction of the total amount of the flat rate



Comply with all EU, national and programme rules!



Observations from programmes & controllers:



Have you detected any other challenges during the verification and monitoring of the projects/PPs using the 40% FR?

How about communication with projects/PPs using this option? Same or different?

(projects/PPs-controllers-JS/MA)



Useful resources



Interact library /
publications

[Verification of SCOs and implications for control and audit](#)

[Factsheet | A 40% flat rate](#)

Implementing SCOs – day 2

Online, 26-27 September 2024

Jasmina Lukic, Bernhard Schausberger, Grzegorz Golda/ Interact

Interact



Co-funded by
the European Union
Interreg

Plan/ day two

01

Key messages
from day 1

02

Interesting
SCOs practices
in Interreg

03

SCOs for staff
costs in
practice

04

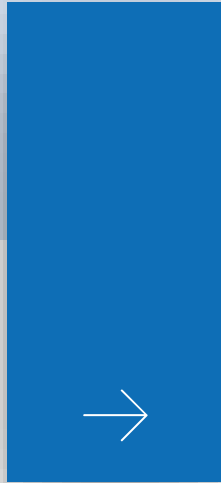
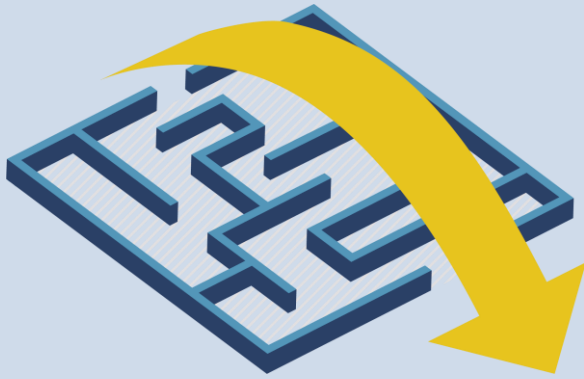
Other SCOs for
travel 15% FR
(when and why)

05

SCOs in post
2027

06

Wrap-up &
closure (day 2)



Interesting SCOs practices in Interreg



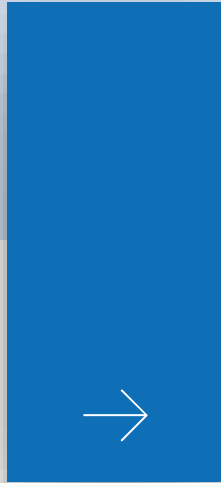
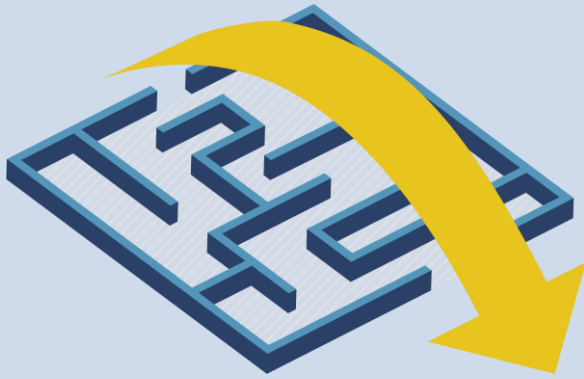
Experience sharing:



