Report

to the

Contact Committee

of the heads of the Supreme Audit Institutions
of the Member States of the European Union
and the European Court of Auditors

on the
Parallel Audit
on

Simplification of the Regulations in Structural Funds

by the

Working Group on Structural Funds

Index

Executive Summary

In 2011, the Contact Committee of the heads of Supreme Audit Institutions (SAI) of the Member States of the European Union (EU) and the European Court of Auditors (ECA) mandated the Working Group on Structural Funds to continue its review of issues relating to Structural Funds, more specifically, to carry out a parallel audit on the '*Simplification of the Regulations in Structural Funds*.'

The Working Group consisted of 12 EU Member State SAIs and audited the impact of nine simplification measures. The following are the key conclusions:

- In general, the simplification measures were infrequently used and affected only a small proportion of all projects, largely due to a number of factors relating to the management of Structural Funds at national and supranational level, including:
    - Introduction at a late stage by amendatory regulations;
    - Not all measures were suitable for all Operational Programmes (OP) and/or projects;
    - Limitations relating to the resources required for the implementation of measures; and
    - A lack of clarity and legal certainty experienced by national authorities.
- Whenever the measures were used, most of them were considered to represent genuine simplification. Factors relating to why SAIs chose not to use the measures differed considerably, depending on the European system[1], the national legal system, the organisation of Structural Funds in each Member State, as well as the specific features of each OP. These conditions influenced the potential scope of application of measures and their respective benefit.

The key findings of the report were the following:

- Measures 1, 2 and 3 (flat-rate for indirect costs, flat-rate costs based on standard scales of unit cost, lump sums):

  In the case of national authorities, the process of establishing the methodology relating to the application of the above-indicated measures led to administrative burdens and was regarded as difficult and involving an element of risk; furthermore, developing the methodology and acquiring the Commission's approval were often lengthy processes. The lump sum was perceived as too low and the 'all or nothing-principle' led to a reluctance of the measure's use. Whenever these three measures were used, they constituted genuine simplification.

- Measure 4 (in-kind contributions to financial engineering schemes):

  This was the only measure that was not used in any of the audited OPs within the participating Member States.

[1] Some factors on the European level influenced the implementation of the measures; for instance, the timing of the introduction of the measures at European level.

- Measure 5 (advanced payments):

  Although this measure was used sparingly, the national authorities that applied it regarded it positively; conversely, the national authorities that did not use it, stated that it was not applicable to them, preferred not to, or did not consider it necessary to apply it.

- Measures 6 and 9 (increased flexibility for major projects, single threshold for major projects):

  The measures relating to major projects are limited in their scope of application. Allowing expenditure of a major project that has not yet been approved by the Commission to be included in expenditure declarations, accelerates cash flow and project implementation; however, it exposes the Member State to financial risk. The process relating to environmental major projects between EUR 25 million and EUR 50 million has been simplified.

- Measure 7 (co-financed repayable assistance):

  This measure was regarded as constituting effective simplification, as it in fact explained and clarified the previous practices employed in cases when reusable funds were granted.

- Measure 8 (raising of threshold of revenue generating projects):

  Raising the threshold for revenue generating projects and excluding ESF projects from the rule could constitute a genuine simplification. However, according to some managing authorities, the COCOF guidance note on Article 55 of Regulation (EC) No 1083/2006, requiring Member States to apply sound financial management principles[2], led to legal uncertainty.

Although the simplification measures were generally infrequently used and the individual results per Member State differed significantly, the following key recommendations deemed relevant to the Member States and the Commission have been developed:

- The scope of application of the measures is limited and their implementation requires additional effort. The benefits of the measures depend on the specific features of the Structural Fund system within each Member State. *If the measures can be used, they generally constitute genuine simplification. Where possible, the responsible authorities should make use of the relevant simplification measures, while simultaneously bearing in mind a sound balance of cost and benefits.*

- Amendments during the programming period are difficult to implement. Clear rules at the beginning of the period simplify the system. *Guidelines should be available at the beginning of the programming period.*

- A lack of legal certainty and clarity was noted. *National authorities should request for assistance to be provided by the Commission and ask for clarification when necessary. It would be in the common interest if the Commission in turn could provide the necessary clarification on time.*

[2] European Commission, Revised Guidance Note on Article 55 for ERDF and CF of Council Regulation (EC) No 1083/2006: Revenue Generating Projects, final version of 30/11/2010, page 17.

- The implementation of the cost measures 1, 2 and 3 was particularly burdensome. The process for developing the applicable methodologies and the means by which Commission approval was sought were often time-consuming. *Additional guidance on methodology from the Commission could have facilitated the procedure. In addition to this, the sharing of effective methodologies among the participating Member States, or different authorities within one Member State, could reduce the administrative burden.*

- Cost measures 1, 2 and 3 bear the risk of funding the same costs, possibly through the improper combination of these same measures or an improper combination with real costs. *The responsible authorities should avoid double funding.*

Part II concerns the assessment of parts of the proposed legislative package corresponding to the future programming period (2014-2020), solely based on the views expressed by Member State officials. The main points, which are not necessarily an indication of the official position of the Member States, are as follows:

- Member State officials expect positive effects from some of the assessed draft articles of the proposed regulations. These include: increased efficiency; reduced administrative costs and burdens for authorities and beneficiaries; reduced risk of errors; less administration and controls; more efficient conduct of audits; sound management of funds; simplifications in reporting; and an unambiguous and transparent methodology of rate-calculation or scale-definition by the Commission.

- However, the adoption of other assessed draft Articles is expected to generate additional administrative burden (especially in light of the new financial regulation) for authorities and beneficiaries that implement projects co-financed by the Structural Funds budget. For example, the Commission's power to adopt delegated acts is criticised by several officials. Also, the principle of proportionality was not sufficiently and concretely respected in the draft proposals.

These main points for the future programming period do not include an assessment of the SAIs, and therefore do not reflect the opinion of the SAIs.

Introduction

Background and objective of the audit

In 2011, the Contact Committee of the heads of Supreme Audit Institutions (SAI) of the Member States of the European Union (EU) and the European Court of Auditors (ECA) mandated the Working Group on Structural Funds to continue its review of issues relating to Structural Funds, more specifically, to carry out an audit on the 'Simplification of the Regulations in Structural Funds'. The Working Group consisted of 12 EU Member State SAIs.

The European Parliament and the ECA identified many adverse factors in the complex arrangements regulating EU Structural Funds (error rate, misunderstandings, time consuming and intensive administrative procedures and mistakes in funding applications, among others). Therefore, the said two institutions suggested that the European Commission (Commission) should simplify the provisions on Structural Funds. The Commission amended such regulations through a series of revisions.[3]

The key areas covered by the amendments include the following:

- Regulation (EC) No 1083/2006 (Structural Funds General Regulation): revenue generating projects, major projects, financial engineering, evaluation, eligibility and statement of expenditure, durability, monitoring, financial management, repayable assistance;
- Regulations (EC) No 1081/2006 and No 1080/2006 (ESF and ERDF Regulations): eligible costs;
- Regulation (EC) No 1828/2006 (Structural Funds Implementing Regulation): information and publicity, management and control systems, irregularities, financial engineering, housing, territorial cooperation.

In October 2011, the Commission adopted draft regulations laying down provisions for the Structural Funds for the 2014-2020 period.[4] Negotiations on these Commission proposals took place in the context of the Multiannual Financial Framework for the 2014-2020 period.

---

[3] • Regulation (EC) No 1083/2006 (11 July 2006) laying down general provisions on the ERDF, ESF and Cohesion Fund;
  - Amended by Regulation (EC) No 1341/2008 (18 December 2008);
  - Amended by Regulation (EC) No 284/2009 (7 April 2009);
  - Amended by Regulation (EU) No 539/2010 (16 June 2010);
  - Amended by Regulation (EU) No 1310/2011 (13 December 2011);
  - Amended by Regulation (EU) No 1311/2011 (13 December 2011);
  - Regulation (EC) No 1080/2006 (5 July 2006) on the ERDF;
  - Amended by Regulation (EC) No 397/2009 (6 May 2009)
  - Amended by Regulation (EC) No 437/2010 (19 May 2010);
  - Regulation (EC) No 1081/2006 (5 July 2006) on the ESF;
  - Amended by Regulation (EC) No 396/2009 (6 May 2009);
  - Regulation (EC) No 1828/2006 (8 December 2006) setting out rules for the implementation of Council Regulation (EC) No 1083/2006;
  - Amended by Regulation (EC) No 846/2009 (1 September 2009);
  - Amended by Regulation (EU) No 832/2010 (17 September 2010);
  - Amended by Regulation (EU) No 1236/2011 (29 November 2011).

[4] • COM(2011) 615 final: Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common

The objective of the parallel audit was to determine the impact that the simplification measures had on the Member States. The Working Group, therefore, selected nine simplification measures that had been introduced by amendatory regulations as at end 2011, and from which it expected significant impact on the implementation of Structural Funds within the participatory Member States. The SAIs examined which simplification measures were applied by the Member States and identified advantages and disadvantages as well as lessons learnt by the managing, certifying and audit authorities, and by the beneficiaries in the course of applying the measures. In addition to this, the joint final report includes assessments by Member State officials with regard to a number of provisions of the regulation proposals for the new 2014-2020 programming period.

Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006;

- COM(2011) 614 final: Proposal for a Regulation of the European Parliament and of the Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006;
- COM(2011) 607 final: Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund and repealing Regulation (EC) No 1081/2006.

Audit subject

The 12 members of the Working Group examined the simplification measures for the 2007-2013 programming period covering ERDF and ESF. The audit scope covered the period between 01.01.2007 and 31.12.2011, with results relating to 2012 explicitly indicated as such. The Cohesion Fund was exceptionally included in cases when simplification measures were used on projects co-financed by the Cohesion Fund.

The following table presents the audited OPs in the participating Member States. An additional table including the national co-financing budgets is represented in Annex A.

Table 1: Structural Funds available and audited OPs in the participating Member States

	EU funds available (in TEUR)[5]		Number of audited OPs		Funds covered by the audit (in TEUR)		Percentage of funds covered by the audit	
	ESF	ERDF	ESF	ERDF	ESF	ERDF	ESF	ERDF
	1	2	3	4	5	6	7=5/1*100	8=6/2*100
Austria	524,413	680,066	0	3	0	156,501	0.0	23.0
Bulgaria	1,185,460	3,205,132	2	2	40,253	185,194	3.4	5.8
Germany	9,400,000	16,100,000	1	0	3,500,000	0	37.2	0.0
Hungary	3,629,089	12,649,743	2	12	3,629,089	12,649,743	100.0	100.0
Italy	6,930,542	21,027,308	8	9	3,110,343	9,637,089	44.9	45.8
Malta	112,000	443,978	1	1	112,000	443,978	100.0	100.0
The Netherlands	830,003	830,000	1	2	830,003	474,700	100.0	57.2
Poland	10,007,398	34,791,000	1	4	10,007,398	17,513,357	100.0	50.3
Portugal	6,843,388	11,508,207	3	8	6,768,388	10,470,770	98.9	91.0
Slovakia	1,499,603	6,099,989	2	5	1,499,603	3,209,789	100.0	52.6
Slovenia	755,699	1,933,779	1	2	755,699	1,933,779	100.0	100.0
Sweden	698,380	943,769	1	8	698,380	943,769	100.0	100.0
Total	42,415,975	110,212,971	23	56	30,951,156	57,618,669	73.0	52.3

Source: Country reports

Ten SAIs covered ERDF and ESF OPs, one SAI focused exclusively on ERDF OPs, while the remaining SAI limited its review to ESF OPs. In total, the 79 audited OPs accounted for EUR 31 billion ESF funds and EUR 58 billion ERDF funds, which represent 73.0 per cent of the ESF OPs and 52.3 per cent of the ERDF OPs in the Member States participating in this parallel audit.

The amendatory regulations introducing the simplification measures are binding in their entirety and directly applicable to all Member States. Nevertheless, some measures are optional, invoking the discretion of the Member State with respect to their application, or otherwise, and are hereafter referred to as 'optional measures'. Other simplification measures deemed compulsory in terms of application are referred to as 'non-optional measures'.

