ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

Joint meeting of the
ESF and DG REGIO Transnational Networks on Simplification

Brussels, 20-21 June 2024

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

Introduction
(Meeting agenda & proceedings)

Joint meeting of the ESF and DG REGIO Transnational Networks on Simplification
20 - 21 June 2024, Brussels

Background

The Transnational Networks on Simplification (TNs)

- 600 + representatives of ESF+ and ERDF/CF/JTF authorities and stakeholders involved

- 27 Member States represented

- 100+ events organised

- 4.000+ participants in network meetings and actions

- 100+ tasks carried out (e.g. surveys, maps of practices, manuals, papers)

- 90% average response rate

The networks are widely recognised as the **key fora for discussion around simplification at EU level** and represent the **'state of the art' of simplification** in ESF+ and ERDF/CF/JTF programmes.

Background

TNs' success factors

- Ownership and full commitment of Member States

- Strong support and engagement of the European Commission

- No hidden agendas, only frank and honest discussions

- Courage to discuss what went wrong (bad practices)

- Ability to innovate: propose and test new simplification measures

- Capacity to disseminate knowledge and ideas

- We keep it "simple"

"You do not really understand something unless you can explain it to your grandmother"
(Albert Einstein)

Background

'<u>Your TNs</u>' - the meeting agenda reflects your proposals:

- Topics and activities for the TN (group discussions, evaluations, work plans)

- Future of simplification

- Audit (questions and answers)

- Recovery and Resilience Facility (RRF)

- Use of Simplified Cost Options (SCOs) and Financing Not Linked to Costs (FNLC)

- Updating the guidance on SCOs

- Risk-based management verifications

- Next steps (to be defined based on the outcomes of this meetings)

Meeting agenda – Day 1

Day 1 - 20 June			
Session 1 - Future of simplification			
10:20 - 11:00	1.1	The position paper and road maps on the future of simplification prepared by the ESF Transnational Network (TN) on Simplification	Plenary
11:30 - 12:45	1.2	World café on the future of simplification	World café
14:00 - 15:15	1.3	Panel discussion on the future of simplification	Plenary
Session 2 - Audit			
15:15 - 16:00	2.1	Sharing of audit experience	Plenary
16:00 - 16:30	2.2	Group discussion	Group discussions
16:55 - 17:30	2.3	Panel discussion	Plenary

Meeting agenda – Day 2

Day 2 - 21 June			
Session 3 – Simplified Cost Options (SCO) and Financing Not Linked to Costs (FNLC)			
9:30 - 10:30	3.1	Study on the use of SCOs and FNLC	Plenary
	3.2	Updated EC Guidance on SCO	
Session 4 – Risk-based management verifications			
10:30 - 11:00	4.1	Introduction on risk-based management verifications	Plenary
11:00 - 11:30	4.2	Group discussions on risk-based management verifications	Group discussions
12:00 - 13:00	4.3	Panel discussion on risk-based management verifications	Plenary
		Next steps and concluding remarks	

Recommendations and housekeeping rules

- **World café**
  - Mindset: focus on solutions (NOT on problems) and think ahead (post 2027)
  - Balance specificity (of points) and relevance (for all/most Member States)
  - Dare to innovate (the time is NOW!)
  - Support the facilitators

- **Group sessions**
  - Use the template and return them by e-mail on time (sessions 2.2 and 4.2)
  - Be available to report / support your rapporteurs

- **The meeting will be recorded for <u>internal use</u> only**

- **Presentations will be shared**

- **'Las Vegas rule' & (nuanced) 'State aid rule'**

Thank you very much for your commitment and support!!!

Luca Santin

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification
Coordinator
lucasantin.eu@gmail.com

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

The future of simplification

(Position paper, road maps, world café)

Joint meeting of the ESF and DG REGIO Transnational Networks on Simplification
20 - 21 June 2024, Brussels

Contents

- **Background**

- **Position paper on 'no more real costs'**

- **Road maps models**
  - Road map model for 'no more real costs'
  - Road map model for 'developing result-based programmes'

- **World café and panel discussion on the future of simplification**

Background

Key steps on the "Future of Simplification" (post 2027)

- 21st meeting (Azores, July 2023): decision to work on the future and identification of preliminary topics relevant for simplification of ESF+ in post 2027

- ESF+ Technical Working Group (Madrid, October 2023): roundtable discussions

- 22nd meeting (Budapest, November 2023): definition of preliminary proposals on 'no more real costs' and 'use of result-based approaches on a larger scale'

- 23rd meeting (Krakow, April 2024): discussion of draft outlines of the position paper and key aspects of the road maps

- In preparation for this meeting (May-June 2024): consultations with all TN members and meeting of the TN's subgroup on the "future of simplification"

Position paper on 'no more real costs in post 2027'

Introduction (and caveats)

- The idea of 'no more real costs' was conceived by TN members

- The main points of the proposal were discussed at (and in between) two TN meetings and at four meetings of the Subgroup on the "future of simplification"

- Subgroup on the "future of simplification" proposed to "set the bar high". TN accepted

- The draft position paper has been subject to a round of written consultations: the vast majority (i.e. 90%) of Member States support the proposal

- Meeting of the subgroup following consultations: agreement on the revisions to be made, based on the feedback from the Member States.

- Further revisions are possible

Position paper on 'no more real costs in post 2027'

Definition of the proposal

- 'No more real costs' means that <u>all payments related to the implementation of ESF+ programmes will be only made using simplification measures and will no longer be based on the reimbursement of actual (real) costs.</u>

- <u>'No more real costs' should be applied to all payments for all operations under ESF+ programmes for post-2027, with no exceptions.</u>

Position paper on 'no more real costs in post 2027'

Why 'no more real costs' – <u>Real costs are not sustainable</u>

- High administrative costs and burden

- High risk of errors

- Barriers to access to Funds

- Lower quality

Position paper on 'no more real costs in post 2027'

Why 'no more real costs' – <u>Real costs are not effective</u>

- Real costs don't reduce the risk of fraud

- Real costs don't safeguard financial equilibrium of operations

Position paper on 'no more real costs in post 2027'

Technical preparations

- Some Member States are already very near to 'no more real costs'

- There is sufficient time to prepare (even for the less experienced)

- Start preparations now!

- Change mindset

- Be willing to invest and to learn

- Involve all stakeholders and build partnerships

- Develop a road map

Position paper on 'no more real costs in post 2027'

Institutional and regulatory preparations

- Policy and decision-makers should start acting now

- Endorse the proposal

- Leave no room for exceptions and interpretations

- Allow more flexibility and more reference models

- Enhance legal harmonisation

- Keep the rules stable

- Remove gold-plating

Road map for 'no more real costs in post 2027'

Introduction

- The road map **model** provides references on the (possible) main steps that could be taken by the Member States to prepare for 'no more real costs in post 2027'

- The intermediate goals and timing for each Member State should be determined in accordance with the specific situation of the country

Road map for 'no more real costs in post 2027'