Interreg IPA Hungary - Serbia

- **János Halász, Dejan Vujinović**

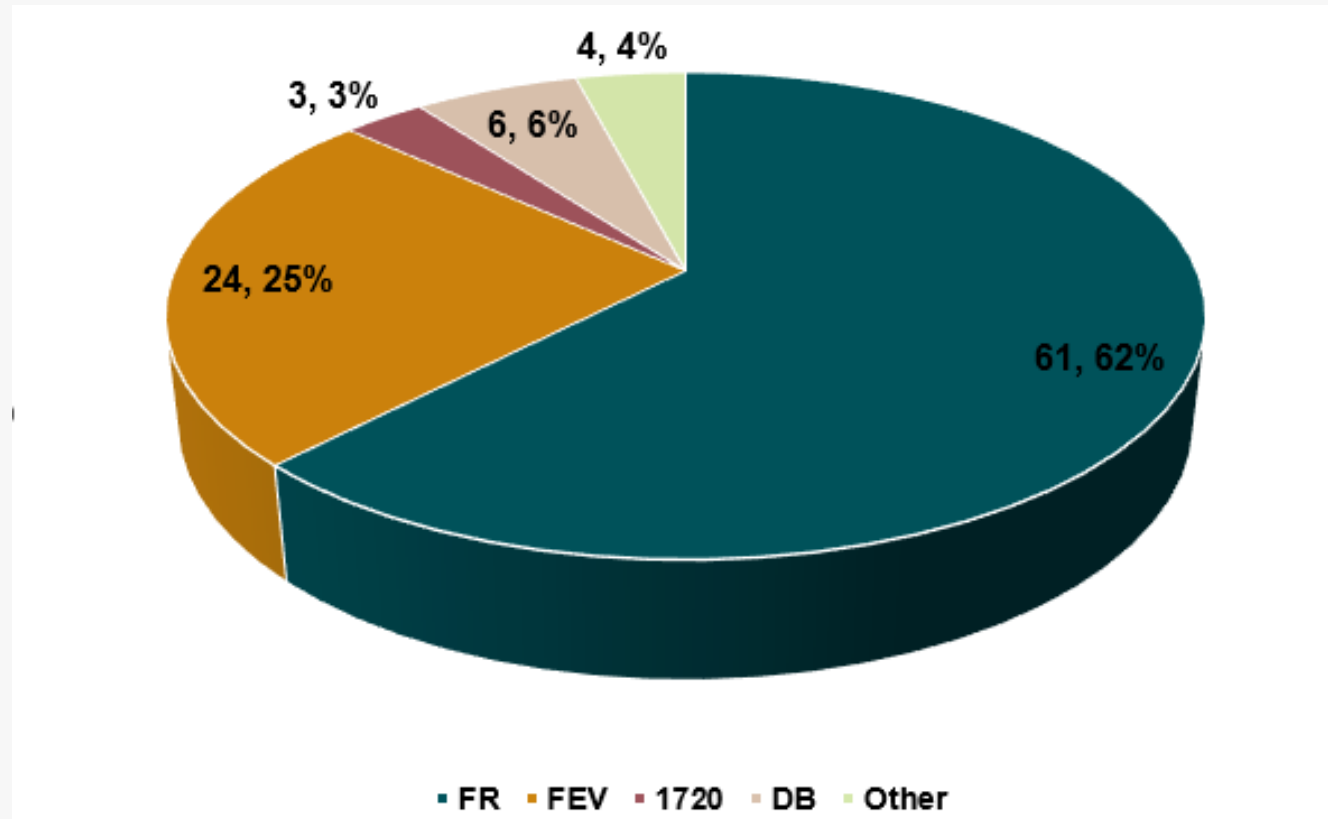
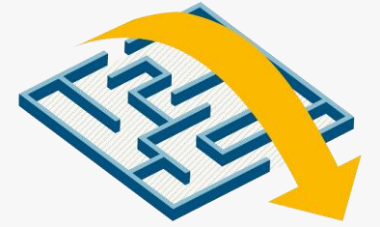
Lump sum for visibility elements



SCOs for staff costs in practice



SCOs for staff costs in Interreg 2021-2027



SCOs options for Staff costs and verifications

HIT Factsheets- Staff costs

Summary

The table below presents a short recap of the audit trail for verification of staff costs:

Required documents depending on the reimbursement option	Real costs			SCOs		
	Full-time	Part-time		Hourly rate		Flat rate ¹⁴ (e.g., up to 20% of direct costs)
		Fixed percentage ¹⁵	Actual hours	1720h method (Article 55(2)(a) CPR)	Average monthly working time (Article 55(2)(b) CPR)	
Employment/work contract/ contract/ another document	✓	✓	✓	✓	✓	✗
Job description	✓	✓	✓	✓	✓	✗
Payslips	✓	✓	✓	✓ ✗ ¹⁶	✓ ✗ ¹⁷	✗
Data from the time registration system (e.g., timesheets)	✗	✗	✓	✓	✓	✗
Proof of payment	✓	✓	✓	✗	✗	✗

¹⁴ The controller needs to check the existence of the staff costs cost category, i.e., if there is any staff working for a beneficiary's organisation. This can be done by checking any allowed by (national) law document that confirms an employee relation between a person and the organisation. The organization should have at least a staff of one.

¹⁵ For the fixed percentage method, on top of the documents listed in the table, a task assignment (a document setting out the percentage of working time on the project per month with information on tasks and responsibilities of an employee related to the project) should be verified. It could be specified in a separate document (task assignment document) or directly in the employment document/work contract. See template in Annex 2.