[5] Excluding operational programmes targeted at territorial and transnational cooperation.

The parallel audit addressed a total of nine simplification measures, with the first seven measures listed below being optional and the remaining two being non-optional.

- Measure 1: Flat-rate for indirect costs

  The option to declare indirect costs on a flat-rate basis of up to 20 per cent of direct costs was introduced for ERDF by Regulation (EC) No 397/2009. The option had already been in place from the commencement of the funding period for ESF programmes.[6]

- Measure 2: Flat-rate costs based on standard scales of unit cost

  This measure was introduced by Regulation (EC) No 396/2009 for ESF and Regulation (EC) No 397/2009 for ERDF stipulating that flat-rate costs may be calculated by the application of standard scales of unit cost as defined by the Member State.

- Measure 3: Lump sums

  Lump sums, also introduced by Regulation (EC) No 396/2009 for ESF and by Regulation (EC) No 397/2009 for ERDF, cover all, or part of, the costs of an operation and should not exceed EUR 50,000. If the operational aspect of the project is verified, the beneficiary is paid the lump sum.

- Measure 4: In-kind contributions to financial engineering schemes

  This measure (Regulation (EC) No 284/2009) aims at facilitating the use of financial engineering instruments, notably within the field of sustainable urban development. More specifically, in-kind contributions (with regard to financial engineering) are considered as expenditure paid at the constitution of funds or holding funds.

- Measure 5: Advanced payments

  The former limit of 35 per cent of the total amount of the aid granted to a beneficiary for a given project has been removed as a result of this measure (Regulation (EC) No 284/2009). Advanced payments up to a limit of the whole amount of the aid granted may now be included in the payment application submitted to the Commission.

- Measure 6: Increased flexibility for major projects

  The purpose of this measure is to accelerate the implementation of major projects as it permits expenditure of major projects that have not yet been approved by the Commission to be included in expenditure declarations (Regulation (EC) No 284/2009). This measure replaces a rule stating that expenditure related to major projects may only be included in the statement of expenditure after the project has been adopted by the Commission.

[6] While the audit plan only focused on the flat-rate for indirect costs for ERDF OPs, several SAIs reported on using this measure for ESF also, therefore the final report also contains findings on the measure for ESF OPs.

- Measure 7: Co-financed repayable assistance

  According to the Regulation (EU) No 1310/2011, repayable assistance schemes were not appropriately covered by the provisions on financial engineering instruments, or by any other provisions. Therefore, the Structural Funds General Regulation was amended in order to ensure that the Structural Funds may in fact co-finance repayable assistance; repayable assistance that is repaid to the body that provided the assistance needs to be reused for the same purpose. This measure covers reimbursable grants and credit lines operated by managing authorities through financial institutions that are acting as intermediate bodies.

- Measure 8: Raising of threshold of revenue generating projects

  With the effective introduction of this measure (Regulation (EC) No 1341/2008), the conditions for revenue generating projects were only applicable to those projects that are co-financed by the ERDF or Cohesion Fund and with a total cost of over EUR 1 million (previously EUR 200,000 and ESF included).

- Measure 9: Single threshold for major projects

  This simplification measure introduced a single threshold of EUR 50 million for all major projects (Regulation (EU) No 539/2010). It replaced another regulation that set a threshold of EUR 25 million for projects related to the environment and a further threshold of EUR 50 million for the rest of the projects.

Some members of the Working Group also audited other simplification measures at EU level or at national level (SAIs of Hungary, Poland and Slovenia).[7]

The Working Group examined whether simplification measures had been (fully) implemented by the Member States, which simplification rules and steps (EU or national) had been adopted by the different Member States, and the experiences generated.

'Used' means that a measure has been applied to at least one project in an OP.

The audit plan defined measures as simplifications for the managing/certifying/audit authorities and/or beneficiaries if they reduced administrative burdens and/or reduced costs. Nevertheless, the Working Group did not intend to calculate the curtailment of administrative costs. During the audit the SAIs found that measures could simplify Structural Fund management without reducing the administrative burden and/or costs for the managing, certifying or audit authorities. Therefore, in this final report, simplification is used in a broader sense and explained accordingly where appropriate.

The parallel audit also looked at the possible difficulties or problems encountered with respect to the management and control systems (embodied by the respective managing/certifying/audit authorities) and beneficiaries.

[7] See annex C for further information.

The scope was limited to simplification activities of the Member States related to the 2007-2013 programming period. However, an overview of the views expressed by Member State officials on the simplification proposals for the 2014-2020 period had also been provided. These results do not include an assessment of the SAIs, and as such do not reflect the opinion of the SAIs.

Methodology

The Working Group developed questionnaires on the basis of which the SAIs carried out the parallel audit.

As a first step, SAIs gathered the following information using Part I of the questionnaire that was sent to the managing authorities:

- A general overview of Structural Funds Programmes (the number of OPs, the amount of funds involved, and the division of the funds);
- The number of projects in which simplification measures were used (absolute number/percentage); and
- The amount and percentage of funds (EU funds plus national co-financing) covered by the projects in which simplification measures were used.

The national results for the number of projects in which simplification measures were used could not be compared directly. Generally, not all managing authorities could provide the required data and therefore some authorities had to make certain assumptions or estimations in this respect. Furthermore, the date of introduction at national level differed. Therefore, the data and further explanations relating to the results obtained by certain Member States are presented in Annex B.

As a second step, the SAIs assessed the perception of each simplification measure in each OP by the managing/audit/certifying authorities and beneficiaries, the positive/negative impacts, irregularities and suggestions.

In addition, the SAIs carried out spot-checks and/or conducted interviews.

Moreover, further clarifications were sought with respect to the reasons put forward by the participating Member States as to why such measures were not applied. To this end, an additional survey within the Working Group was conducted in February 2013.

Part I: Simplification Measures

Part I provides an overview of the use of simplification measures in ESF and ERDF OPs within the participating Member States. Furthermore, an analysis and assessment of the nine simplification measures, examples of good practices and recommendations are presented. Finally, in this section of the report, some criticism and suggestions are voiced by national authorities – especially by managing authorities – regarding the Structural Funds regulations without including the relevant SAIs' opinion.

Overview

Several conditions had a significant impact on the findings presented in this chapter. The audit period covered 01.01.2007 up to 31.12.2011. The management and control systems, the OPs and the eligibility rules were established at national levels at the beginning of the funding period, that is, in 2007. The audited simplification measures were, however, introduced at a later stage:

- Measures 1 – 3 for ERDF: 10.06.2009 (possibility to apply the measure retroactively)
- Measures 2 – 3 for ESF: 22.05.2009 (possibility to apply the measure retroactively)
- Measure 4: 09.04.2009 (possibility to apply the measure retroactively)
- Measures 5 and 6: 09.04.2009
- Measure 7: 23.12.2011 (possibility to apply the measure retroactively)
- Measure 8: 25.12.2008 (possibility to apply the measure retroactively)
- Measure 9: 25.06.2010.

The measures introduced at a later stage of the funding period were difficult to implement as existing systems and rules had to be adjusted, and this was often time consuming. Generally, the measures were only applied to projects that arose later in the funding period.

Further to the above, the national legal system, the organisation of Structural Funds in each Member State and the specific features of each OP influenced the potential scope of application. The main reasons put forward as to why the measures were not utilised included:

- Not all measures were suitable for all OPs and/or projects;
- National authorities considered such measures as lacking in terms of clarity and legal certainty; and
- The required resources for implementing the measures were not available.

Conclusion 1

In general, the simplification measures were infrequently used and affected only a small proportion of all projects, largely due a number of factors relating to the management of Structural Funds at national and supranational level, including:

- **Introduction at a late stage by amendatory regulations;**
- **Not all measures were suitable for all OPs and/or projects;**
- **Limitations relating to the resources required for the implementation of measures; and**
- **A lack of clarity and legal certainty experienced by national authorities.**

Data on simplification measures within the Member States illustrates that these measures were infrequently used. Even if the measures were used, they were used and/or could be used in one OP or in a few OPs and sometimes in isolated cases only. However, when interpreting the results obtained, it should be noted that the measures were introduced by EU regulations during the funding period, after the national systems and rules had been established and many projects had already been implemented.

In OPs co-financed by ESF, only the first three measures concerning the cost options were used, as presented in the following table. Only Italy used the advanced payments simplification measure.

Table 2: Use of simplification measures in at least one project of OPs co-financed by ESF — as at end 2011

	Measure 1	Measure 2	Measure 3	Measure 5
Austria	n.a.	n.a.	n.a.	
Bulgaria	●			
Germany	●	●	●	
Hungary	*	●		
Italy	●	●	●	●
Malta	●			
The Netherlands		●		
Poland	●	●	●	
Portugal		●		
Slovakia	*	●		
Slovenia	●	●		
Sweden	**			

● - measure used

● - measure used, but not in all audited OPs

* - measure has been used since 2012

** - flat-rate for indirect costs is calculated per beneficiary

n.a. - ESF not audited

Taking into account all the projects implemented from the date of introduction of each measure through EU-regulations, most SAIs reported that their Member States, on average, could only use the measures in less than in 14 per cent of all projects.[8] Flat-rates for indirect costs in ESF projects were used more frequently, accounting for up to 39 per cent of all projects from the date of introduction of the measure. It must be noted that this option has already been in place at the commencement of the programming period. Only Hungary made use of the possibility of applying measure 2 retroactively, and did in fact utilise this simplification measure in the case of one OP, accounting for up to 87 per cent of all projects (within this OP) since 1.8.2006.

Simplification measures were more broadly used in OPs co-financed by ERDF, and the following table shows the use of the measures in these OPs.

Table 3: Use of simplification measures in OPs co-financed by ERDF (and Cohesion Fund) — up to year-end 2011

	Measure 1	Measure 2	Measure 3	Measure 4	Measure 5	Measure 6	Measure 7	Measure 8	Measure 9
Austria	●	●							
Bulgaria						●			●
Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hungary						●			●
Italy	●	●			●	●	●	●	
Malta									
The Netherlands		●	●		●			●	●
Poland					●	●		●	●
Portugal					●	●	●	●	●
Slovakia						●		●	●
Slovenia	●					●	●		
Sweden	*								

● - measure used

● - measure used, but not in all audited OPs

● - measure used in projects co-financed by the CF only

* - measure has been used since 2012

n.a. - ERDF not audited

The only simplification measure that was not used in any of the OPs co-financed by ERDF was measure 4, that is, in-kind contributions to financial engineering schemes. All other audited simplification measures were used in at least one Member State, but were only applied to a limited number of projects, between,

[8] See Annex B for further information, including the condictions for calculation and assumptions made by each SAI.

on average, 0.02 to 16 per cent of all projects in any given Member State from the date introduction of the measures at EU-level. The proportion of relevant projects in one OP – instead of aggregating all audited OPs – is higher; the Netherlands used measure 2 in up to 35 per cent of all projects in its OPs and Portugal used measure 7 retroactively in 20 per cent of all projects in one of its OPs.

Although the European regulations enabled retroactive applicability of most measures, only Hungary, Italy[9], the Netherlands, Poland and Portugal reported that they had opted for this alternative.

[9] Italy utilised retroactive applicability in 84 per cent of its ESF projects.

Analysis and assessment of the nine simplification measures

The following synopsis is based on the analyses of the participating SAIs and the responses provided by national authorities and/or beneficiaries with regard to the use of simplification measures, obstacles to their use, experiences and opinions. The survey that was conducted within the Working Group in February 2013 confirmed that the reasons for not using the measures and the given conditions in each Member State differed significantly. Nevertheless, all individual results are relevant for the assessment of the impact of the simplification measures.

Conclusion 2

Whenever the measures were used, most of them were considered to represent genuine simplification. Factors relating to why SAIs chose not to use the measures differed considerably, depending on the European system[10], the national legal system, the organisation of Structural Funds in each Member State, as well as the specific features of each OP. These conditions influenced the potential scope of application of measures and their respective benefit.