Key phases of the road map model

1. Establishing a coordination centre at national level

2. Assessment of the state of play

3. Capacity building activities

4. Establishing agreements with other institutions
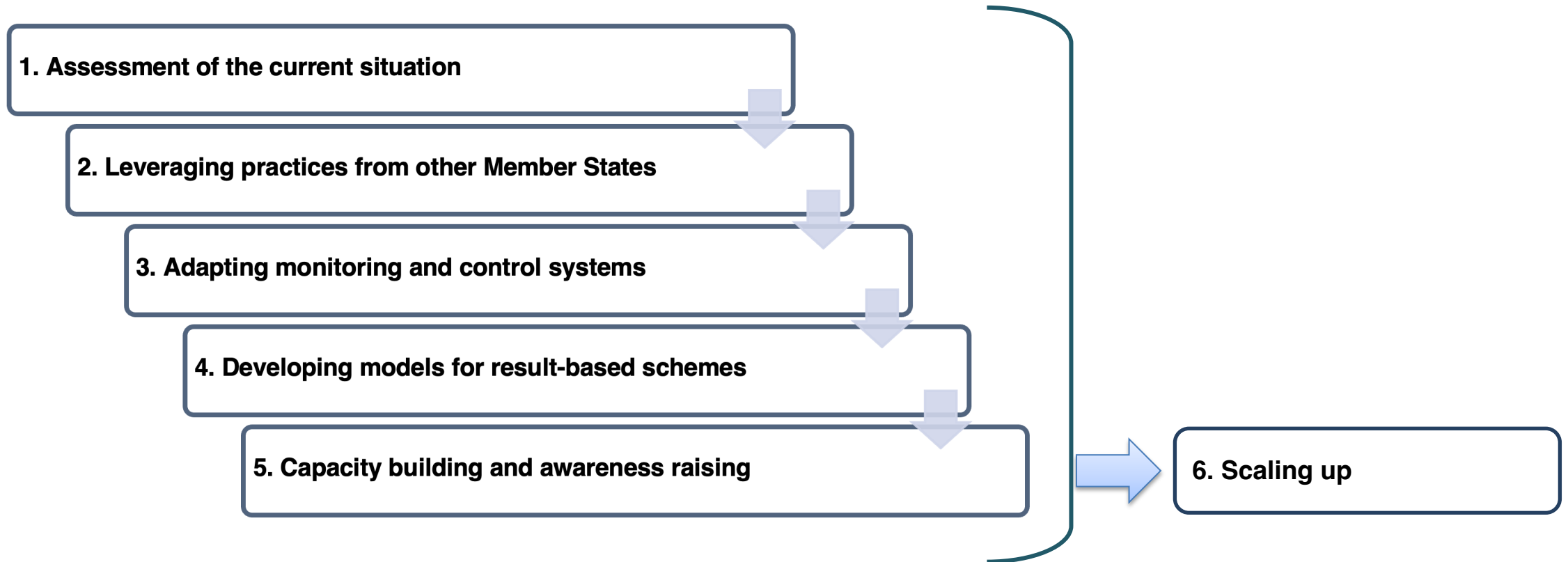
5. Awareness raising and promotion

Road map model for 'result-based programmes'

Introduction

- Key recommendations for post 2027 (from TN meetings):

  - *Use results-based approaches on a larger scale*

  - *Develop models (not Off-the-shelf options) that could be used as reference*

  - *Re-think the way programmes are designed and implemented*

- The road map provides an initial framework for the steps the TN and Member States could take to prepare for result-oriented programmes in post-2027.

Road map model for 'result-based programmes'

Key phases of the road map model

1. Assessment of the current situation

2. Leveraging practices from other Member States

3. Adapting monitoring and control systems

4. Developing models for result-based schemes

5. Capacity building and awareness raising

6. Scaling up

World café and panel discussion on the future

- **Sessions 1.2 – World café on the future of simplification:** participants discuss **in a world café session** around the draft road maps for no more real costs and for developing result-based programmes in post 2027

- **Session 1.3 – Panel discussion on the future of simplification:** the outcomes of the world café session are reported back and discussed in plenary with representatives of the European Commission and TN members.

World café (session 1.2)

- **Purpose: collect proposals on how to further develop the two road maps (on 'no more real costs' and on 'developing result-based programmes').**

- **Proceedings:**
  - The world café is built around the **2 road maps: A '*no more real costs*' and B '*developing result-based programmes'.***
  - Participants are divided into **18 groups**
  - **All groups** will have the opportunity to **discuss about the 2 road maps**.
  - The topics are addressed in **2 parallel rounds**. Approximately **35-40 minutes will be available for each round**.
  - The discussion will be supported by **18 facilitators** (nine for each road map)**.**
  - The facilitators join the groups to introduce the road map and the relevant discussion points and to collect insights and proposals from the groups. At the end of the first round, **the facilitators rotate** and join another table. By the end of the world café session, each facilitator should have joined 2 tables.

World café (session 1.2)

Discussion points

Road map	Discussion points for the world café
A. Draft road map model for 'no more real costs in post 2027'	Looking at the **draft road map model for 'no more real costs in post 2027'** (see background document 1.1.2) TN members are invited to provide suggestions on how to further develop the document: 1. What key information should be added (are there any missing sections or key points that should be included)? 2. What key information should be clarified / revised (are there any key points that are unclear or not relevant)?
B. Draft road map model for 'developing result-based programmes in post 2027'	Looking at the **draft road map model for 'developing result-based programmes in post 2027'** (see background document 1.1.3) TN members are invited to provide suggestions on how to further develop the document: 1. What key information should be added (are there any missing sections or key points that should be included)? 2. What key information should be clarified / revised (are there any key points that are unclear or not relevant)?

World café – rounds of discussion

First round - 11:30 - 12:10		
Group	**Road map**	**Facilitator**
1	A - No more real costs	Gerard Slotema (NL)
2	B - Result-based programmes	Patricia Borges (PT)
3	A - No more real costs	Goran Zakanji (HR)
4	B - Result-based programmes	Agnese Abula (LV)
5	A - No more real costs	Sari Orava (FI)
6	B - Result-based programmes	Joana do Ó (PT)
7	A - No more real costs	Anu Alber (EE)
8	B - Result-based programmes	Emily Vanmechelen (BE)
9	A - No more real costs	Laura Girlevičienė (LT)

First round - 11:30 - 12:10		
Group	**Road map**	**FFacilitator**
10	B - Result-based programmes	Stavri Ttofa (CY)
11	A - No more real costs	Teja Florjančič (SI)
12	B - Result-based programmes	Barbara Woszczyk-Kępińska (PL)
13	A - No more real costs	Alina Kvietkauskienė (LT)
14	B - Result-based programmes	Suzana Chiriac (RO)
15	A - No more real costs	An Beirnaert (BE)
16	B - Result-based programmes	Judit Lakner (HU)
17	A - No more real costs	Maria Preventa (EL)
18	B - Result-based programmes	Maria Constantinou (CY)

World café – rounds of discussion

Second round - 12:10 - 12:45		
Group	**Road map**	**Facilitator**
1	B - Result-based programmes	Patricia Borges (PT)
2	A - No more real costs	Gerard Slotema (NL)
3	B - Result-based programmes	Agnese Abula (LV)
4	A - No more real costs	Goran Zakanji (HR)
5	B - Result-based programmes	Joana do Ó (PT)
6	A - No more real costs	Sari Orava (FI)
7	B - Result-based programmes	Emily Vanmechelen (BE)
8	A - No more real costs	Anu Alber (EE)
9	B - Result-based programmes	Stavri Ttofa (CY)

Second round - 12:10 - 12:45		
Group	**Road map**	**FacIlitator**
10	A - No more real costs	Laura Girlevičienė (LT)
11	B - Result-based programmes	Barbara Woszczyk-Kępińska (PL)
12	A - No more real costs	Teja Florjančič (SI)
13	B - Result-based programmes	Suzana Chiriac (RO)
14	A - No more real costs	Alina Kvietkauskienė (LT)
15	B - Result-based programmes	Judit Lakner (HU)
16	A - No more real costs	An Beirnaert (BE)
17	B - Result-based programmes	Maria Constantinou (CY)
18	A - No more real costs	Maria Preventa (EL)

Panel discussion (session 1.3)

- **Purpose:** The outcomes of the world café session are reported back and discussed in plenary. The rationale of this session is to validate the main proposals identified by TN members on the two draft road map models and to enhance simplification in post 2027.

- **Proceedings:**

  - A short debrief meeting with all 18 facilitators will be held during the lunch break

  - During the debrief the facilitators will share the main proposals collected on each road map

  - A short presentation will be prepared based on the debrief

  - 4 facilitators (two for each road map) will present the proposals to the TNs (session 1.3)

  - The proposals will be discussed in a panel discussion with representatives of the European Commission and TN members.

Thank you for your attention!
Any questions?!?

Luca Santin

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification
Coordinator
lucasantin.eu@gmail.com

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

Panel discussion on the future of simplification

Joint meeting of the ESF and DG REGIO Transnational Networks on Simplification
20 - 21 June 2024, Brussels

Panel discussion (session 1.3)

- **Purpose:** The outcomes of the world café session are reported back and discussed in plenary. The rationale of this session is to validate the main proposals identified by TN members on the two draft road map models.

- **Proceedings:**

  - The 4 facilitators (two for each road map) present the proposals to the TNs

  - The proposals are addressed in a panel discussion with representatives of the European Commission and TN members.

A. Road map for 'no more real costs in post 2027'

Awareness raising and promotion

- should be first point (most important to change the mindset,),
- Stressing the support from the highest political levels, and the clear committment and statement from EC
- Role of EC is missing, rules must be clear and communicated
- Examples of good and bad practices about SCOs and FNLC (in the document or link to the database and Q&A)

Capacity building of Beneficiaries

- have them on board with the approach,
- Feedback whether it is a real simplification, and on the following aspects: suitability, potential risks, adjustments, adequate capacity for implementation, whether the targets are SMART etc.