¹⁶ For the calculation of the hourly rate, verification of payslips is necessary when establishing the amount and whenever the rate is updated (to check annual/ monthly gross employment cost). Once the hourly rate is confirmed, verification of payslips is not required!

¹⁷ For the calculation of the hourly rate, verification of payslips is necessary when establishing the amount and whenever the rate is updated (to check annual/ monthly gross employment cost). Once the hourly rate is confirmed, verification of payslips is not required!

Factsheet | Verification of SCOs and implications for control and audit

3. Up to 20% flat rate for staff costs of the direct costs other than the direct staff costs of the project ¹⁰	
What to check	What not to check
The flat rate set by the MA ex-ante is part of the project partner budget (in the latest version of the application form) and indicated in the document setting out the conditions for support (i.e., subsidy contract)	Underlying expenditures of the staff costs (the expenditure has been incurred and paid)
The flat rate covers staff costs (as defined in Article 39 of the Interreg Regulation) and it is applied to direct costs other than the direct staff costs of the project as the basis costs (NB: if the travel and accommodation cost category is reimbursed using up to a 15% flat rate on top of a flat rate for staff costs, it will be excluded from the basis costs to calculate staff costs as a flat rate) ¹¹	Supporting documents to make sure the amount of the flat rate was spent on the expenditures of the staff cost category
A correct percentage of the flat rate (as set out in the programme's rules, the application form and in the document setting out the conditions for support) is applied and the calculation is correct	Evidence that the actual amount spent corresponds to the amount of the calculated flat rate
In case of a change of the flat rate, the new flat rate is not applied retrospectively. It is used only for newly selected operations.	
Basis costs (direct costs other than staff costs of the project) do not contain ineligible costs (verification of the other direct costs will depend on the reimbursement methods used)	Timesheets; pay slips, proof of payment of salaries and the employer's contributions; employment/ work documents.
Staff costs ¹² are not included in other cost categories	
Existence of at least one person of staff or a natural person working for the Interreg partner under a contract, according to Article 39 of the Interreg regulation (e.g., by providing registration at the social insurance agency or annual payroll	

What are the first findings?

Flat rate up to 20% of direct costs

Things to in mind



Assess the risk of each type of SCO you use



Do not underestimate. Start cautiously. Adjust.



Be brave and simplify



3. Up to 20% flat rate for staff costs of the direct costs other than the direct staff costs of the project ¹⁰	
What to check	What not to check
The flat rate set by the MA ex-ante is part of the project partner budget (in the latest version of the application form) and indicated in the document setting out the conditions for support (i.e., subsidy contract)	Underlying expenditures of the staff costs (the expenditure has been incurred and paid)
The flat rate covers staff costs (as defined in Article 39 of the Interreg Regulation) and it is applied to direct costs other than the direct staff costs of the project as the basis costs (NB: if the travel and accommodation cost category is reimbursed using up to a 15% flat rate on top of a flat rate for staff costs, it will be excluded from the basis costs to calculate staff costs as a flat rate) ¹¹	Supporting documents to make sure the amount of the flat rate was spent on the expenditures of the staff cost category
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Staff costs ¹² are not included in other cost categories	
Existence of at least one person of staff or a natural person working for the Interreg partner under a contract, according to Article 39 of the Interreg regulation (e.g., by providing registration at the social insurance agency or annual payroll	

What are the first findings?

Things to in mind



Assess the risk of each type of SCO you use



Do not underestimate. Start cautiously. Adjust.



Be brave and simplify



Hourly rate - annual gross employment costs by 1720 h

1. Hourly rate (unit cost for staff costs) established by dividing the latest documented annual gross employment costs by 1 720 hours (for full-time employees) or corresponding pro-rata of 1 720 hours (for part-time employees) based on Article 55(2)(a) CPR¹⁶