Measures 1, 2 and 3

Measures 1 and 2 (flat-rate for indirect costs, flat-rate costs based on standard scales of unit cost): **In the case of national authorities, the process of establishing the methodology relating to the application of the above-indicated measures led to administrative burdens and was regarded as difficult and involving an element of risk; furthermore, developing the methodology and acquiring the Commission's approval were often lengthy processes. Whenever these measures were used, they constituted genuine simplification.**

Until the end of 2011 only three of the audited Member States had been used **measure 1** in ERDF OPs, while six Member States utilised it in ESF OPs. In 2012, two additional Member States introduced the measure in ESF OPs, and one other Member State applied this simplification measure to its ERDF OPs.[11] These Member States had accepted the Commission's offer to approve the methodology employed. In the case of some Member States, the methodology was not approved by the Commission after its first submission, and in some cases, the respective negotiations took up to three years. For this reason, some

[10] Some factors on the European level influenced the implementation of the measures, for example the timing of the introduction of the measures at European level.

[11] Examples of flat-rates for indirect costs:
- 20 per cent to direct personnel costs in projects co-financed by the ERDF;
- 7 per cent on direct costs covering the administrative costs in projects co-financed by the ESF;
- Graduated flat-rates for indirect costs depending on the total costs of the project and the type of beneficiary in projects co-financed by the ESF; and
- 2 – 10 per cent for indirect costs depending on size of grant and type of beneficiary in projects co-financed by the ESF.

managing authorities were discouraged from continuing with this procedure, and decided not to rely on this simplified costs option.

In some projects the measure led to an increase of funding because – for reasons relating to administrative efficiency – the respective national authorities had not, before the introduction of this simplification measure, considered indirect costs as eligible. In order to avoid double funding, a clear distinction between direct and indirect costs was necessary. One Member State stopped using the measure after incurring financial corrections by the Commission.

Measure 2 was applied in three Member States in the case of ERDF OPs and eight Member States with respect to ESF OPs.[12] The flat-rate costs based on standard scales of unit cost were often developed in cooperation with the Commission, in order to ensure legal certainty.

To use **measures 1 and 2,** the Member States had to modify their national legal framework, eligibility guidelines and/or the funding contracts for implementation. The flat-rates were developed by using different sources: nationally recognised flat-rates, (external) expert studies and/or studies by the managing authorities. They were either designed for specific types of projects, or calculated specifically for each beneficiary. The measures were classified as obligatory, or optional, for the beneficiaries. In one case, the beneficiaries had to provide the actual invoices, in accordance with national regulations. In another case, the real costs incurred were calculated retrospectively.

Although **measures 1 and 2** were not used very broadly and did not influence many projects, most managing authorities that used them regarded them as genuine simplification. Their introduction implied a considerable input of time and effort in order to prepare the methodology, as well as to present and explain such developments to the beneficiaries concerned. After such initial difficulties were addressed, the benefits identified included the following:

- Less documentation was to be prepared and checked;
- Required proof was less voluminous and more straightforward;
- Project implementation was facilitated;
- Projects were less error-prone;
- Data protection problems were generally avoided, as flat-rates often covered personnel costs; and
- Beneficiaries were incentivised to use resources economically.

[12] Examples for flat-rates based on standard scales of unit costs:
- Individual hourly rate of employees for projects co-financed by the ERDF;
- Standard hourly rate of EUR 30 for self-employed for projects co-financed by the ERDF;
- Several standard scales of unit costs for wages and salaries for projects co-financed by the ESF;
- Mobility allowances for projects staff and participants for projects co-financed by the ESF;
- Several standard rates for recognized vocational education and training for projects co-financed by the ESF;
- Integral cost price rate for projects co-financed by the ERDF;
- Standard rates for services by government institutions and by Chamber of Commerce for projects co-financed by the ERDF.

Some national authorities complained that the approval procedure was lengthy. Others noted that there existed risks related to a lack of clarity and legal certainty corresponding to financial control, for instance in the interpretation of rules.

Those managing authorities that did not regularly use **measures 1 and/or 2** presented the following factors to this effect:

- The late introduction of measures;
- The preparation of the methodology was not considered feasible due to the fact that:
  - The necessary resources and/or data required to develop the methodology were unavailable;
  - The volume of potential projects did not justify the methodology and/or the administrative burden associated with the establishment of such a methodology; and
  - Some managing authorities were discouraged from the negotiations with the Commission, and decided not to rely on this simplified costs option.
- The measures were perceived as involving a high risk of financial corrections;
- Projects were generally subject to public procurement procedures, or co-financed by the Cohesion Fund; and
- Implementation matters were considered only at a late stage.

The national authorities called for an improvement in the clarity of the rules and audit method established by the Commission and other audit institutions. Standard assumptions on the methodology, or methodological guidelines, should be communicated at the beginning of the programming period. In addition, the authorities proposed for the flat-rate to be established by the Commission, while other flat-rates, such as personnel costs, could be more widely used. Some authorities indicated that projects subject to public procurement procedures should also be allowed to use flat-rates.

Measure 3 (lump sums): Lump sums were rarely used as established financial rates were deemed to be too low. In addition, the 'all-or-nothing principle' negatively impacted upon the application of this measure among Member States.

Only one Member State used **measure 3** in an ERDF OP, whereas three Member States used the measure in ESF OPs. Projects in which this measure was applicable represented only a small proportion of the total population of projects under audit review. The managing authorities regarded this measure as positive because it reduced the administrative burden, since less documentation was deemed necessary and it shifted focus from costs to output. On the other hand, the 'all-or-nothing principle' was of limited appeal to participated Member States, as no funds would be paid to the beneficiary if the objectives of the project were not (completely) reached. Additionally, there was a risk of financial corrections, because

changes in terms of costs or circumstances arising during the course of the project would not be taken into account.

The managing authorities that did not make use of **measure 3** made reference to the following factors as influential in this regard:

- The resources required to develop the methodology were not available;
- The Commission's acceptance of the required methodology was not attained within the required timeframe;
- Applicability was not considered possible in the case of the different types of co-financed projects due to the heterogeneity of such projects;
- Required further guidance, or did not consider the option favourably due to the low level of funding involved;
- The estimation of costs and definition of results presented considerable difficulty; and
- The financial risks involved in the eventuality of results not being achieved were deemed as prohibitive.

One Member State introduced the measure as optional; however, this option was not utilised by the beneficiaries during the audit period.

Good Practice

- **Some Member States established graduated flat-rates for indirect costs (measure 1), depending on the project size as well as the type of beneficiary.**
- **A clear definition of direct and indirect costs facilitates project implementation and curbs the risk of double funding.**
- **Two managing authorities were exploring the implementation of lump sums (measure 3) for certain types of small pre-project studies.**

Recommendations

Our main recommendations are directed at individual Member States, while others are also directed at the Commission.

- **The scope of application of the measures is limited and their implementation requires additional effort. These measures require well-established methodologies and are only applicable to grants. The benefits of the measures depend on the specific features of the Structural Fund system in each Member State.**
  If the measures can be used, they generally constitute genuine simplification. Where possible, the responsible national authorities should make use of the simplification measures, while also bearing in mind a sound balance of cost and benefits.
- **Amendments during the programming period are difficult to implement. Clear rules at the beginning of the period simplify the system.**
  Guidelines should be available at the beginning of the programming period.
- **Some national authorities feel that some measures constitute financial risks for the Member States due to their lack of clarity and certainty with respect to financial control; for instance, in the interpretation of rules.**
  National authorities should request increased assistance from the Commission and ask for clarification as needed. It would be in the common interest if the Commission in turn could provide the necessary clarification on time.
- **The implementation of the measures is burdensome, and the process for developing the methodology and acquiring approval from the Commission often proved to be a time-consuming and lengthy endeavour.**
  Additional guidance provided by the Commission relating to methodological issues could have facilitated the procedure. Furthermore, sharing methodologies among Member States, or different authorities within one Member State, may aid in the reduction of administrative burdens.
- **Cost measures 1, 2 and 3 bear the risk of funding the same costs, possibly through the improper combination of these same measures or the improper combination with real costs.**
  The responsible authorities should stipulate clear rules in order to avoid double funding.

Measures 4, 5, 6, 7, 8 and 9

Measure 4 (in-kind contributions to financial engineering schemes): This measure was the only one that was not used in any of the audited OPs within the Member States.

The majority of the managing authorities did not feel the need to use this option because of the following:

- Financial engineering schemes were not used or, if used, were tailored accordingly;
- Non-eligibility for in-kind contributions, according to national legislation;
- The late introduction of the measure; and
- There was no need for this simplification measure.

Others stated further difficulties (such as the lack of expertise or difficulties in determining and verifying the applicable monetary value).

One managing authority proposed that the Commission should establish standard rates for in-kind contributions. Furthermore, it was suggested that the parallel application of grants and financial engineering schemes should be allowed.

Measure 5 (advanced payments): This measure was used sparingly, but the national authorities that used the measure regarded it positively. The national authorities that did not use it stated that they could not, preferred not to or did not feel the need to use it.

Four Member States used **measure 5** in at least one ERDF OP and one Member State in an ESF OP, but mostly the advanced payments were not granted up to the established 100 per cent limit, as in fact permitted by the EU regulation. The authorities of these OPs regarded the measure favourably as it accelerated the cash flow and project implementation, and therefore diminished the risk of de-commitment. This measure was found to be especially helpful in difficult economic situations as it improved financial liquidity. However, the measure had not lessened the administrative burden for the authorities. In fact, it was sometimes difficult to acquire the guarantee instruments as requested.

Other managing authorities could not use the measure or did not find it attractive because they:

- Did not provide state aid and/or advanced payments;
- Used the national framework for advanced payments;
- Had national limits; or
- Regarded the measure as involving a high risk in case a grant is revoked or the beneficiary subsequently fails to submit adequate evidence on eligible expenditure.

One Member State changed its national rules that had prevented it from granting advanced payments, which rules no allow for advanced payments of up to 30 per cent.

Measures 6 and 9 (increased flexibility for major projects, single threshold for major projects): The measures relating to major projects are limited in their scope of application. Allowing expenditure of a major project that has not yet been approved by the Commission to be included in expenditure declarations, accelerates cash flow and project implementation; however, it exposes the Member State to financial risk. The process relating to environmental major projects between EUR 25 million and EUR 50 million has been simplified.

Generally, major projects only represent a relatively small proportion of all projects. Although the percentage of projects in which these two measures were used was low in comparison to all projects, it covered a large portion of all major projects, in some cases all potential projects.

In five Member States **measure 6** was used in at least one ERDF OP, whereas in two Member States it was only used in projects financed under the Cohesion Fund. The authorities regarded the measure as constituting simplification since it accelerated cash flow, helped avoid loss of funding and resulted in reduced waiting time prior to the commencement of project implementation, but in most Member States the measure did not reduce the administrative burden and/or costs. If a major project is not approved by the Commission, its associated expenditure is borne by the Member State. Therefore, some authorities considered the measure highly risky for the Member States. They emphasised that it was particularly important for the Commission to take timely decisions on major projects in order to minimise the risk of introducing financial corrections on expenditures incurred by them.

In four Member States **measure 9** was applied to ERDF projects, while in two other Member States it was applied to Cohesion Fund projects. If projects fall within the scope of application of this measure, their implementation process could be accelerated and their administrative burden and costs reduced. One SAI reported that the measure had reduced the duration of the evaluation of the proposal by one year.

Other Member States did not use these two measures because their OPs did not fund major projects or the major projects that were being managed had already been approved by the Commission.

Measure 7 (co-financed repayable assistance): This measure was regarded as constituting effective simplification, as it in fact explained and clarified the previous practices employed in cases when reusable funds were granted.

Only three SAIs reported that **measure 7** was used in their ERDF OPs. The measure was regarded as an explanation and verification of the previously employed practice.

Most SAIs reported that the authorities could not apply the measure due to a lack of financial engineering schemes or reusable funds and a lack of clarity in this amendment. Additionally, that date of introduction of the measure almost coincided with the end of the audit period.