32

A. Road map for 'no more real costs in post 2027'

Coordination centres

- Considerations on the where to place it: MS with decentralised system to have it on regional level, on MA or some other level with the corresponding roles (only coordination or responsibility for development, whose role is to establish it)
- Network of coordination centres on MS level
- EC website with the contacts of all CC with the examples and functions of CC,

  EC financial and moral support to coordination centres
- CC role in the national framework – legal mapping and harmonisation of rules

Redesign of Management and Control System

- Verification of milestones, targets, outputs, results, CoI, double financing, horizontal principles etc.
- Focus changed on outputs and results: How to assess quality of activities, indicators, outputs and results (not just quantity)?
- Guidelines of treatment of irregularities in FNLC to achieve legal certainty
- Fraud considerations – how to verify and gain legal certainty
- Common understanding between authorities and clear definitions of the eligibility criteria (whether some national eligibility criteria can be waived) and subsequent audit approach (95.3)

A. Road map for 'no more real costs in post 2027'

IT systems development to cope with new requirements (new fields, new reports)

Timetable of the entire process should be set

SCO/FNLC mandatory part of programming

Cooperation with AA and Ex ante assessment mandatory

Baby steps – changing the current national rules to allow for no more real costs

B. Road map for 'developing result-based programmes'

To ADD to the document

- **S0 The concept and need for change, including – distinguish the difference between the outcomes and conditions triggering the payments.**

- **S0 Time table**

- **S1 To appoint the one single coordinating body/governance model (for decentralized MS)**

- **S1 Internal/external assessment of the outcome of stock-taking exercise**

- **S2 Informal meeting between MSs with similar MCS/interests/situation**

- **S3 Changing the assurance model and the scope of audit**

- **S3 Ensure the coverage of horizontal principles and set up of controls covering the main risks and setting up corrective mechanisms / financial discipline tools in place at national level**

- **S3 IT systems – main steps to modify our IT systems and SFC in order be able to collect and to compile information and report the outputs and results**

B. Road map for 'developing result-based programmes'

To ADD to the document

- **S4 Updating the reflection paper for FNLC, looking into JAP guidance**

- **S4 desining the programmes => bottom up approach**

- **S5 political level/preasure**

- **S5 capacity building in the area of audit**

- **S6 risk management build in the schemes, foreseen: flexibility, corrective mechanisms, financial discipline, addressing risks such as fraud, 2F, CoI,**

- **Separate section on changes that are needed in Regulation**

B. Road map for 'developing result-based programmes'

CLARIFICATIONS needed

- ▪ **S0 Distinguish the performance indicators (outcomes) from the conditions (results/milestones/targets) triggering the payments. Since the outcome indicators in the greater part of cases are/could be assessed year/several years after the implementation of measures/programmes.**

- ▪ **S1 could be to describe / reflect the linkage between upper level and lower level within new approach and for COM/ECA to set the limit for their verifications**

- ▪ **S4 who is developing the guidance**

Thank you very much for your commitment and support!!!

Luca Santin

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification
Coordinator
lucasantin.eu@gmail.com

Sharing audit experience on SCOs/FNLC in Cohesion Policy

20 June 2024

Marcela Buzoi
deputy head of unit

Joint audit Directorate for Cohesion, DAC6

European Commission

Outline

1. **DAC auditor's role**

2. **SCOs errors – can we draw some lessons**

3. **FNLC – some take aways**

4. **To conclude**

SCO/FNLC - What's in it for the auditors?

European Commission

DAC auditor's role

Audits on the spot/ remote or hybrid

Assessment of the SCO/FNLC methodologies
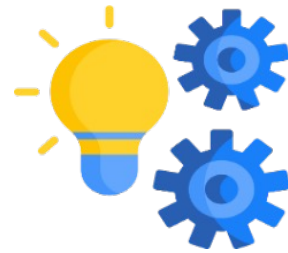
National seminars on SCO/FNLC

TN Networks for ESF+ and ERDF

European Commission

Trends as regards SCO errors?

SCO errors (2014-2020)

FEAD 0% CF 0% EMFF 0%

ERDF 33%

ESF 67%

ESF   ERDF   FEAD   EMFF   CF

European Commission
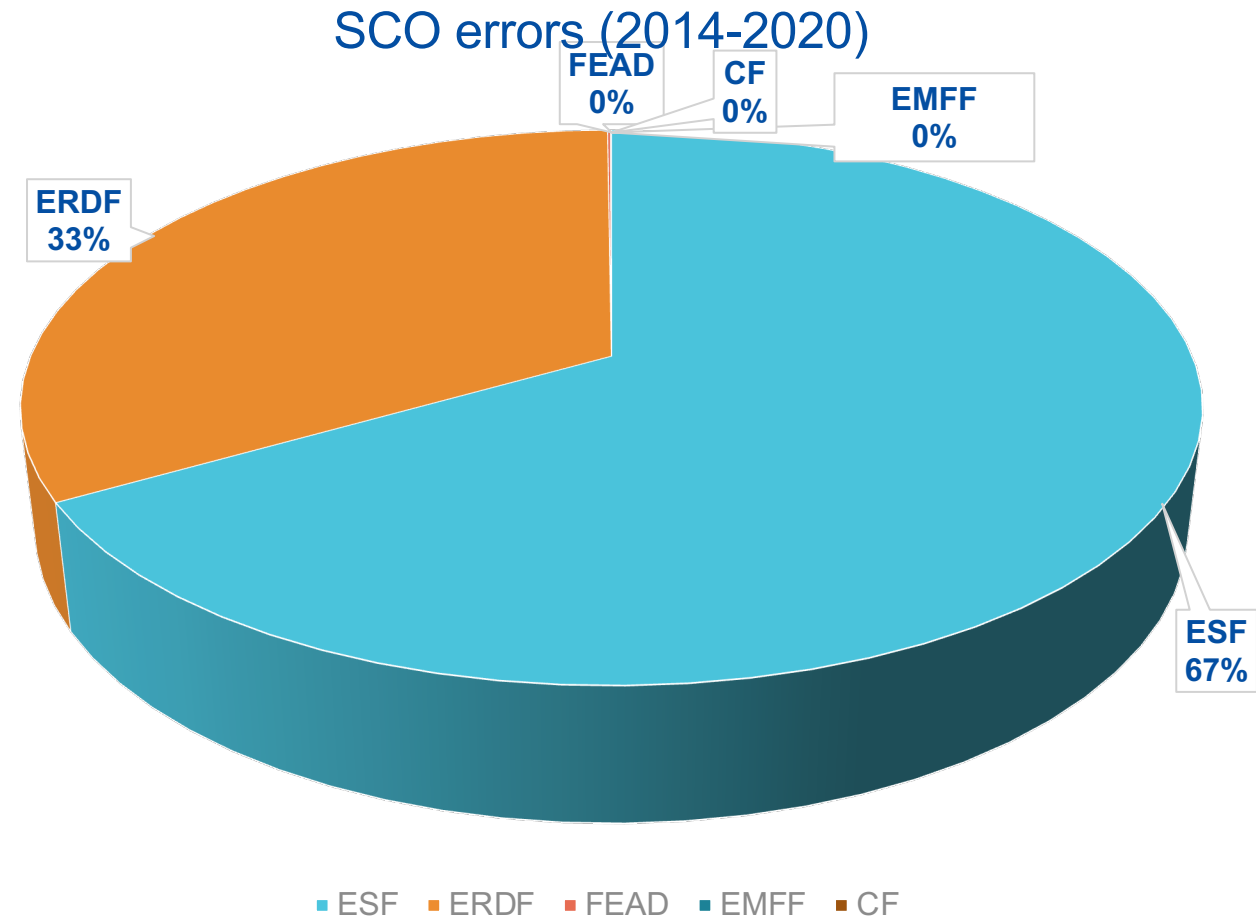
Errors reported by the audit authorities
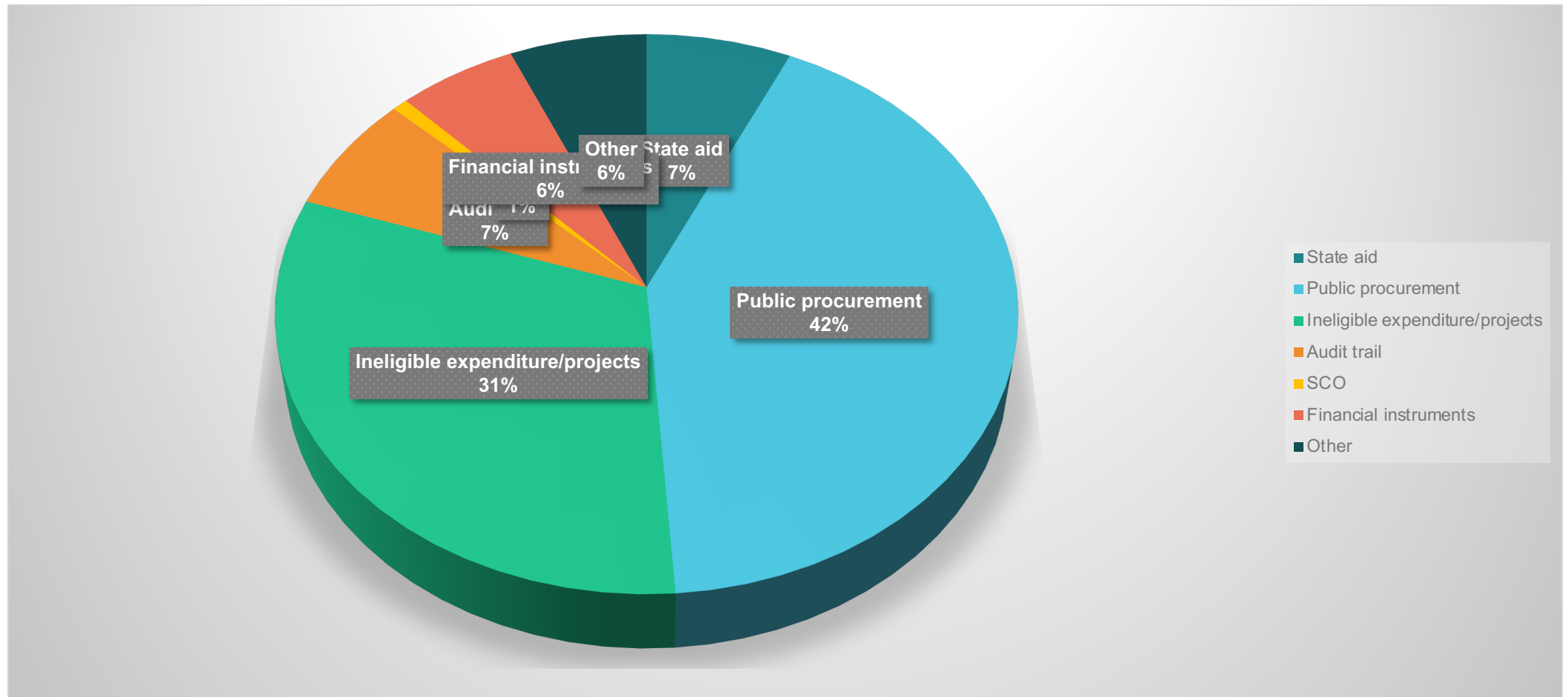
Examples of findings – EC audits 2023

