

**Homologues' Group Meeting – Prague, Czech Republic
25-26 September 2023**

Workshop 3 – “Financing not linked to cost and Simplified cost options. Looking beyond legality and regularity”

Monday 25 September 2023, 11:00-13:00

Room: EUFORIE

Facilitators:

Mr Axel Badrichani, Head of Unit DAC.6

Ms Marcela Buzoi, Deputy Head of Unit DAC.6

Mr Brian Debattista, Deputy Head of Unit DAC.1

Mr Dinos Alevizopoulos, Assistant to the Director DAC

Presentations:

Ms Marcela Buzoi, Deputy Head of Unit DAC.6

Mr Christophe Acolat, Audit authority, France

Ms Agnese Abula, Audit authority, Latvia

Rapporteur:

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Context

Delivering policy through financing not linked to cost (FNLC) and simplified cost options (SCOs) be it in Cohesion Policy or other areas such as Resilience and Recovery Fund is gaining more and more ground and appetite with the programme authorities.

In the period 2021-27 over 200 SCO schemes have been approved by the EC following proposals from programme authorities. In the same time a large number of SCOs (mostly flat rates) are foreseen to be ready for use by the managing authorities – the so-called ‘off-the shelves’. More than five billion EUR of expenditure is foreseen to be implemented via FNLC for both ERDF and ESF+. Several EU level SCOs and FNLC were already adopted through delegated acts in 2022 and 2023 and other EU level SCOs are being worked on. In addition SCOs under article 53 CPR are being designed by managing authorities and used directly with beneficiaries.

The use of SCOs and FNLC significantly reduces the administrative burden for both managing authorities and beneficiaries and allows to shift the focus from collecting and verifying financial documents to achieving policy objectives (i.e. concentrating on achieving concrete outputs and results instead of verification and control of actually incurred costs). On the other hand obtaining the assurance on the legality and regularity of the expenditure can prove at times to be a difficult balance to strike to ensure that the purpose of simplification is not at risk.

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In this context of change of focus, the workshop aims at sharing audit experience and practices on SCOs and FNLC to draw lessons for the future use of these forms of reimbursement and to discuss issues related to compliance with applicable law.

Objective of the workshop

The workshop aims at presenting the overview of existing schemes adopted by the Commission, as well as practices of the audit authorities when having to analyse methodologies, focusing on what aspects are assessed.

Two audit authorities will share their experience from auditing SCO and FNLC methodologies (distinguishing between the audit work on the set-up and that during implementation) while identifying the most common areas where the reimbursements are based on SCOs and FNLC, in their respective countries including how compliance with applicable national and EU rules is ensured.

Further on, during group discussions, the workshop aims at getting indications on what the audit community thinks about the challenges that the use of SCOs and FNLC bring and the opportunities they create, as well as audit practices to make the most of the SCOs and FNLC.

Areas of reflection covered by the workshop

- Sharing experience on the process of adopting article 94 SCOs
- The role of the audit authorities in SCOs and FNLC at the design and during the implementation stage
- Identifying misconceptions in case of use of SCOs and FNLC
- Strengthening accountability and transparency to enhance the use of simplified methods of reimbursement: a task for the AAs, as well?
- Double funding when using SCOs and FNLC: a real problem specific to SCO and FNLC?
- How to achieve assurance on legality and regularity while delivering simplification
- Feedback on audit findings about SCOs implementation and areas of attention for managing authorities

Conclusions to be drawn

At the end of the workshop, the rapporteur will draw the conclusions of the discussions and the Commission will share the outcome with all interested AAs.

Suggested reading

- Recommendation paper on financing not linked to costs ([KE0722459ENN.en .pdf \(europa.eu\)](#))
- SCOs- Guidance note

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- Explanatory note on the application of Article 95(3) CPR (1) - how assurance is provided when implementing a ‘financing not linked to costs’ (FNLC) scheme - CPRE_23-0008-02 09/06/2023
- Commission Delegated Regulation (EU) 2023/1676 of 7 July 2023 supplementing Regulation (EU) 2021/1060 of the European Parliament and of the Council regarding the definition of unit costs, lump sums and flat rates and financing not linked to costs for reimbursement of expenditure by the Commission to Member States