Measure 8 (raising of threshold of revenue generating projects): Raising the threshold of revenue generating projects and excluding ESF projects from the rule could constitute genuine simplification. However, according to some managing authorities, the COCOF guidance note in relation to Article 55 requiring Member States to apply sound financial management principles[13] leads to legal uncertainty.

The scope of application in **measure 8** is limited. In five Member States this measure had been used in ERDF OPs and was perceived as genuine simplification; one Member State supported the measure because it could determine how to deal with revenues at a national level.

It was noted that, in many Member States, revenue generating projects with a total cost of below EUR 1 million were not funded. Furthermore, Member States stated that the measure had been introduced by the amendatory regulation at a late stage. Some managing authorities had not used this measure because they were uncertain as to the wording in the COCOF guidance note in relation to Article 55[14], which stated that for operations co-financed by ERDF or CF that generate income outside the scope of Article 55, the Member States have the responsibility to determine how to treat them, while simultaneously keeping in view the principle of sound financial management.

Calculating and reporting revenues was still considered complex by the national authorities. Therefore, different authorities proposed to completely exclude projects of up to EUR 1 million from considering revenues; in addition to this, they proposed that the threshold should be raised further. It was proposed for the Commission to establish a percentage rate for projects that could generate revenues.

Good Practice

Measure 6: One public entity guaranteed to provide the funds from the state budget or from the budget of the beneficiary in case the project was not approved by the Commission.

Measure 8: In agreement with the Commission, one managing authority adopted a flat (public) co-financing rate of 50 per cent (of eligible cost) for mainstream projects whose total costs were below EUR 1 million. That could entail revenue generation by means of the Feed-in Tariff or cost-savings in energy bills.

[13] European Commission, Revised Guidance Note on Article 55 for ERDF and CF of Council Regulation (EC) No 1083/2006: Revenue Generating Projects, final version of 30/11/2010, page 17.

[14] European Commission, Revised Guidance Note on Article 55 for ERDF and CF of Council Regulation (EC) No 1083/2006: Revenue Generating Projects, final version of 30/11/2010, page 17.

Recommendations

Our main recommendations are directed at individual Member States, while others are also directed at the Commission.

- **The scope of application of the measures is limited and their implementation requires additional resources. The benefits of the measures depend on the specific feature of the Structural Fund system in each Member State.**
  If the measures can be used, they generally constitute genuine simplification. Whenever possible, the responsible national authorities should make use of the simplification measures, while simultaneously bearing in mind a sound balance of cost and benefits.
- **Amendments during the programming period are difficult to implement. Hence, clear rules at the start of the period simplify the system.**
  Guidelines should be available at the beginning of the audit period.
- **A lack of legal certainty and clarity is felt.**
  National authorities should request further assistance by the Commission and ask for clarification as needed. It would be in the common interest if the Commission in turn could provide the necessary and timely clarification.
- **National rules may impede the application of a measure.**
  Some Member States should examine the extent to which national legislation could be amended to more efficiently support the simplification measures.
- **Measure 4: A lack of clarity exists in determining the monetary value.**
  The Commission may wish to solve this unclarity.
- **Measure 6: The approval process for major projects by the Commission is lengthy and involves the risk of non-reimbursement of national expenditure incurred by the Member State.**
  Decisions on major projects should be taken in as timely a manner as possible.
- **Measure 8: Uncertainty exists because the measure excludes ERDF projects with total costs amounting to below 1 million EUR from the rule to calculate the revenues; however, Member States are required to adopt a sound financial management system for the revenues (see also COCOF guidance notes).**
  It would be a benefit if the Commission could solve this unclarity.

Additional comments and suggestions by national authorities

The participating SAIs received several assessments and suggestions on the Structural Funds by national authorities – especially managing authorities. The Working Group would like to share these comments and suggestions with all SAIs and other interested institutions without delivering an opinion on them:

- Simplify the procedure on closure;
- Simplify rules on financial engineering schemes;
- Reduce the administrative burden for low budget programs and projects;
- Issue guidelines on audit requirements for national authorities;
- Place focus on results instead of procedural requirements;
- Reduce the proliferation of controls by European and national institutions;
- Harmonize EU provisions (for example, the Eighth Framework Programme for Research and Technological Development, requirements for different ERDF-programmes, and rules on major projects); and
- Issue clear (national) rules and standards for the handling of electronic documents (for example, signature, acceptance, voiding, and archiving of electronic or scanned invoices).

Part II: Future Simplification Measures

This chapter concerns the Member State officials' assessment of the draft legislative package for the future programming period (2014-2020). This legislative package, drawn up by the Commission, comprises of three draft regulations:

COM(2011) 615 final (repealing Council Regulation (EC) No 1083/2006, general proposal)

COM(2011) 607 final (repealing Council Regulation (EC) No 1081/2006, ESF proposal)

COM(2011) 614 final (repealing Council Regulation (EC) No 1080/2006, ERDF proposal)

In each participating Member State, the SAI concerned asked the national authorities (managing, certifying and audit authorities for both ERDF and ESF OPs) for their opinion on seven aspects of the draft provisions of (mainly) the General Regulation. These seven aspects were as follows:

1. Article 57(1) – forms of grants: reimbursement of eligible costs, standard scales of unit costs, lump sums and flat rates;
2. Article 58 – flat rate calculation of and financing for indirect costs for grants;
3. Article 54(1) – revenue generating operations (determination of net revenue);
4. Increased responsibility and accountability role for Member States (responsibility, Article 63; accreditation of management and control bodies at the national level, Article 64; more reporting obligations, e.g. management declaration of assurance, Articles 65, 75);
5. Article 113 – designation of management and control authorities (managing, certifying and audit authorities);
6. Article 38 – reuse of resources attributable to the support from the CSF funds[15] until programme completion;
7. Additional comments and comments on other provisions, (sub)sections, topics or proposals.

The assessments presented in this chapter mainly serve an illustrative purpose and do not reflect the opinion of the SAIs. They are based on questionnaires/interviews with a non-representative sample of officials involved in structural funds within the participating Member States. The results solely reflect the

[15] CSF funds refers to the ERDF, the ESF, the Cohesion Fund, the European Agricultural Fund for Rural Development and the future Maritime and Fisheries Fund.

opinion of the officials interviewed, and are not an indication on the official position of the Member States. Due to a lack of data, there are no examples available for all Member States.

Structure of chapter

The assessments are categorised according to applicable aspects of the draft legislative package. These include Articles 57(1), 58, 54(1), 63-65, 75, 113, 38 of the proposed General Regulation, and finally comments on other aspects of the General Regulation and/or of the ESF and ERDF proposals. This section of the report includes positive feedback acquired from the Member States on parts of the draft legislative package, as well as recommendations and comments on weaknesses and ambiguities noted by the officials interviewed. The chapter ends with a summary.

Main findings by aspect

i. Draft General Regulation Article 57(1) – Forms of grants: reimbursement of eligible costs, standard scales of unit costs, lump sums and flat rates

Officials from approximately half of the audited Member States were explicitly positive about draft Article 57(1). According to them, the four options presented in the draft provision may lead to increased efficiency and reduced administrative costs and burdens for authorities and beneficiaries. This would allow authorities and beneficiaries to adopt a more goal-oriented focus based primarily on results achieved. Also, simplified accounting is believed to reduce the error risk.

Apart from the positive feedback provided, a number of ambiguities, weaknesses and recommendations were identified by most Member States. While some auditees opined that the actuation of the listed measures would only be possible if the Commission adopts a clear and unified method applicable to all Member States, others thought that the method applied should be left to the discretion of the Member States (as opposed to Article 57(5)), as this would ensure greater flexibility and actual simplification. The perceived risk of unilateral rate-setting by the Commission is that such rates do not match or reflect the cost levels of the individual Member States.

With regard to standard scales of unit cost and flat rates, some Member States had previously attempted to develop models for calculating flat rates and standard scale of unit cost, which models were not finalised. This was due to the extensive workload pegged with ensuring the reliability and accuracy of the estimated unit costs. The development of a model for indirect costs would entail the Commission's request for substantial proof and verification. This is a resource-intensive and time consuming process and, according to some Member States officials, achieving real simplification in practice is difficult. On the other hand, several suggestions were made with regard to lump sums. While some believe that the proposed maximum amount is too low – or not an added value since lump sums are approved per case and OP – others perceived the proposal as noteworthy.

Furthermore, some comments were made on the relation between Articles 57(1) and 57(3). Following the wording of Article 57(3), it appears that in case projects which are implemented as part of public procurement, the only possible grant form would be the reimbursement of eligible costs actually incurred and paid (Article 57(1)a). However, for several officials in the participating Member States it is unclear whether – but preferred that – the simplified methods for reimbursement (Article 57(1) b-d) could also be applied to public procurement projects.

ii. Draft General Regulation Article 58 – Flat rate calculation of and financing for indirect costs for grants

Most auditees in the Member States regard draft Article 58 as positive. They commented that applying concrete percentages – without prior approval procedures for the calculation method and the costs allowed – would lead to a substantial simplification. It is expected to allow for a reduction in the administrative burden for both beneficiaries (through the accelerated verification process) and authorities (during verification, certification and control of the expenditure). It is also believed that this measure will reduce the risk of errors.

Furthermore, most auditees adverted to some ambiguities, weaknesses and recommendations in connection with this provision. With regard to the flat rate of up to 20 per cent of eligible direct costs (Article 58(a)), a number of officials from the Member States believe this is too low, whereas others perceive this as being sufficient. Also, the opinions diverge on the flat rate of up to 15 per cent of eligible direct staff costs (Article 58(b)). Most officials from the Member States explicitly stated to be positive about it; one of the Swedish auditees noted that very few beneficiaries would be able to provide a basis for a model that allows for the current maximum of 20 per cent, and many now report the indirect costs as direct costs. For this reason, it is believed that a clear and simple model based on a common EU-principle is more important than the actual threshold for the percentage.

On a general note, some officials from the Member States question the need for three possibilities for rate calculation as presented in Articles 58(a-c) that is considered too complex. Some auditees suggested that one single flat rate, say 22 per cent, would suffice (the Netherlands) or that a feasibility study should be subcontracted to an independent third party in order to justify the rate applications (Malta). Furthermore, some authorities find aspects of the draft provision unclear. The need for clarification on the meaning of 'fair' and 'equitable' (Article 58(a)), of direct and indirect costs, and of direct staff costs and repayable assistance is signalled.

Finally, auditees in four Member State criticized Article 58(c) last section (Germany, Italy, the Netherlands and Slovakia). They took a critical view of the Commission's power to adopt delegated acts. Some of the officials believe that provisions, such as the definition of flat rates and calculation methods, should not be substantially changed during the upcoming programming period as such changes could increase complexity. This could, therefore, negatively influence the simplifying impact.

iii. Draft General Regulation Article 54(1) – Revenue generating operations (determination of net revenue)

Most officials in the participating Member States had a positive outlook on this draft provision, especially since the clarification makes Member States' practices uniform, which inherently increases transparency. Some officials in Bulgaria, Portugal and Hungary were particularly positive about the flat rate option

(Article 54(1)(a)). According to them, the introduction of this flat rate option will reduce the administrative costs and burden during project management and control. It is also identified as a positive development that, by choice of the Member State concerned, the expected revenue may be determined by using a flat-rate instead of an itemised calculation, also "where it is objectively not possible to determine the revenue in advance", then "the net revenue generated within three years shall be deducted from the expenditure declared to the Commission" instead of the five years now applied (Article 54(2)).