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
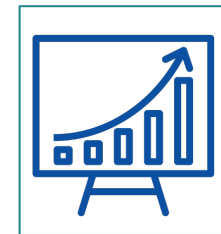
Inaccuracies in the historical data

European Commission

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

Double funding

Within the same operation

Double funding with other EU funds

(more) Examples in the guidance for SCO

European Commission

Tools we use:

COMPASS: https://webgate.ec.testa.eu/eyes-web/index.jsp#/list/1

eGRANTS: https://webgate.ec.testa.eu/pdmv5/secured/search.do

KOHESIO: https://kohesio.ec.europa.eu/en/

ARACHNE: https://webgate.ec.europa.eu/arachneweb/

RRF map : https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en#map

European
Commission

FNLC – who does what…

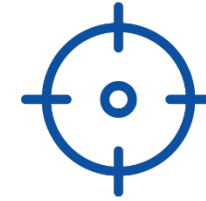|	DAC auditors	Audit Authority auditors
Ex – ante – appendix 2 (audit trail/ verifications)	✓	*Recommended*
Ex-ante arrangements on compliance with applicable law (CPRE_23-0008-02 09/06/2023)	✓	*Recommended*
Audits on results and conditions (article 95.3)	✓	✓

FNLC - Points of attention

Work together MA and AA

Audit trail for the achievement of deliverables

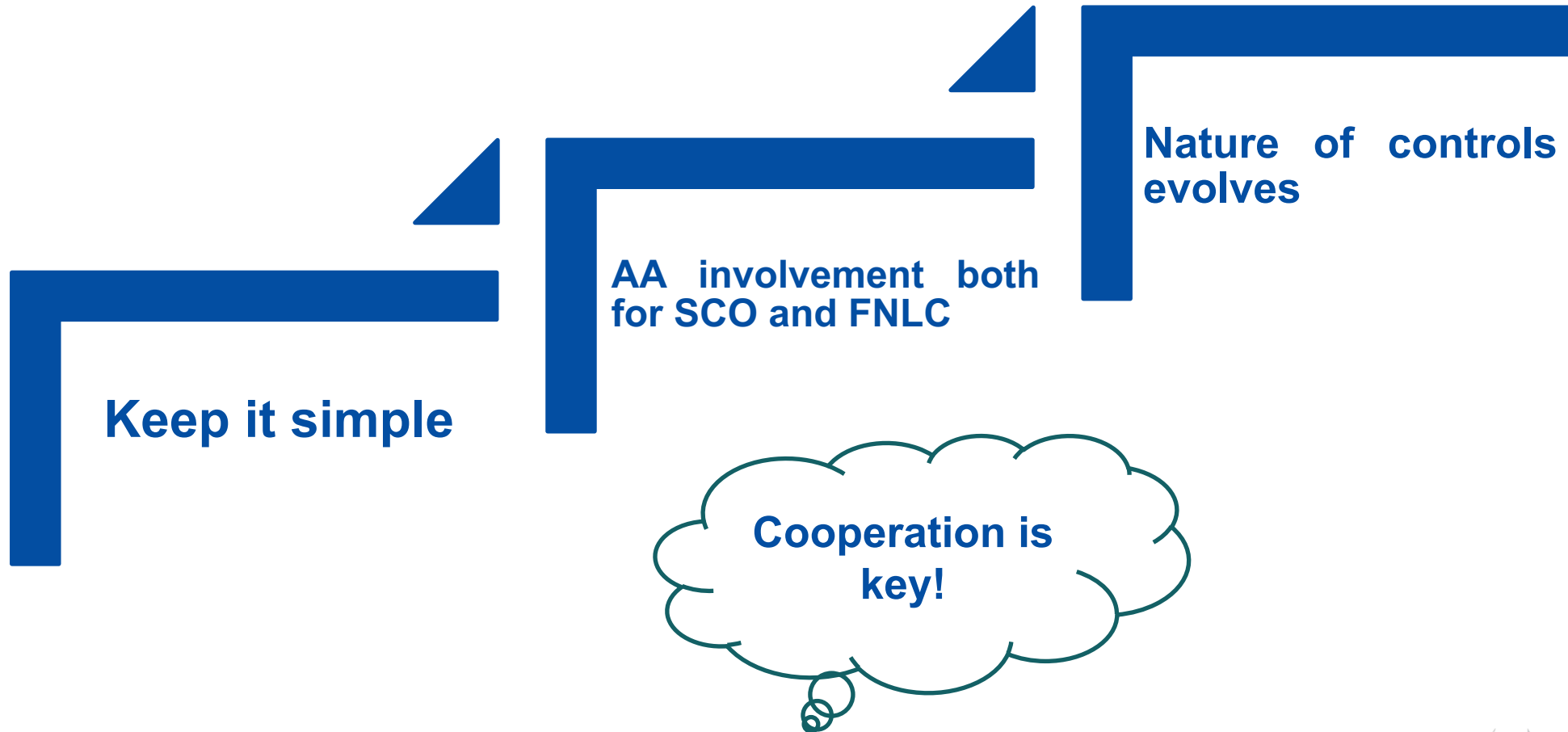**Previous audit findings with possible impact on the FNLC**

Compliance with applicable law

Information in appendix 2 – self standing or clearly referenced

European Commission

To conclude …

Keep it simple

AA involvement both for SCO and FNLC

Nature of controls evolves

Cooperation is key!