What to check	What not to check
The unit cost is part of the project partner budget (in the latest version of the application form) and is indicated as a form of reimbursement in the document setting out the conditions for support (i.e., subsidy contract)	
Employment/ work contract and job description (one-time check, when the staff costs of an employee are reported for the first time)	Payslips (after the hourly rate is established)
Payslip(s) or other documents of equivalent probative value (e.g., accounts, payroll reports) – to verify the correct establishment of the hourly rate (latest documented gross employment costs/ 1720h or pro-rata of 1720h). NB: once the hourly rate (unit cost) is established, payslips should not be verified!	Proof of payment of salaries and the employer's contributions (the expenditure has been incurred and paid)
Data from the working time registration system (e.g., timesheets) to check the total number of hours worked for the project	Indirect salary costs (e.g., annual leave, overtime pay, other benefits, pension plans)
The total number of hours declared per person for a given year/ month does not exceed the number of hours used for the calculation of the hourly rate (in this case, it does not exceed 1720h)	Checking how the hourly rate was established by comparing what is behind the "full-time" working system in the country/ partner organization (i.e., whether it is 40 hours or 37.5 hours according to the national law).
Ceilings of maximum amounts per month/ annual if established by the programme (number of hours worked per month/ year * hourly rate)	
Correct calculation (number of hours declared multiplied by a correct hourly rate)	

What are the first findings?

Things to in mind



Assess the risk of each type of SCO you use



Do not underestimate. Start cautiously. Adjust.



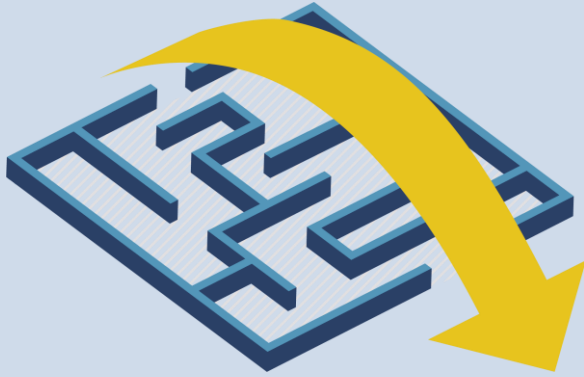
Be brave and simplify



Hourly rate – FEV (functional groups);

2. Hourly rate (unit cost for staff costs) established by the programme based on Article 53(3)a CPR (functional groups)¹⁷

What to check	What not to check
The unit cost is part of the project partner budget (in the latest version of the application form) and is indicated as a form of reimbursement in the document setting out the conditions for support (i.e., subsidy contract)	Indirect salary costs (e.g., annual leave, overtime pay, other benefits, pension plans) ¹⁸
Employment/ work contract and job description (one-time check, when the staff costs of an employee are reported for the first time)	Pay slips
Allocation of an employee to a correct functional group	Proof of payment of salaries and the employer's contributions (the expenditure has been incurred and paid)
Data from the working time registration system (e.g., timesheets) to check the total number of hours worked for the project (for employees working on a part-time basis). Check that the relevant number of hours is considered (for employees working on a part-time basis). For example, if the methodology included breaks, annual leave, etc., the unit cost is to be applied to those hours as well.	For employees working full-time, where the fixed monthly salaries are established by the programme (max number of working hours per month * hourly rate), timesheets or equivalent are not needed!
Correct calculation (number of hours declared multiplied by a correct hourly rate)	



Other SCOs for travel tahn 15% FR (when and why)



When & Why?



15% flat rate might be insufficient to cover real costs, due to:

- low staff costs
- expensive locations
- peak travel seasons
- long distances
- need for multiple forms of transport
- geographical disparities & remote areas
- last-minute travel changes (higher costs)
- need for longer stays

Are there any other factors that make the FR not attractive to projects?



Examples - Interreg:



Proposal approved by the Task Force

Possibility for partners to choose between

ERDF Partners -> Flat rate up to 15% of direct staff costs (off-the-shelf option)

Art. 41(5), ETC -> Without there being a requirement for the Member State to perform a calculation to determine the applicable rate.

IPA Partners -> Flat rate up to 22% of direct staff costs

Art. 53, CPR -> The amounts for the forms of grants [...] shall be established in a fair, equitable and verifiable calculation method.

OR

(ii) reporting based on real costs

The percentage proposed by the 'Off the shelf' options are not in line with the analysed figures for the IPA partners

An external assessment of the calculation methodology is foreseen for the IPA partners threshold (up to 22%) in order to consolidate it and avoid all possible incongruencies during the Programme implementation



Interreg
Mediterranean

**Travel and Accommodation
Methodology for
21/27 Programming Period**

Programme co-financed by the
European Regional Development Fund

Programme cofinancé par le Fonds
européen de développement régional

Examples - Interreg:



Interreg Bavaria - Austria

Small scale projects:

- up to 35.000 EUR
- up to 5.000 EUR (people to people)