The main ambiguities, weaknesses and recommendations identified are the following:

First, auditees in Malta, Slovakia and Sweden voiced their concerns on a number of aspects, including the entity that determines the flat rate percentage; where the responsibility for determining the applicable flat rate lies (at EU or national level); the extent to which the rate revenue percentage will be adjusted and defined by sector (for example, transport and water); and the meaning and scope of Article 54(1)(a) and its potential impact. Moreover, auditees in four Member States took a critical view of the Commission's competence to adopt delegated acts 'concerning the definition of the flat rate'. They believe that all rules should be available in a timely and unambiguous manner from the outset: new rules should not be introduced while the new programming period is already underway. Other difficulties noted include the fact that Article 54 does not seem to allow for the proportionate sharing of net revenues between *total* and *eligible* investment costs; neither does it – clearly and properly – distinguish between the revenues generated *after* project *completion*, and *during* project *implementation* (Article 55(6)). Finally, one of the auditees in Malta noted the exclusion of public entities from Article 54 and stated that cost savings resulting from energy efficiency measures should be explicitly excluded. Such a provision should be formally documented so as to avoid circumstances that are subject to interpretation.

iv. Higher responsibility and accountability for Member States (responsibility, Article 63; accreditation of management and control bodies at national level, Article 64; reporting obligations, management declaration of assurance, Articles 65, 75)

As auditees in Portugal mentioned, strengthening responsibility and accountability practices, as well as accreditation and reporting obligations was, usually, a way through which management, control and audit systems' quality can be progressively improved. However, the majority of the officials from the Member States criticized Articles 63-65 and 75. According to some officials in Austria, all requirements proposed in these provisions meant additional administrative burdens, while the added value was difficult to identify. They argue that inherent problems of the Structural Funds and Cohesion policy field will not be solved with further control levels and additional reporting obligations. From the standpoint of some officials, these proposals imply simplification for the Commission but not for the Member States themselves. It is suggested that emphasis should be placed more on the *quality* of managing, controlling and accounting systems, rather than on the *quantity* of control authorities and (extra) accounting and reporting obligations.

Also, good practice should ideally lead to a lighter audit regime but this is missing in draft Articles 63-65 and 75. By means of example: three Member States argued that as for the suggested accreditation of the entities responsible for the management and control of expenditure under CSF Funds in Article 64 the procedure would result in a weakening of the compromise in Article 59(3) Financial Regulation, wherein the accreditation procedure has been replaced by the more preferred 'appointment of managing authorities by the Member State'. Furthermore, additional reporting obligations, an annual management declaration of assurance including short deadlines, are not considered by some auditees to constitute simplification and might, according to them, lead to more work and administrative burden, a risk to programme payment suspension and, consequently, risks related to liquidity and delays in programme implementation.

v. Article 113 – designation of management and control authorities (managing, certifying and audit authorities)

Officials from most of the participating Member States were positive about draft Article 113. According to them, the option relating to the simultaneous management of the certifying and managing authorities by one public body (Article 113(3)), will contribute to the flexibility by which the Member States design their management and control systems. The same applies to the option of the managing, certifying and audit authority to all be part of the same body (for OP funds not exceeding EUR 250,000,000 (Article 113(5)). Permitting the certifying and managing authority to merge (Article 113(3)) could bring about further simplification in the management and control systems and would improve coordination.

Further to the above, unclarities, weaknesses and recommendations have been identified. Notwithstanding the positive feedback on Article 113(3), the main criticism concerns this section. Some officials from Malta, the Netherlands, Austria and Portugal favour their current model of a certifying authority separated from the managing authority. Reasons for this include the following:

- The separation works as a filter before declaring expenditure to the Commission and contributes to stabilising management and control systems;
- The separation stimulates the managing authority to operate efficiently and effectively;
- A take-over could give rise to higher risks in relation to the reliability of management and control systems and would, therefore, damage the transparency of the CSF funds governance.

In addition, some officials in Italy stressed that the audit authority should remain a public body – outsourcing audit authority tasks to the private sector could be risky and would probably entail an increase in costs.

Other difficulties identified concern Article 113(5). According to this Article, the audit authority of OPs with funds exceeding EUR 250,000,000, may not be part of the same public authority as the managing authority. Some officials from the Member States argue that the threshold should be raised to EUR 500,000,000 or it would otherwise not lead to any simplification of CSF Funds implementation. According

to some officials, a multi-fund (ESF and ERDF) could increase efficiency as better coordination between ESF and ERDF is needed.

vi. Article 38 – reuse of resources attributable to the support from the CSF funds until completion of the programme

Most auditees in the Member States are in favour of Article 38; however, they question the level of novelty and simplification (the Netherlands) or suggest that control is to be conducted up until programme conclusion (Sweden). Officials in Poland believe that it will rather improve the *impact* of CSF fund implementation. According to the auditees, detailed provisions as regards the possibility to certify the resources involved in the financial instruments will bring about an increase in financial burdens, but will simultaneously improve the financial instruments' impact.

With regard to the shortcomings, one of the auditees in the Netherlands noted that Article 38 provided for the reuse of resources between different financial instruments and between different programmes. The use of financial instruments is already complex, and the reuse of resources attributable to the support from financial instruments between different programmes will only further complicate matters. Therefore, the reuse of resources *after* programme completion is preferred. Some officials in Poland assumed that reusing resources would not simplify the implementation of the programmes; rather, it would improve the effectiveness of the financial instruments. Moreover, detailed provisions on the possible certification of the resources involved will bring about an increase in financial burdens on Member States' budgets.

Finally, ambiguities exist vis-à-vis Article 98(2) Regulation No 1083/2006, on whether or not deleted parts of eligible costs may be replaced. According to some Dutch officials, the Commission's recent viewpoint and its guidance note are ambiguous in this regard.

vii. Additional comments and comments on other provisions, (sub)sections, topics or proposals

The majority of auditees in the Member States provided additional comments on provisions or topics of the draft General Regulation, not dealt with in Articles 57(1), 58, 54(1), 63-65, 75, 113, 38 as discussed above. A few more overarching aspects of the draft General Regulation will be considered in this section. These aspects concern the programme objectives, result oriented policy and technical details, the relation with the financial regulation and the principle of proportionality. Finally, comments on Article 130(1) concerning the newly introduced annual clearance of accounts and on the decommitment rules will be reported upon.

Firstly, according to some, this draft legislative package framing cohesion policy for 2014-2020 tends to suffer from a surfeit of objectives, which will create administrative burdens as (extra) control requirements and obligations for providing evidence will rise.

Secondly, Article 20 concerns the allocation of performance reserve, wherein the Commission has proposed to oblige the Member States to fully achieve their results as agreed upon in the OPs. Some officials from the Member States, however, believe that this provision (especially Arts. 20(3) and (4)) may result in constraints in implementation procedures, leading to additional restrictions imposed on beneficiaries in case of failure to achieve the planned project result indicators. This draft Article may also result in an increase of controls to eliminate potential failure to achieve these project result indicators, as planned in the OPs. The possibility to apply net corrections by the Commission is likely to result in increased financial burdens on the Member States' budgets, especially as no exceptions are permitted (for example, in light of the economic crisis). Finally, according to other officials, the technical details of the proposals, at times, contradicted the required result-oriented cohesion policy.

Furthermore, regarding the new additional (audit) tasks that are to be transferred to the Member States through the framework of the new financial regulation, the Austrian officials are not expecting a simplification but rather an increase in the administrative burden. Apart from this, according to several officials from the Member States, the principle of proportionality as outlined in Article 4(5) General Regulation is not sufficiently and concretely respected in the draft legislative package. This principle could have been introduced more extensively and concretely (for example, concerning the compulsory evaluations as per Article 47-50; the allocation of the performance reserve as per Article 20; the proportionate control arrangements as mentioned in the annexed 'legislative financial statement'[16]; the possibility to introduce minimum limits for the recovery of and reporting on amounts unduly paid ad Article 112(2) as well as for financial corrections by Member States ad Article 135(2); the costs of implementing an e-cohesion policy ad Art. 112(3) that will be as high for EU Member States with relatively small EU fund's volumes as for Member States with voluminous EU funds). Notwithstanding this, one Dutch auditee is positive about the principle of proportionality in relation to the audit regime and favours the light regime for OPs of less than EUR 750 million.

Finally, Polish officials expect Article 130(1), which introduces an annual clearance of accounts to complicate the process between the Commission and the Member States. According to the officials it requires a total reorganization of the present system. Furthermore, it could lead to an increase of audit activities on the level of implementation of projects as it is connected to other important issues, for example, financial corrections.

Further to the above, they believe that the new rules on de-commitment (n+2 rule; Articles 78 – 80, 127) could induce a risk to the absorption capacity of the allocations for this funding period. They noted that the restrictions proposed on the n+2 rule are incompatible with the performance review, and further intensified net corrections. It is not possible to focus both on results and on quick disbursement on yearly basis.

16 Compare Article 74 on 'proportionate control arrangements' of Council Regulation (EC) No 1083/2006.

Summary

In the EU Structural Funds legislative package for the 2014-2020 multi-annual financial framework, the Commission placed great emphasis on its aspiration to simplify policy implementation and delivery, as well as to focus on results. The national authorities expectations from some of the assessed draft articles of the proposed regulations are mostly related to increased efficiency, reduced administrative costs and burdens for authorities and beneficiaries, reduced risk of errors, less administration and controls, more efficient conduct of audits, better utilisation of funds, simplifications in reporting and an unambiguous and transparent methodology of rate calculation or scale definition by the Commission.

Apart from this, most national authorities identified one or more modifications proposed by the Commission that are unlikely to contribute to these simplification and result-oriented purposes and aspirations of the Commission. In addition, the adoption of some draft Articles is expected to generate additional administrative burdens (especially in the light of the new financial regulation) for authorities and beneficiaries implementing projects co-financed with the Structural Funds budget. According to some officials, the principle of proportionality was not sufficiently and concretely respected in the draft proposals.

Also, criticism is raised regarding the Commission's power to adopt delegated acts, as mentioned in several draft Articles. Some have adopted a critical view of this power, as it is believed that all rules should be unambiguous and available in a timely manner from the outset: new rules should not be introduced while the programme period is already underway. According to some national authorities, this will only increase the complexity of the implementation system and counter any possible simplification impacts.

Table A: Funds available and audited OPs in the participating Member States

	Budget of OPs in TEUR[17]					Number of audited OPs		Audited funds in TEUR	Percentage of funds covered by the audit	Budget of funds (EU+national co-financing in TEUR)		Audited funds (EU+national co-financing, in TEUR)		Percentage of funds covered by the audit	
	ESF	ERDF	CF	National co-financing	Total	ESF	ERDF/ ERDF +CF			ESF	ERDF (+CF)	ESF	ERDF (+CF)	ESF	ERDF (+CF)
	1	2	3	4	5=1+2+3+4	6	7	8	9=8/5*100	10	11	12	13	14=12/10*100	15=13/11*100
Austria	524,413	680,066	0	1,152,805	2,357,284	0	3	229,650	9.7	1,080,503	1,276,781	0	229,650	0.0	18.0
Bulgaria	1,185,460	3,205,132	2,283,036	1,345,569	8,019,197	2	0/2	1,102,091	13.7	1,394,659	3,804,229	40,253	1,061,838	2.9	27.9
Germany	9,400,000	16,100,000	0	16,600,000	42,100,000	1	0	6,000,000	14.3	15,700,000	26,400,000	6,000,000	0	38.2	0.0
Hungary	3,629,089	12,649,743	8,642,320	2,901,511	27,822,663	2	12	27,451,918	98.7	4,269,516	23,553,147	4,269,516	23,182,402	100.0	98.4
Italy	6,930,542	21,027,308	0	31,440,913	59,398,763	8	9	26,609,985	44.8	15,306,052	44,092,711	6,558,001	20,051,984	42.8	45.5
Malta	112,000	443,978	284,145	148,257	988,380	1	0/1	988,380	100.0	131,765	856,615	131,765	856,615	100.0	100.0
The Netherlands	830,003	830,000	0	2,471,711	4,131,714	1	2	3,093,330	74.9	1,959,833	2,171,881	1,959,833	1,133,497	100.0	52.2
Poland	10,007,398	34,791,000	22,387,151	16,885,346	84,070,895	1	3/1	63,076,906	75.0	11,773,409	72,297,487	11,773,409	51,303,497	100.0	71.0
Portugal	6,843,388	11,508,207	3,059,966	7,558,969	28,970,530	3	8	27,607,756	95.3	9,545,860	19,424,670	9,457,625	18,150,132	99.1	93.4
Slovakia	1,499,603	6,099,989	3,898,738	1,935,189	13,433,519	2	3/2	10,144,219	75.5	1,764,239	11,669,282	1,764,239	8,379,980	100.0	71.8
Slovenia	755,699	1,933,779	1,411,570	723,714	4,824,763	1	1/1	4,824,763	100.0	889,058	3,935,705	889,058	3,935,705	100.0	100.0
Sweden	698.380	943,769	0	1,761,176	3,403,325	1	8	3,403,325	100.0	1,396,760	2,006,565	1,396,760	2,006,565	100.0	100.0
Total	42,415,975	110,212,971	41,966,926	84,925,160	279,521,033	23	49/7	174,532,323	62.4	65,211,654	211,489,073	44,240,459	130,291,865	67.8	61.6

Source: Country reports, http://ec.europa.eu/regional_policy/thefunds/funding/index_en.cfm

[17] Excluding operational programmes targeting at territorial and transnational cooperation.