European Commission

Thank you

European Commission

Introduction to the RRF

- Direct management (grant and loans), i.e. the beneficiary is the Member State

- FNLC applies for payments from the Commission to Member States

- Approval of the RRPs by means of Council implementing decision and role of Economic and Financial Committee for approval of payment request (comitology)

- Legality and regularity: Disbursements take place upon the Commission assessment that the M/T have been satisfactory fulfilled

- Audit and control milestones, which can be introduced with the approval of RRPs, but also beyond first payment

Unit ECFIN R4

Mission statement

The unit carries out the audit work on the RRF, as well as ex-post controls. The RRF audit work is based on a dedicated and risk-based methodology. It aims to ensure that:

1. Payments made by the Commission are legal and regular

2. Cases of fraud, corruption, conflict of interest and double funding are adequately corrected

3. Corrective measures are taken to address significant breaches of the financing agreements agreed with Member States
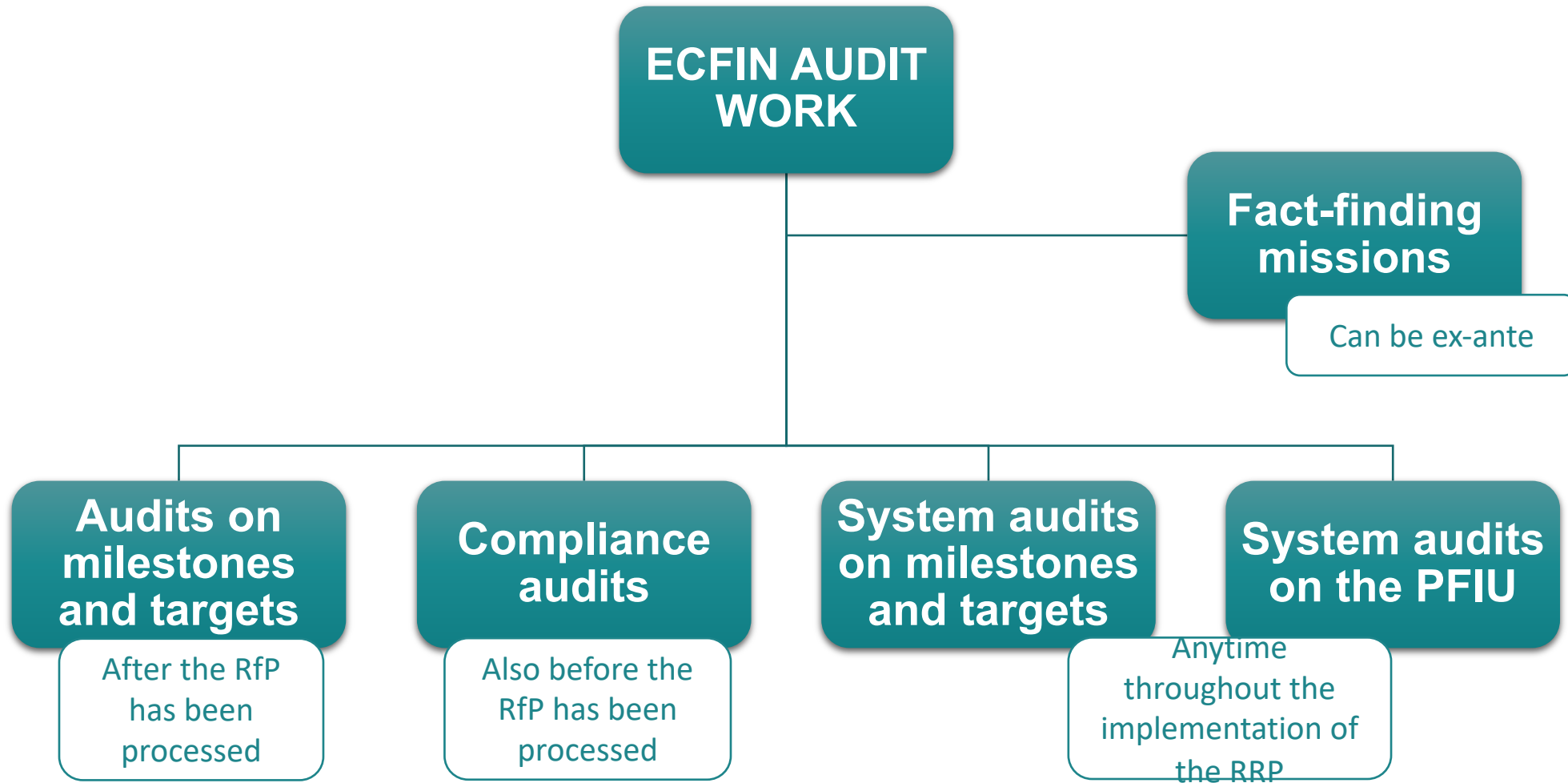
Tasks of auditors

Assessment of the control systems described in the RRPs and their amendments, including milestones for audit and control system

Assessment of the management declaration and the summary of audits accompanying each payment request

Audit work, including system and ex-post audits

Provides advice and support to MS and national audit bodies on audit and control matters

European Commission

The types of audits carried out by ECFIN R4

ECFIN AUDIT WORK

Fact-finding missions

Can be ex-ante

Audits on milestones and targets

After the RfP has been processed

Compliance audits

Also before the RfP has been processed

System audits on milestones and targets

Anytime throughout the implementation of the RRP

System audits on the PFIU

European Commission

Audits of milestones and targets (1)

- Objective is to assess whether the milestones and targets declared by Member States in payment request have been effectively fulfilled at the time of submission of the payment request, as well as if not reversed afterwards, and to obtain assurance on the reliability of reported data

- Auditors look at the data submitted by the Member States and cross-check the reported data sets with potential other data sources or the underlying supporting evidence of their reliability, **including on-the-spot visits**

- Auditors then trace and verify that data to assess if it has been correctly aggregated and/or otherwise manipulated as it is submitted from the final recipients, possibly through intermediate levels, to the coordinating body.

- The data verification exercise takes place in two stages:

  1. In-depth verifications at the final recipient's level; and

  2. Follow-up verifications at the intermediate levels and at the coordinating body level.

Audits of milestones and targets (2)

- The Member States and their plan components to be audited are selected on a **risk based approach**

- All milestones and targets of the RRPs (per instalment) are assessed considering a number of pre-defined risk factors (e.g. type of measure; number of implementing entities; verification mechanism), and to each a score is attributed (0 very low risk/1 low risk/5 medium risk/10 high risk)

- Auditors will then select the milestones and targets to be audited **among the high and medium risk scores**, using their professional judgement and considering the resources of the audit team.

System audits on milestones and targets

- Focus on the quality and reliability of established systems in place and of reported data relating to the achieved milestones and targets.

Specific objective:

- assess the quality, integrity and ability of the underlying data management and IT or other systems to store, collect, aggregate and report on these milestones and targets (system audits as regards milestones and targets)

- A/C milestones in the 1st request for payment

- verify the reliability of reported data on achieved milestones and targets declared by Member States in payment requests, as well as their <u>aggregation</u> (if combined with audit on milestones and targets)

European Commission

System audit on PFIU

- Provide assurance that the Member States' internal control systems are able to prevent, detect and correct cases of conflict of interest, fraud, corruption and double funding

Specific objective:

- Key requirements specified in the Financing Agreement

- Key requirement No 2 (Effective implementation of proportionate anti-fraud, anti-corruption measures and measures to effectively avoid conflict of interests and double funding) – compulsory part of the scope of the system audit

- Other key requirements - No 3, 4, 5 and 6

- A/C milestones in the 1st request for payment

European Commission

Compliance audits

Main objectives of a compliance audit are:

- obtain reasonable assurance that the work carried out by the **audit body** is compliant with the requirements of the RRF Regulation, in particular Article 22; and

- assess the degree of **reliability to be placed on the results of the audit body's audit work** (incl. audit opinion and reported deficiency(ies) and/or weaknesses identified and presented in the management declaration and summary of audits accompanying each payment request, in particular on the functioning of the internal control system and on the legality and regularity.

During a compliance audit, ECFIN auditors can **reperform audits performed by the audit body,** either a system audit or an audit on milestones & targets.