Travel and accommodation costs

- 5% flat rate

but

- p2p – staff costs are not eligible so no basis to apply the flat rate

Alternative option:

- mileage fee (per km)
- fixed amount per overnight stay

Examples - Mainstreams:



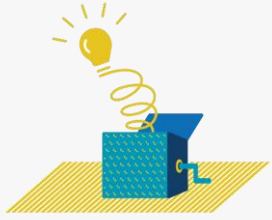
Czech Republic: OP John Amos Comenius

- unit cost – one man-day of the activity (spent on internship/practical training and related cooperation within a research organisation abroad (outgoing) or in CZ (incoming))
- RDI projects - research cooperation
- fair, equitable and verifiable method
- historical, administrative, statistical

Finland: Innovation and skills in Finland 2021 – 2027

- unit cost for a travel day
- fair, equitable and verifiable method
- market, statistical, other official sources; travel related companies, tax administration, statistics
Finland, Erasmus+ (distance calculator & band), UN (per diem)

Examples - Mainstreams:

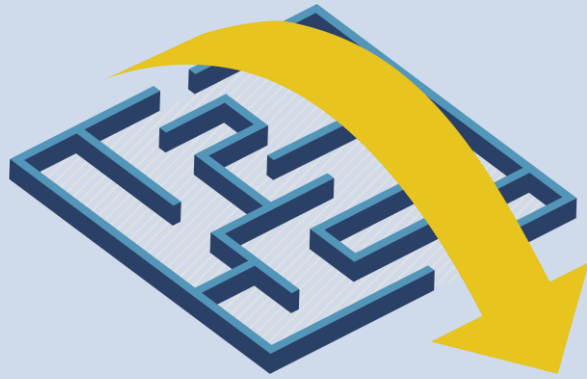


Lithuania - Programme for the European Union (EU) Funds' Investments 2021-2027

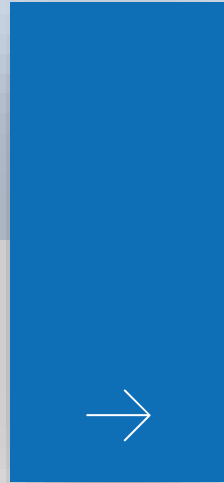
- Distance of intercity travel in Lithuania for the project participant and/or project staff (km)
- Fair, equitable and verifiable method
- The unit cost is calculated based on other objective information, such as the prices of intercity public transport services in Lithuania published on the internet. The unit cost will be updated annually once a year by the end of the first quarter, in accordance with the following conditions:
 1. taking into account the change in the VAT rate laid down in the VAT Law;
 2. on the basis of the (public) information provided by the State Data Agency, and by recalculating the unit costs to the price level of the corresponding year (N), on the basis of the consumer price index indicated by the State Data Agency, compared to the year N-1: consumer price index according to the COICOP classification "073 Transport service".

Have you heard of any other example for SCOs on travel cost?

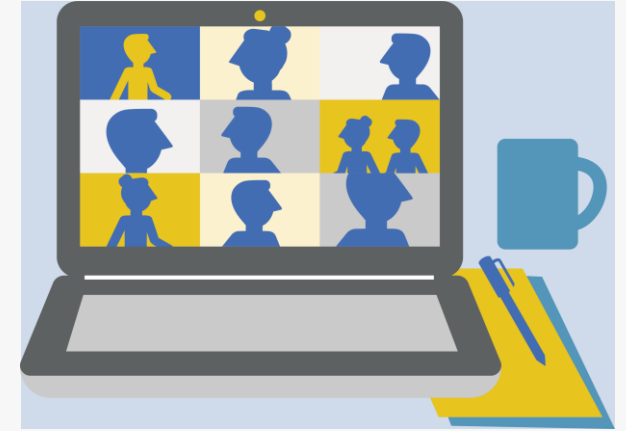




SCOs in post2027



Let's talk



Current SCOs and regulations provisions:

- What needs to be repaired?
- What is missing?

UBOs and SCOs

OTS SCOs and small projects, management costs of SPF beneficiaries

OTS index for updating the programme specific methodologies

Draft budget threshold

Other ?