Share of relevant projects

The graphs illustrate the share of relevant projects in the audited OPs per Member State. One graph is presented for the ESF and one for the ERDF. In case of projects co-financed by the CF data is presented as available. In most cases the calculation is based on all projects with contracts signed and funding granted between the respective date of introduction of the simplification measures at EU level (see table below) and 31 December 2011. It is indicated explicitly if a different time period was chosen.

The graphs exclusively include the measures that were relied on. The graphs either show the average share within the audited OPs or the range of shares for the audited OPs.

Measure	**Date of introduction at EU level**		**Retroactive applicability**[18]
	ERDF	*ESF*	
1. indirect costs	10 June 2009	[1 Aug 2006]	1 Aug 2006 (ERDF only)
2. flat-rate costs	10 June 2009	22 May 2009	1 Aug 2006
3. lump sums	10 June 2009	22 May 2009	1 Aug 2006
4. in-kind contributions in financial engineering schemes	9 April 2009	9 April 2009	1 Aug 2006
5. advanced payments (state-aid)	9 April 2009	9 April 2009	not applicable
6. increased flexibility for major projects	9 April 2009	9 April 2009	not applicable
7. co-financed repayable assistance	23 Dec2011	23 Dec 2011	1 Jan 2007
8. total costs of revenue generating projects raising to € 1 mio. (excl. ESF projects)	25 Dec 2008	not applicable	1 Aug 2006 (ERDF only)
9. single threshold for major projects of € 50 mio.	25 June 2010	not applicable	not applicable

Most managing authorities could not provide the data automatically. Some SAIs had to develop certain assumptions or estimations. It is indicated explicitly if a different audit scope was chosen or other conditions influenced the results. Cases of retroactive applicability are also highlighted.

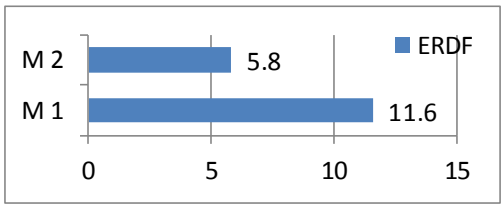
It has to be taken into account that the national implementation of the measures took time. The date of introduction at national level differed. Furthermore, program take-off speed in the years before the introduction of the measures might have had an effect on the extent to which simplification measures were actually used. The probability that projects were carried out under the measures which came into effect in the middle of the funding period was lowered by an early start of program implementation while a late start raised the likeliness.

Given these conditions a direct comparison without knowledge of the explanations should be avoided.

[18] The regulations (and measures) entered into force on a specific date after their publication in the Official Journal of the European Union (see 2. and 3. column of the table above). However, the regulations offered the possibility of applying some measures on projects already approved before these dates (retroactive applicability – see column 4 of the table).

The following texts with explanations per country are prepared by each participating country itself and not harmonized by the Core Group.

Austria

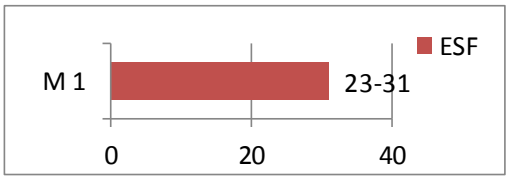


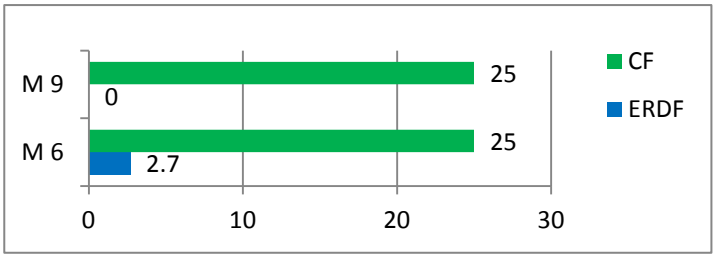
The graph shows the average use of the measures within the audited OPs.

The adoption of nationwide models for the application of simplified cost options in Austria (with effect from Sept. 17th, 2010) was followed by a period of time (October 2010 and February 2011) necessary for major funding bodies in order to modify their specific funding regulations and/or relevant contractual stipulations. Some (smaller) funding bodies refrained from adopting their specific funding regulations and/or relevant contractual stipulations.

The share of projects with Measure 1 actually applied in percent of projects suitable for Measure 1 (in Austria: labour-intensive innovation and research projects with eligible personnel expenditure) amounted to 60.3 per cent. The share of projects with Measure 2 actually applied in percent of projects suitable for Measure 2 (in Austria: labour-intensive innovation and research projects with eligible personnel expenditure) amounted to 52.8 per cent.

Bulgaria





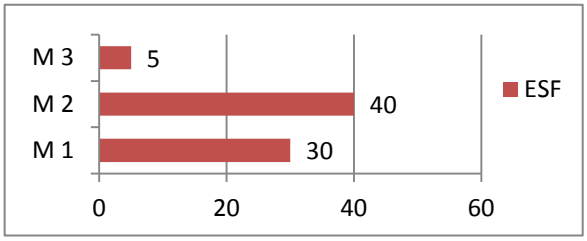
Basis for calculation: 1.1.2007-31.12.2011

ESF: For measure 1 the results for the audited OPs are presented as the range of shares.

In Bulgaria the audit covered 2 simplification measures (6 & 9) financed by the ERDF and the Cohesion Fund. Only one OP (OPT) out of 7 OPs, was affected by the optional Measure 6. Only one non-optional measure (Measure 9) was applied and the possibility given by it was used for projects in the environmental area amounting between 25 million EUR and 50 million EUR euro. Data is also included for the two audited ESF programmes, OPAC and OPHRD (indirect costs), on which financial correction have been imposed due to some MA's omissions in applying indirect costs of Regulation (EC) No 1081/2006.

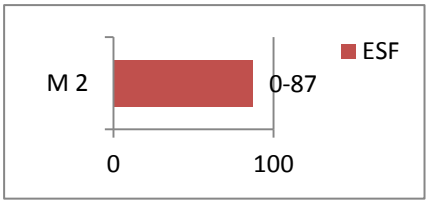
The graph (M1) shows the percentage of ESF projects where the measure was applied as a portion of all ESF co-financed projects. The graph (M6 & M9) shows the percentage of ERDF and CF projects where the measure was applied as a portion of all ERDF and CF co-financed projects.

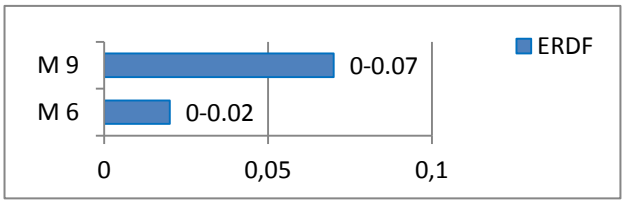
Germany



The audited ESF-OP is subdivided into 61 programs with different funding periods. The results showing the average use are calculated roughly at sub-program level and are not broken down at project level. For measures 2 and 3 only sub-programs have been taken into account that either started after 22 May 2009 or in which measures have been used. The Commission approved the methodology for measure 1 for most relevant sub-programs on 21 June 2010.

Hungary





ESF: Measure 2 was used retroactively, basis for calculation: 01.08.2006-31.12.11.

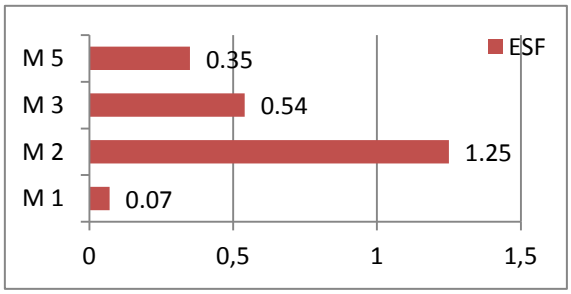
ESF/ERDF: The results for the audited OPs are presented as the range of shares.

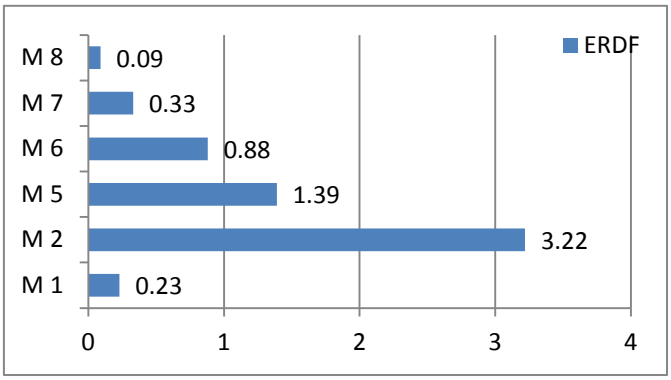
In Hungary the audit covered all 9 simplification measures specified by the Working Group, including programmes financed both under ERDF and ESF.

Out of the 2 mandatory measures, there were no relevant projects in the audited period within Measure 8: Raising the Threshold on Total Project Expenditure and there was only one relevant project within the other measure (Measure 9: Introducing the Universal EUR 50 Million Threshold.

Out of the 7 optional simplification measures, 2 measures were applied. The optional measures applied were Measure 2: Flat Rate Costs (calculated using standard scales of unit cost) and Measure 6: Increased Flexibility of Major Projects. Both of the optional simplification measures applied are considered by the authorities and the beneficiaries as beneficial, since they resulted in real and tangible simplification. No over-regulation was observed.

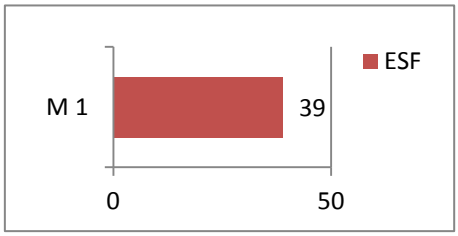
Italy





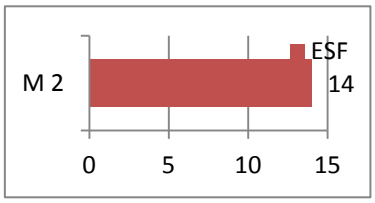
Results are based on a sample and are calculated from the relevant funds available for ERDF and ESF. The results presented are the average of the audited OPs summed up. Italy has used the possibility of retroactive application with a percentage of 84 per cent in projects co-financed by the ESF:

Malta

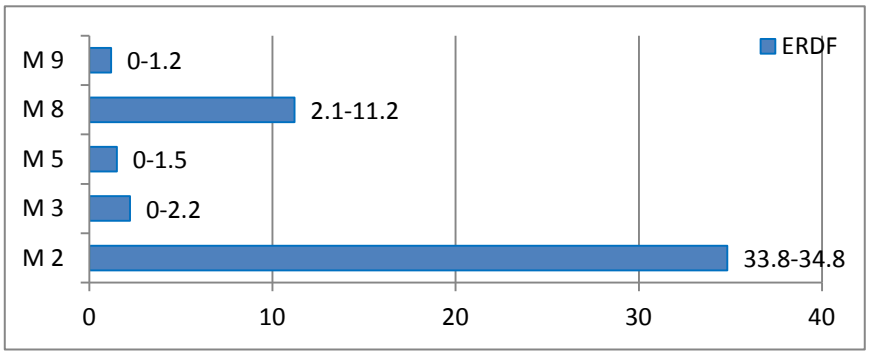


The applicability of the 'indirect costs, declared on a flat-rate basis' measure took effect during August 2010, and NAO analysed this measure from that month up to the end of 2011. The measure was also retroactively applied to projects that had a clause assimilated in their Grant Agreements stating that should the 'indirect costs, declared on a flat-rate basis' measure be introduced in Malta, the project would be eligible for it. Signed application forms of such projects dated back to February 2008.