European Commission

Audit work carried out by ECFIN R4
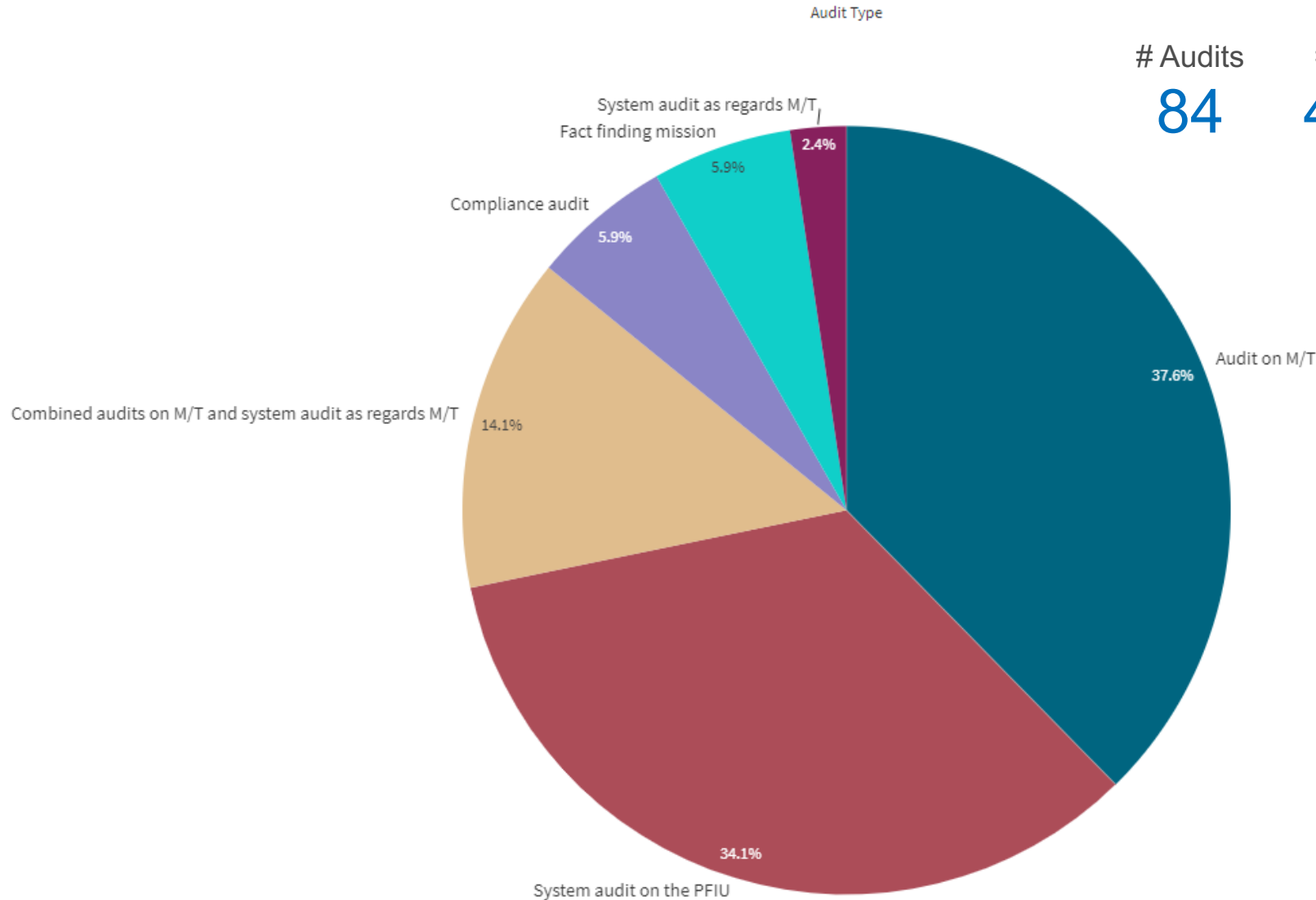
Findings from the audits of M/T

|			
Inadequate collection of data on final recipients, contractors, sub-contractors and their beneficial owners	Inadequate management verification carried out by the implementing body	Ineligibility of declared projects or outputs	Inadequate publicity
Satisfactory fulfilment of the M/T could not be confirmed	Fraud suspicion identified	Conflict of interests identified	Potential case of double funding with the other EU funds
	Incorrect assessment of State aid case	Breaches of the public procurement rules	

European Commission

Suspension and partial payments methodology

Payment suspension **provides time** for MS to fulfil relevant M&T within six months.
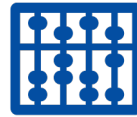
The calculation of the suspended amount to reflect the **performance-based nature of RRF**

Full respect of **equal treatment and proportionality principles**

The contradictory procedure allows Member States to submit observations

---

Unit value of a M&T

- Total RRP allocation/number of M&T
- **Two different unit values for M&Ts (**grant vs. loan)

Corrected unit value per unfulfilled M&T

- **Investment M/T: Coefficient of (2)** for large investments, **(0,5)** for small investments and interim milestones
- **M/T for reforms: Coefficient of (5)** for the entry into force, **(0,5)** for interim and ex-post steps

---

Adjustment of the corrected unit value

- **Proportional reduction:** reflects depth of the implementation gap for M&T
- **Downward adjustments:** if part of reform's objectives are fulfilled, or if reform less important for RRP positive assessment
- **Upward adjustment:** if underlying measure is important to justify the RRP ratings for addressing relevant CSRs (reforms) or any ratings (Investments)

The non-fulfilment or reversal of milestones related to **audit and control system** that were necessary for complying with Art.22 of the RRF Regulation shall lead to the **suspension of the full instalment and all future instalments**.

European Commission

Lessons learnt (Mid-term evaluation) (1)

- RRF supports long-awaited reforms

- Involvement of stakeholders

- Flexibility

- Administrative capacity

- Administrative and audit & control burden

- The Commission's guidance

Communication to the Commission – Approval of the content of a draft Commission Notice on the Updated Guidance on RRPs

Lessons learnt (Mid-term evaluation) (2)

The RRF is an effective response to the unprecedented economic and societal impact of the pandemic.

The RRF has proven to be a key tool to boost Member States' delivery on the European Semester's country-specific recommendations.

All elements are in place to ensure that Member States deliver on their commitments by 2026.

The evaluation at the half-way point provides useful lessons for future performance-based instruments.

European Commission

Questions?

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

Group discussions on 'Audit'

(Session 2.2)

Joint meeting of the ESF and DG REGIO Transnational Networks on Simplification
20 - 21 June 2024, Brussels

Preparation

- **Documents circulated before the meeting:**

  - **Background note** with questions/discussion points + template to report back.

- **Rationale, to:**

  - <u>Identify key questions</u> relevant for audit of simplification measures (SCOs, FNLC or any other simplification measure) in ESF+ and ERDF/CF/JTF programmes to be addressed by representatives of the European Commission.

Proceedings and follow-up

Each group is invited to:

- Appoint the **group rapporteur**

- **Share their questions** around the audit approach to simplification measures:

  Q1. Questions for the European Commission.

Follow-up:

- Based (only) on the templates you will return by e-mail

- Please be clear, concise and … on time!

- Outcomes from the templates are clustered by the TN team

- Key outcomes are addressed in plenary: panel discussion (session 2.3)

Q1. Questions for the European Commission

What questions, relevant for audit of simplification measures (SCOs, FNLC or any other simplification measure) in ESF+ and ERDF/CF/JTF programmes would you like to address to representatives of the European Commission? Please indicate your questions in the table below (in order of priority).

Questions on audit of simplification measures
First question (priority question): _____
Second question: _____
Third question: _____
....
....

Any questions?!?

Luca Santin

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification
Coordinator
lucasantin.eu@gmail.com

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

- Mapping/quantifying the use of SCOs and FNLC in the 2014-2020 programming period for ERDF, CF, ESF, EAFRD and EMFF.

- Mapping/quantifying the use SCO and FNLC in the 2021-2027 programming period for ERDF, CF, ESF+, JTF, EMFAF, AMIF, ISF and BMVI.

(!) The analysis should differentiate between the use of SCO/FNLC at lower level and at upper level.