Performance – based approach in post2027 Interreg WG timeline

May - June

2 Webinars

Common understanding
 Discussion of feasible options
 Rough sketch of possible models

Summer

Time to reflect

Reflection and feedback on the options
 Pros and Cons
 Summary by Interact

September/October

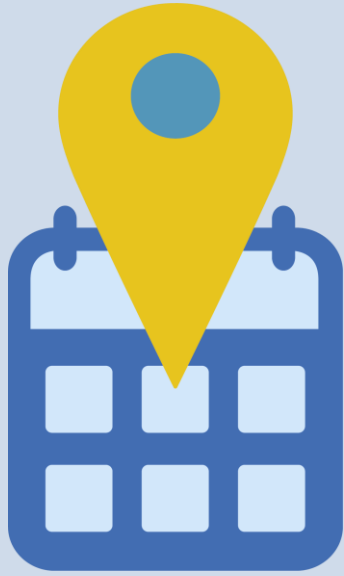
2 Webinars

In-depth discussion of options
 Agreement on key messages (with a view to future legislation)

November 25-26

Harvesting event

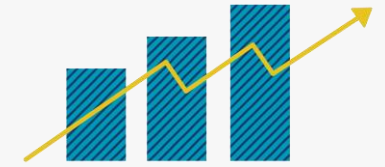
Present our work and invite for discussion
 Validate key messages



What's to come?



Focus in 2024/2025



- Risk based management verification & SCOs tbc;
- Draft budget method tbc;
- Adjustment methods;
- post 2027 – Harvesting event 25/26 Nov 2024; GO25 March 2025,
- OTS SCOs – Working group, Performers WG (if needed);
- Interact Academy – Certified trainings “**Foundations of SCOs**” & “**SCOs for practitioners**”, “**Interreg management verifications**”.



INTERACT

Autumn Calendar Certified Training course programme

Academy.Interact.eu
Academy@Interact.eu

September 2024

- Interreg for beginners
- Interreg programme evaluation (Practitioners level)*
- Video making in Interreg*

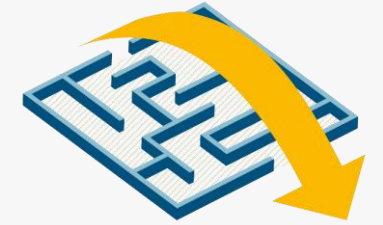
October 2024

- Interreg project assessment, monitoring and verification*
- Interreg management verifications
- SCOs for practitioners (Practitioners level)*

November 2024

- Generative AI for Interreg communication
- Interreg project management
- Programme introduction for beginners

* Certified Training includes an in-person meeting



SCOs in 2021-2027 – Interact Academy

NEW Training programme on SCOs –
SCOs for practitioners

– the registration open until October 11,
2024

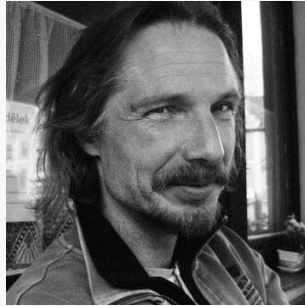


Wrap-up and closure

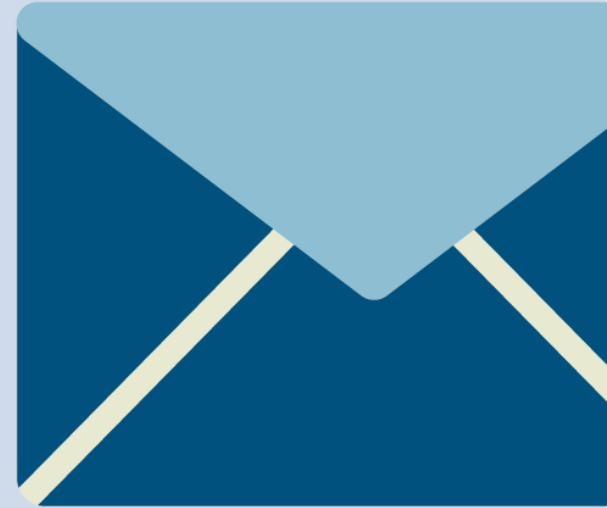
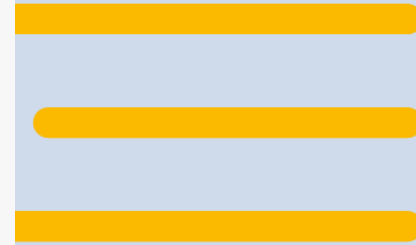
Please fill in our evaluation survey – thank you in advance!



Contact us @



sco@interact.eu



Cooperation **works**

All materials will be available on:

Interact website/ Library