The Netherlands

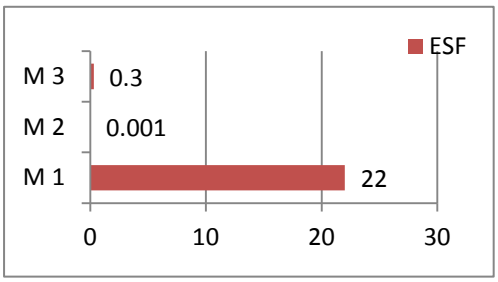


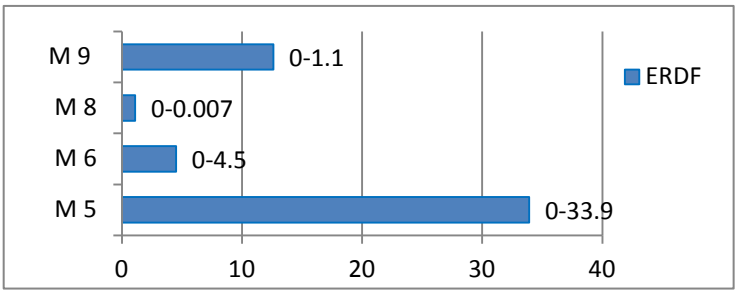
The graph shows that in 14% of all ESF projects measure 2 has been applied. This result is based on a sample. No other measures were used for ESF.



For ERDF the picture is more diverse, since measures 2, 3, 5, 8 and 9 have been used within one or both of the audited OP's. The graph shows that measure 2 has been applied in 33,8 per cent to 34,8 per cent of all projects in the audited OP's calculated from the date of introduction. (N.B. Measure 2 has been applied retroactively to projects, which have started already before the date of introduction of the measure. Taking this into account the application rates become 26,6% to 38,9%). Furthermore, measure 3 has been used in only one audited OP in 2,2 per cent of all projects as of the date of introduction and retroactively in 1,8 per cent of all projects. For measure 5 the application rate for one of the audited OP's is 1,5 per cent from the date of introduction and for measure 9 it is 1,2 per cent. Finally, the application rate for measure 8 ranges from 2,1 to 11,2 per cent (date of introduction) and from 1,8 to 12,4 per cent (retroactively).

Poland



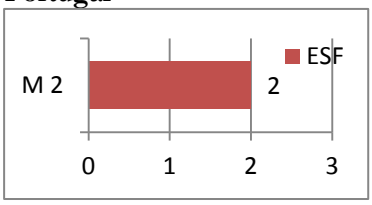


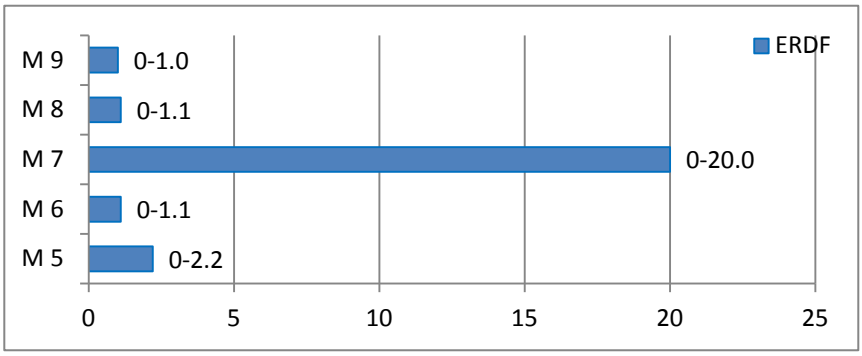
ESF: Measure 1, 2 and 3 were used retroactively.

ERDF: Measure 8 was used retroactively. The results for the audited OPs are presented as the range of shares.

These data are of purely statistical value, they were provided by the courtesy of the Managing Authorities, they were estimated by their employees to their best understanding with consideration to the specific features of individual operational programmes and the selected measures, especially for the purpose of the parallel audit. In case of the one OP, the total number of grant contracts concluded since the beginning of the programming period should be reduced by the number of the contracts signed with the beneficiaries which are budgetary units, because according to the national law, they could not apply the simplified cost options consisting in flat rates. However, determining the exact number of these contracts was not possible due to the limitations of the functionality of the KSI SIMIK system.

Portugal

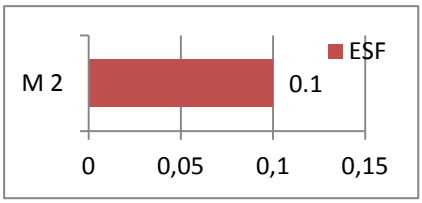




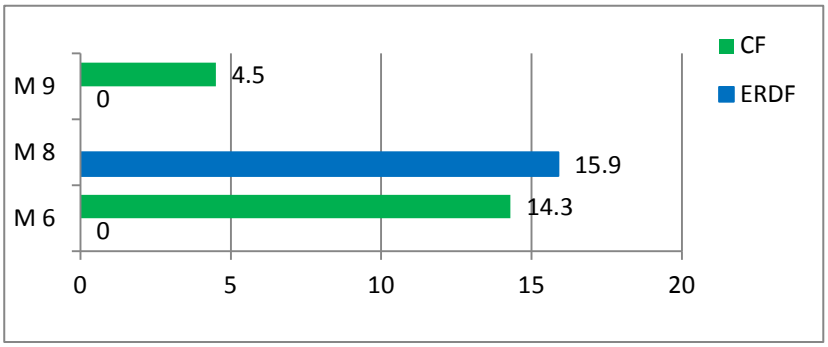
ERDF: The results for the audited OPs are presented as the range of shares.

Measures 7 and 8 were used retroactively, for measure 7 the basis for calculation was: 01.01.2007-31.12.11 and for measure 8: 01.08.2006-31.12.11. Results for measures 6 and 9 also include an OP co-financed by ERDF and CF.

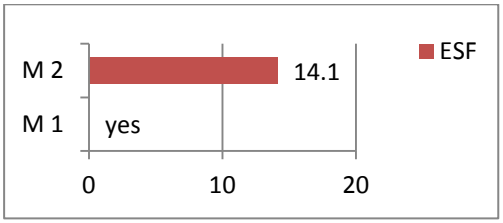
Slovakia

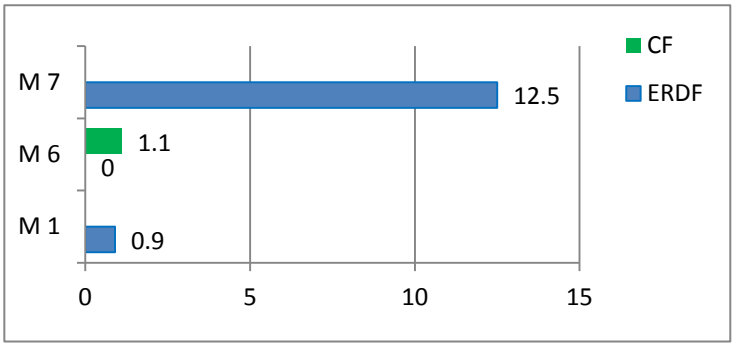


ERDF: The results presented are the average of the audited OPs together.



Slovenia





In Slovenia measure 1 was used for both funds. The methodology was confirmed by the Commission in September 2009 for ESF and in January 2011 for ERDF. The audit did not include measure 1 for ESF therefore the data on the usage of this measure are not available for this fund. In ERDF the measure was not broadly used, but it is expected that it would be used more frequently after the end of the audited period. The most broadly used measure was measure 2 for ERDF projects, where it was used with 14.1 per cent of all projects. Measure 6 concerns two major projects financed by Cohesion fund. Although they represent only 1.1 per cent of all projects, the measure was actually used with all potential projects. Repayable assistance was co-financed in Slovenia already prior to the changes of EU regulations (measure 7) and was seen more in a sense of additional explanations. Measure 5 was not used as envisaged in the changed regulations (up to 100%), but after the introduction of this measure the Slovene regulation allowed advanced payments up to 30 per cent of funds granted.

The SAIs of Hungary, Poland and Slovenia also audited the following measures at national and/or European level:

SAI of Hungary

The State Audit Office of Hungary concluded the audit of 15 simplification measures, set out within the national competence, at the managing authorities and beneficiaries with the purpose of presenting their results during the international audit. These measures affected projects financed both under ERDF and ESF. Reasons for introduction were the following: speeding up the project selection process and the payments, reducing administrative burdens, facilitating faster and more transparent communication with applicants and beneficiaries, and strengthening the applicant-friendly system of funding.

All applied measures were regarded by the managing authorities as beneficial and effective simplifications, and the impact of these measures was considered by beneficiaries/applicants as positive, resulting in reducing or maintaining the level of audit burdens of beneficiaries and/or the intermediary system of funding.

- Online external evaluation
- Design of applicant information interface (e-administration)
- Design of application completion software
- Use of invoice completion software
- Use of report completion software
- Data connection with the NTCA
- State Treasury (Treasury) data connection – Local Government master data
- Account summary
- Application of normative procedure
- Introduction of granting instruments
- Simplification of application forms (no more than 6–6 horizontal criteria)
- Limiting the number of annexes to be attached to the application
- In the case of tenders called for the renovation and building of roads marked with 4 or 5 digits, the maintenance period is 5 years, irrespective of the tender requirement.
- Lease of premises without the preliminary approval of the promoter, irrespective of the provisions of the general terms of contract
- Reduction of maintenance obligation in the case of SMEs

SAI of Poland

The SAI of Poland covered with its audit further measures introduced in the EU regulations:

1. Optional:
    - Expenditure on housing for marginalised communities
    - Instruments for energy efficiency and use of renewable energy in buildings
    - Guarantees for private enterprises
2. Non-optional
    - Requirement to deduct net revenue from the expenditure from the expenditure declared to the EC
    - Exemption from durability of operations in case of non-fraudulent bankruptcy
    - Requirement to take other measures to publicise the EU co-financing
    - Identification of amounts related to irregularities
    - Reporting on irrecoverable amounts
    - Reporting on penalty procedures related to irregularities
    - Exemption from registration of recoverable amounts below the reporting threshold
    - Obligation to invest only in activities potentially economically viable

The SAI of Poland covered with its audit also other measures introduced by the national authorities, in particular modifications introduced under the simplification programme called "Simple Funds" to the national procedures of implementation of the operational programmes, mainly in the area of verification and approval of payment claims.

SAI of Slovenia

The audit additionally covered some simplification measures at national level. Some of these measures concerned procedures, which were – according to the EU regulations – set more complicatedly than necessary and some (the last two) concerned all budgetary funds. These measures were primarily aimed at simplified reporting obligations, abolition of some procedures which were duplicated and strengthening financial discipline. The audited measures involved:

- Simplified reporting of eligible expenditures
- Decentralized input of data into the information system
- Reduced duplications of management verifications
- Simplified arrangements of relations among the managing authority and intermediate bodies
- Simplified management verifications for expenditures of lower values for technical assistance
- Direct payments for goods and services to sub-contractors
- Allocation of funds to the municipalities a day before the payment to the contractor is due

Audit Plan

Mandate

1 In 2011, the Contact Committee mandated the Working Group on Structural Funds to continue its reviews of Structural Funds issues and specifically to carry out an audit on "*Simplification of the regulations in Structural Funds*". The Contact Committee welcomed the Working Group's intention to submit the report on this audit to the Contact Committee in 2013. The Working Group plans to terminate field work in 2012.

2 The Supreme Audit Institutions (SAIs) of the following countries have agreed to participate in the 2012-2013 period activities of the Working Group: Austria, Bulgaria, Germany, Hungary, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain and Sweden. The Core Group consists of the SAIs of Germany (Chair), Slovenia and the Netherlands. The SAI of the Czech Republic acts as an observer.