- Start of the contract: December 2023

- Survey to programme authorities: March-May 2024

- June: preliminary results (Draft Interim Report)

- July-August: further checks and analysis of the data collected (**some MA will be recontacted**)

- July-August: survey to programme beneficiaries

- Final report: October 2024

t33 sound policy

The table below shows:

1. The number of programmes completing the questionnaire relative to the total number of programmes funded;

2. The proportion of the budget (EU and national co-financing) represented by the participating programmes compared to the budget allocated

Response rate consolidating replies from both programming periods

Fund	Complete questionnaires	Total no. of OP	1. Response rate (No. of OPs)	2. Response rate (Budget coverage)
CF	33	47	70%	74%
ERDF	349	574	61%	67%
JTF	28	46	61%	66%
ESF/ESF+	195	357	55%	63%

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

t33 sound policy

Updated EC Guidance on SCO: presenting the key updates

21 June 2024

Sophie Dura
DG REGIO

Veronica Cotea
DAC

Marta Testa
DG EMPL

Reasons for adopting a revised Guidance Note on SCOs
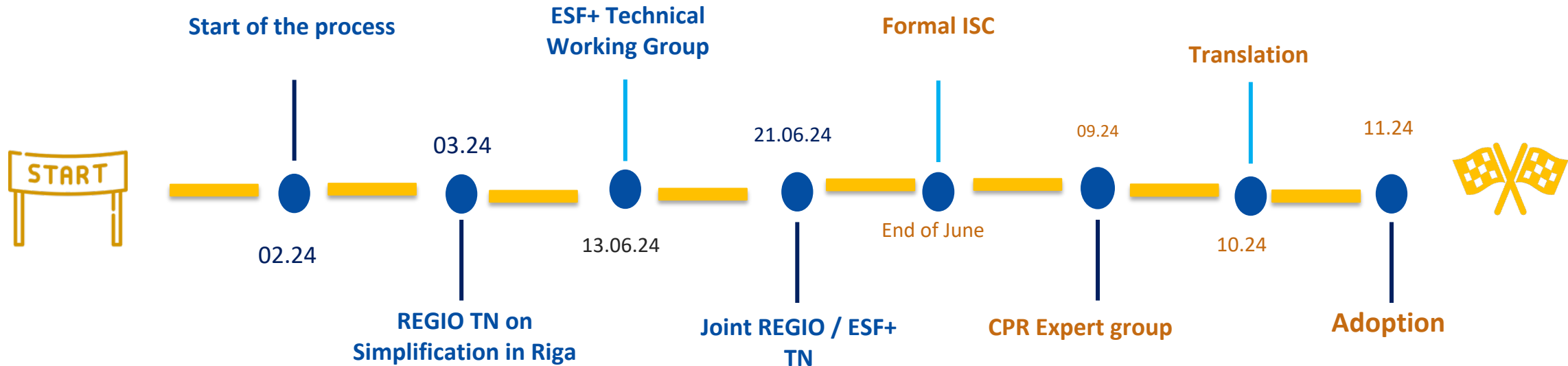
Request from the Member States

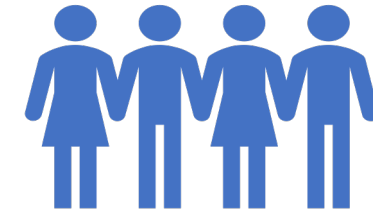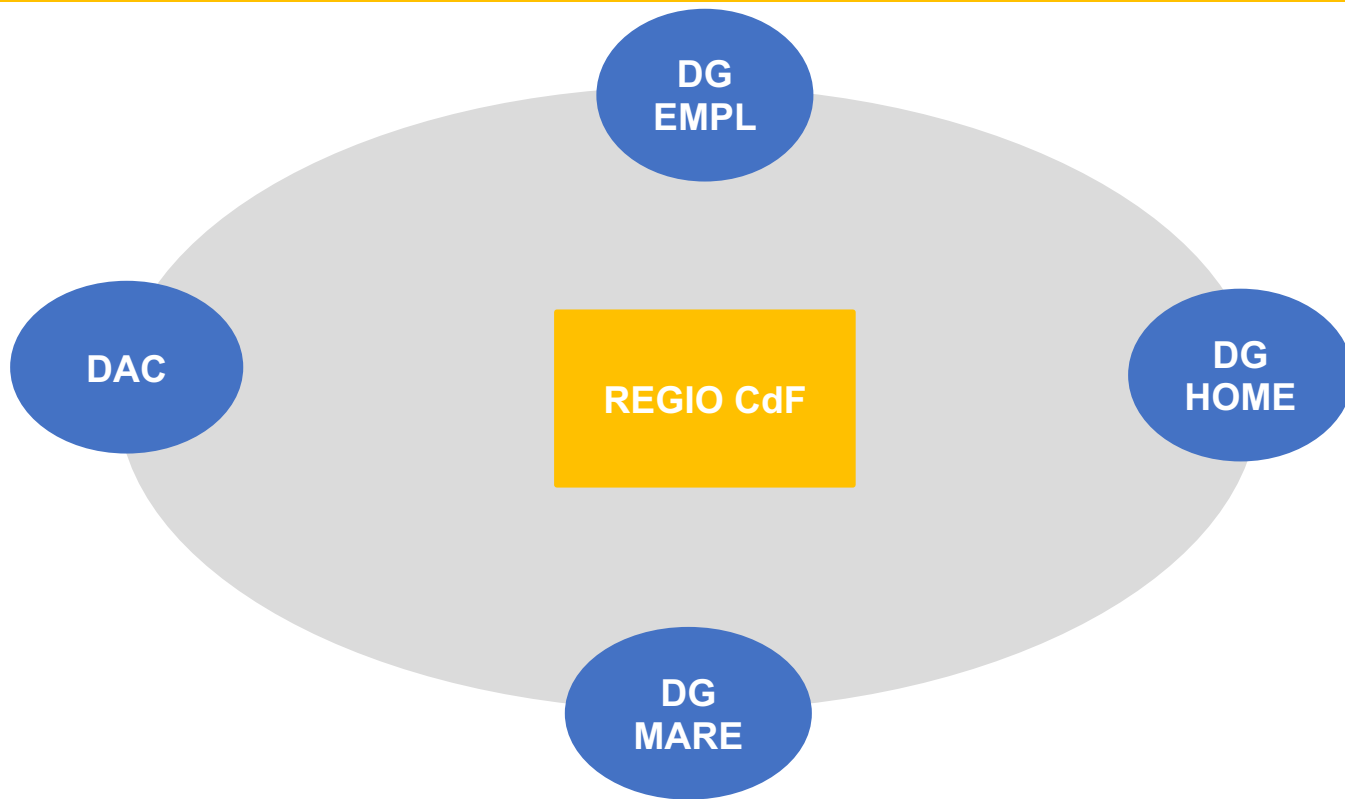2021-2027 legislative framework with new provisions on SCOs

Several interpretation questions received & provided to Member States

(Preliminary) timeline for adoption

START

Start of the process
02.24

REGIO TN on Simplification in Riga
03.24

ESF+ Technical Working Group
13.06.24

Joint REGIO / ESF+ TN
21.06.24

Formal ISC
End of June

CPR Expert group
09.24

Translation
10.24

Adoption
11.24

Who is involved in revising the Guidance Note on SCOs?

Input from Member States

Need for updating the content:
- Two levels of SCOs
- Methodology: clarifications on the draft budget, data sources and data collection, more SCOs from other Union policies
- Respecting state aid rules (reference to SGEI, checking the incentive effect)
- Public procurement (how to handle conflict of interest)
- Risk of double funding
- Clear explanation of the scope of management verifications and audit

- Clearer structure and drafting
- Wording be in layman terms

- More user friendly and digitalised
- Better visualisation (matrix of possible SCO combinations)

Structure of the revised Guidance Note

Chapter 1: Introduction to simplified cost options

Chapter 2: Types of simplified cost options

Chapter 3: Setting up simplified cost options

Chapter 4: Implementing simplified cost options

Chapter 5: Horizontal principles

Chapter 6: Management verifications and audit

Content of the Guidance Note

Chapter 1: Introduction to Simplified Cost Options

What are SCOs, why and when to use them

Different levels of reimbursement

Optional and mandatory use of SCOs

Chapter 2: Types of Simplified Cost Options

Overview of the different types of SCOs (flat rate, unit costs, lump sums)

Off-the shelf SCOs

Combination of SCOs

Content of the Guidance Note

Chapter 3: Setting up simplified cost options

Set up of SCOs *ex ante*

Methods

Procedural steps setting up upper level SCOs

Adjustment Methods

Chapter 4: Implementing simplified cost options

Currency used for SCOs established at 'upper level'

Application in time

Declaration of SCOs in payment applications

Use of SCOs from Commission delegated acts

Content of the Guidance Note

Chapter 5: Horizontal Principles

Public procurement

State aid

Cross-financing

Collection, storage and publication of data

SCOs and eligibility period

Chapter 6: Management verifications and audit

General approach

Verification of the SCO methodology and its application

Absence of double financing

Compliance with State aid rules

Potential errors or irregularities

Content of the Guidance Note

Annexes

Examples of SCOs

Appendix 1 of Annexes V, VI CPR

Examples of SCOs compatibility with State aid rules

Thank you

European Commission

Risk based management verifications

Oana Mantog,
Joint Audit Directorate for Cohesion, European Commission

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!

European Commission

For AAs

- key role

- communication

- system audits (early, but not only)

- balance

- is it clear & justified?

- audits of operations

Good luck!

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

Introduction on
risk-based management verifications

(Session 4.1)

Joint meeting of the ESF and DG REGIO Transnational Networks on Simplification
20 - 21 June 2024, Brussels

Key contents

- **Updates from the working groups**

- **Outcomes of the multi-country Workshop on RBMV**

  - Proposals for the next steps of the working groups on RBMV

  - Actions to be carried out by the TNs to further support the implementation of RBMV

Updates from the working groups - ESF

Recommendation paper on risk-based management verifications

TN working group on RBMV

What have we done

Finalization of Recommendation Paper

Further updates of the Recommendation paper based on TN member feedback and the Commission

04

Drafting the Recommendation paper

Outline of the paper is developed and shared firstly within the group and afterwards to all TN members for commenting

02

03

Addressing the comments and update of RP, WG meetings

In some cases this also served as a learning process to all members

01

Working group setup

Good balance between MAs and AAs in the group and experience in risk based approach.
EC and Luca support

TN on RBMV

In numbers

39 Persons participated (MA and AA)	**9** Working Group meetings	**13** Countries involved	**10+** Updates of Recommendation paper	**41** Recommendations in RP

Recommendations

01

INITIAL CONSIDERATIONS

1 Determine whether national rules hinder the possibility of
using risk-based approaches

2 Ensure commitment and support from the top in the development

3 Analyse whether some verifications are mandatory

4 Assess the degree of changes in comparison to 2014-2020 PrP and its effect

5 Establish which data to collect and the most appropriate methods and tools for data collection

6 Assess the impact of risk based approach to overall organisation

7 Consider external factors that can influence your RBMV approach

8 Embed the principle of proportionality in your planned approach

02

OBJECTIVES AS A STARTING POINT IN DEVELOPMENT OF RBMV

9 Start by understanding the Managing Authority overall objectives

10 Define objectives of risk based approach

11 Be transparent - Inform all stakeholders about main benefits and effects. Ensure their commitment and appropriate tone at the top

12 Consult AA and IBs while designing the risk-based methodology

13 Use your resources wisely

14 Promote e-Cohesion and develop IT system for automatic risk assessment

15 Train staff on risk management

16 Seek out external support (if applicable)

03

RISK BASED METHODOLOGY

CONTENT, KEY ROLES AND MAIN STEPS

17 Draft the content of RBMV methodology with all necessary elements

18 Understand and define roles and responsibilities

19 Define steps in risk based verifications

20 Consider the following approaches and coverages in administrative verifications

21 What should not be considered as Risk based approach

22 Test your newly developed methodology using the data from 14-20 period

23 Consider the timing of verifications

24 Determine the coverage of verifications

04 | ON-THE-SPOT CHECKS

25 Consider the following questions before development of OTS methodology

26 Consider the following OTS risk factors

27 Consider the following OTS approaches

05 | RISK IDENTIFICATION

28 Risk identification tips

29 Create and structure risk universe according to specific object(s)

06 | RISK ASSESSMENT

30 Select scoring/selection approach

31 Consider what types of risks to take into account

32 If possible, take into account Beneficiary mitigating measures and other relevant data from external assurance providers

33 Set the risk appetite

07 | ADMINISTRATIVE VERIFICATION PLAN

34 Take into consideration all relevant elements while developing Administrative Verification plan

08 DOCUMENTING THE VERIFICATIONS

35 Define the audit trail / document verifications done

09 INTERPRETATION OF VERIFICATION RESULTS, ASSESSMENT OF ERRORS AND CONCLUSIONS

36 Recommendations for the assessment of errors

37 Follow these steps if risk sample needs to be extended

10 MONITORING AND REPORTING OF RISKS

38 Recommendations for monitoring of risks

39 Recommendations for reporting on risks

11 RBMV METHODOLOGY UPDATE

40 Set the periodic update of methodology

12 AA ASSESSMENT OF RISK-BASED MANAGEMENT VERIFICATION

41 Possibilities for AA to assess and rely on RBMV methodology

Updates from the working groups - ERDF

14 DRAFT CASE REPORTS RECEIVED

Members of the WG (SK, HU, CY, EL, HR, LV, PT, FR, Interact (IT-HR)/(PL))

Extra (LT, IE, IT, LU)

RESPONSIBILITY FOR DEVELOPMENT

CCB/or another body (CY, SK, EL, HU, PT, LT, LV)

MA (FR, IE, Interact (IT -HR)/(PL), IT , LU)

DIFFERENT APPROACHES TO DEVELOP THE METHODOLOGY

Statistical analysis (CY, SK, EL)

Taylored made (FR, HR, HU, IE, Interact (IT -HR)/(PL), IT, LV LT, LU)

USAGE OF RISK-BASED MODEL

WHEN: payment claim/expenditure, invoice or per contract/project LEVEL

EXTRA: public procurment / SCO low risk or normal risk

REVISION AND UPDATE OF THE RISK-BASED MODEL

At least on annual basis (HU, CY, EL, EI, FR, HR, LV, LT, PT)

Updated when needed (Interact (IT-HR)/(PL), IT, LU, SK)

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).

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 tools, random sampling**

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)**

Thank you very much for your commitment and support!!!

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

Group discussions on 'Risk-based management verifications'

(Session 4.2)

Joint meeting of the ESF and DG REGIO Transnational Networks on Simplification
20 - 21 June 2024, Brussels

Preparation

- **Documents circulated before the meeting:**

  - **Background note** with questions/discussion points + template to report back

  - **Recommendation paper on 'Risk-based Management Verifications' (RBMV)** prepared by the ESF TN working group

  - **Draft case reports on RBMV** practices developed by the REGIO TN working group

  - **Updated maps of RBMV practices** (ERDF/CF/JTF and ESF+)

- **Rationale, to:**

- Identify the main questions around RBMV.

- Develop proposals for the next steps of the TNs.

Proceedings and follow-up

Each group is invited to:

- Appoint the **group rapporteur**

- Discuss the **following points**:

  Q1. Main questions around RBMV to be addressed to the European Commission.

  Q2. Actions to be carried out by the TNs to support RBMV implementation.

Follow-up:

- Based (only) on the templates you will return by e-mail

- Please be clear, concise and … on time!

- Outcomes from the templates are clustered by the TN team

- Key outcomes are addressed in plenary: panel discussion (session 4.3)

Q1. Questions for the European Commission

What questions, relevant for risk-based management verifications in ESF+ and ERDF/CF/JTF programmes would you like to address to representatives of the European Commission? <u>Please indicate your questions in the table below</u> **(in order of priority)**.

Questions on risk-based management verifications
First question (priority question): _____
Second question: _____
Third question: _____
....
....

Q2. Next steps for the TNs

Please identify the actions to be carried out by the two Transnational Networks to further support the implementation of RBMV approaches in ESF+ and in ERDF/JTF/CF programmes. Please indicate your proposals in the table below **(in order of priority)**.

Proposals for the next steps of the TNs
First proposal: _____
Second proposal: _____
Third proposal: _____
....
....

Any questions?!?

Luca Santin

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification
Coordinator
lucasantin.eu@gmail.com

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification

What's next

Joint meeting of the ESF and DG REGIO Transnational Networks on Simplification
20 - 21 June 2024, Brussels

Next steps

I. **Evaluations (online form will be circulated)**

II. **Presentations will be shared next week**

III. **TNs work plans**

TNs work plans

Tasks for each TN will be defined by mid-July

Next meetings

25th meeting of the

ESF Transnational Network on Simplification

17-18 October 2024

18th meeting of

DG REGIO Transnational Network on Simplification

14-15 November 2024

Guess where?!?

Next meetings

25th meeting of the

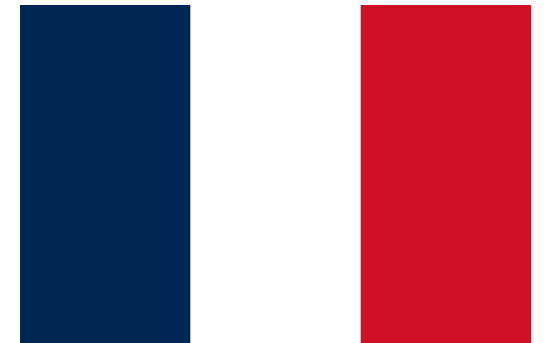ESF Transnational Network on Simplification

17-18 October 2024 in

Malmö

18th meeting of

DG REGIO Transnational Network on Simplification

14-15 November 2024 in

France

Thank you very much for your commitment and support!!!

Luca Santin

ESF Transnational Network on Simplification
DG REGIO Transnational Network on Simplification
Coordinator
lucasantin.eu@gmail.com