Background

3 The Working Group was given this mandate against the background of errors, misunderstandings, time consuming and intensive administrative procedures and wrong application that had occurred as a result of complex rules of the Structural Funds. As the European Parliament and the European Court of Auditors requested the European Commission to simplify regulations, an initial modification to regulations proposed by the Simplification Task Force was included by the European Commission in its amendments to Regulations (EC) No 1080/2006, 1081/2006, 1083/2006 and the Commission's working methods. The modifications include:

- Accounting simplification for reporting direct and indirect cost (lump sum, flat rates, standard scale of unit cost);
- Increased flexibility for major projects and introduction of a single threshold of EUR 50 million;
- Permission of in-kind (non-cash) contributions to be declared as eligible expenditure in relation to financial engineering schemes;
- Raising of cost-threshold of revenue generating projects to EUR 1 million and excluding ESF projects.

4 Simplification is an ongoing process and it is on top of the EU agenda even for the cohesion policy for the future programming period 2014-2020.

5 In 2011 the European Parliament's Committee on Budgetary Control outsourced an external study on simplification measures in EU funding.[19] Its aim was to provide the Committee on Budgetary Control with an independent evaluation on the effects of the simplification measures introduced between 2008 and 2010 on the Structural Funds beneficiaries. Focus was placed on the simplified cost options introduced by Regulations (EC) No 396/2009 and 397/2009 of 6 May 2009.

6 The recommendations in the study highlight two areas for improvement with regard to the design of the simplified cost options and the process of introducing the simplified cost options into national eligibility rules. In general the thresholds for the reimbursement of indirect costs of up to (only) 20% of the direct costs of an operation and the limitation of lump sums to EUR 50,000 are considered too low. Concerning the future programming period, it is also recommended that detailed guidance (especially in form of COCOF guidance notes) is made available from the very beginning of this period.

7 The study concentrates on the simplified cost options. The methodology comprised desk research, stakeholder consultations, case studies in seven Member States and a survey on these simplification measures. The Operational Programmes selected for the survey represented about 21% of total European Social Fund (ESF) and 17% of total European Regional Development Fund (ERDF). Due to the limited assignment a clear distinction between the ESF and ERDF was not possible. Information was based on the situation in September/October 2011.

8 The European Parliament's Committee on Regional Development also outsourced an external study on simplification measures in 2010.[20] Its aim was to provide a review and assessment of the simplification measures in cohesion policy in 2007-2013. The study outlines the provisions of Regulation (EC) No 284/2009, 396/2009, 397/2009, non-legislative measures and proposed amendments, that were later (in parts) adopted. It assesses the use and value of these measures and discusses proposals for further simplification after 2013.

Relevant legal bases of Structural Funds

9 Between 2008 and 2011 eleven amending regulations were adopted to simplify the complex Structural Funds system. These represent the relevant legal bases for the parallel audit and are stated below:

[19] Blomeyer & Sanz for the European Parliament´s Policy Department D: Budgetary Affairs, Study 'What evolution can be identified in the organisations managing EU funding, particularly due to simplification efforts pursued by the Commission in 2008, 2009 and 2010?' PE 453.229, 14/12/2011, http://www.europarl.europa.eu/document/activities/cont/201112/20111214ATT341 85/20111214ATT34185EN.pdf.

[20] Bachtler, John/Mendez, Carlos, European Policies Research Centre for the European Parliament's Committee on Regional Development, "Review and Assessment of Simplification Measures in Cohesion Policy 2007-2013)", PE 438.604, August 2010, available at http://www.europarl.europa.eu/studies.

- Regulation (EC) **No 1083/2006** (11 July 2006) laying down **general provisions** on the ERDF, ESF and Cohesion Fund;
    - Amended by Regulation (EC) **No 1341/2008** (18 December 2008);
    - Amended by Regulation (EC) **No 284/2009** (7 April 2009);
    - Amended by Regulation (EU) **No 539/2010** (16 June 2010);
    - Amended by Regulation (EU) **No 1310/2011** (13 December 2011);
    - Amended by Regulation (EU) **No 1311/2011** (13 December 2011);
- Regulation (EC) **No 1080/2006** (5 July 2006) on the **ERDF**;
    - Amended by Regulation (EC) **No 397/2009** (6 May 2009)
    - Amended by Regulation (EC) **No 437/2010** (19 May 2010);
- Regulation (EC) **No 1081/2006** (5 July 2006) on the **ESF**;
    - Amended by Regulation (EC) **No 396/2009** (6 May 2009);
- Regulation (EC) **No 1828/2006** (8 December 2006) setting out rules for the **implementation** of Council Regulation (EC) No 1083/2006;
    - Amended by Regulation (EC) **No 846/2009** (1 September 2009);
    - Amended by Regulation (EU) **No 832/2010** (17 September 2010);
    - Amended by Regulation (EU) **No 1236/2011** (29 November 2011).

10 The key areas covered by the amendments include the following:

- Structural Funds General Regulation: revenue generating projects, major projects, financial engineering, evaluation, eligibility and statement of expenditure, durability, monitoring, financial management; repayable assistance;
- ERDF and ESF Regulations: eligible costs;
- Structural Funds Implementing Regulation: information and publicity, management and control systems, irregularities, financial engineering, housing, territorial cooperation.

Figure 1: Simplification measures/modifications introduced between 2008 and 2011

Regulation	Simplification measures/modifications
Structural Funds General Regulation	
Regulation (EC) No 1341/2008 of 18 December 2008	revenue generating projects
Regulation (EC) No 284/2009 of 7 April 2009	financial engineering, financial management
Regulation (EU) No 539/2010 of 16 June 2010	major projects, financial engineering, evaluation, revenue generating projects, eligibility of expenditure, durability, monitoring, financial management
Regulation (EU) No 1310/2011 of 13 December 2011	repayable assistance, financial engineering, statement of expenditure
Regulation (EU) No 1311/2011 of 13 December 2011	financial management for Member States experiencing or threatened with serious difficulties with respect to their financial stability
ESF Regulation	
Regulation (EC) No 396/2009 of 6 May 2009	eligible costs
ERDF Regulation	
Regulation (EC) No 397/2009 of 6 May 2009	eligible costs
Regulation (EU) 437/2010 of 19 May 2010	eligible costs, energy efficiency
Structural Funds Implementation Regulation	
Regulation (EC) No 846/2009 of 1 September 2009	information and publicity, management and control systems, irregularities, financial engineering, housing, territorial cooperation
Regulation (EU) No 832/2010 of 17 September 2010	financial engineering, housing
Regulation (EU) No 1236/2011 of 29 November 2011	financial engineering

11 In October 2011 the European Commission adopted the following draft regulations for the period 2014-2020:

- COM(2011) 615 final: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions on the European Regional

Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006;

- COM(2011) 614 final: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006;
- COM(2011) 607 final: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Social Fund and repealing Regulation (EC) No 1081/2006.

12 Negotiations on these Commission proposals take place in the context of the Multiannual Financial Framework for the period 2014-2020.

Audit subject

13 The Working Group is planning to examine the simplification measures for the 2007-2013 programming period covering ERDF and ESF excluding operational programmes targeting at territorial cooperation and transnational programmes. The Cohesion Fund is to be included exceptionally, particularly in cases when it is impossible to distinguish between Cohesion Fund and Structural Funds. The SAIs agree to cover as much as possible.

14 For the purpose of this audit measures are regarded as simplifications for the managing/certifying/audit authorities and/or beneficiaries if they reduce administrative burdens and/or reduce costs.

15 The amendatory regulations introducing the simplification measures are binding in their entirety and directly applicable in all Member States. Nevertheless some measures only introduce a possibility to use a measure and the Member States can decide whether to apply or not to apply the measure. Measures providing that possibility are referred to as optional measures; measures which the Member State has to apply are referred to as non-optional measures.

16 The audit will focus on seven optional and two non-optional simplification measures:

- accounting simplifications for reporting direct and indirect cost
    - indirect costs (declared on a flat-rate basis of up to 20% of direct costs),
    - flat-rate costs (computed by application of standard scales of unit costs)
    - lump sums;

- permitted in-kind contributions to be declared as eligible expenditure in relation to financial engineering schemes;
- advanced payments;
- increased flexibility for major projects;
- co-financed repayable assistance;
- raising of threshold of total costs of revenue generating projects to EUR 1 million and excluding ESF projects;
- introduction of a single threshold for major projects of EUR 50 million.

17 Each SAI should always explicitly describe what exactly it has audited (including the samples) and what criteria and methods it has used to select the operational programmes. The SAI should cover all key areas and report on all nine simplification measures listed. In case a SAI would audit also measures not enumerated it should report on them separately.

Audit objective

18 The Working Group will examine whether simplification measures have been (fully) implemented by the Member States, which simplification rules and steps (EU or national) have been adopted by the different Member States and what are the experiences so far and whether they are still of relevance.

19 The parallel audit will look at the possible difficulties or problems encountered for management and control systems (managing/certifying/audit authorities) and beneficiaries.

20 The aim of the Working Group is to report its key findings to the Contact Committee in 2013. The key findings will be accompanied by conclusions and recommendations.

Scope and approach of the parallel audit

21 The scope is limited to simplification activities of the Member States related to the programming period 2007-2013. However, a first assessment of the simplification proposals for the period 2014-2020 will also be provided.

Intention of the European Commission

22 The European Commission's effort to reduce administrative burden is reflected in the 'Action programme for reducing administrative burdens in the EU'[21]. This programme was launched in

[21] See the EC DG Enterprise and Industry website: http://ec.europa.eu/enterprise/policies/ smartregulation/administrative-burdens/action-programme/index_en.htm (accessed on 21 October 2011). See Communication from the Commission to the Council and European Parliament, Action Programme for Reducing Administrative Burdens in the EU, Sectoral Reduction Plans and 2009 Actions, COM(2009)544, 22 October 2009, p. 5.

2007[22], aiming to reduce 'administrative burdens which businesses incur in meeting EU legal obligations' by 25% by 2012[23]. Administrative burden is defined as 'the part of administrative costs that businesses sustain simply because it is a regulatory requirement'[24].

23 The European Commission explains the introduction of the accounting simplification measures as follows[25]:

24 *'The financial crisis justifies the need for further simplifications to facilitate access to grants co-financed by the ESF (ERDF). The European Court of Auditors recommended in its 2007 annual report that the legislative authorities and the Commission be prepared to reconsider the design of future expenditure programmes by giving due consideration to simplifying the basis of calculation of eligible cost and making greater use of lump-sum or flat-rate payments instead of reimbursement of real costs. In order to ensure the necessary simplification in the management, administration and control of operations receiving an ESF (ERDF) grant, particularly when linked to a result-based reimbursement system, it is appropriate to add two additional forms of eligible costs, namely, lump sums and flat-rate standard scales of unit cost (and for the ERDF: 'it is appropriate to add three additional forms of eligible costs, namely, indirect costs, lump sums and flat-rate standard scales of unit cost').'*

Audit scope

25 In order to develop sound results of the parallel audit, it is useful for each SAI as a first step to review the Structural Funds Programmes in the period 2007-2013.

26 Subsequently, the parallel audit should answer the following main questions:

- Which simplification measures have been taken?
- Have these measures been (fully) implemented by the Member States?
- If not, why not?
- If yes, what are the experiences so far, and which effects (for example regarding administrative burdens) are visible?

---

22 Commission of the European Communities, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, Action Programme for Reducing Administrative Burdens in the EU, COM(2007) 23 final, 24.01.2007.

23 Communication from the Commission to the Council and European Parliament, Action Programme for Reducing Administrative Burden in the EU, Sectoral Reduction Plans and 2009 Actions, 22 October 2009, p. 3.

24 'The administrative burdens are thus a subset of the administrative costs in that the administrative costs also encompass the administrative activities that the businesses will continue to conduct if the regulations were removed'. See OECD, International Standard Cost Model Manual, October 2005. In defining the concepts of 'administrative burden' and 'administrative cost' the EC refers to this manual. See Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, Action Programme for Reducing Administrative Burdens in the EU, 24 January 2007, pp. 4-5.

25 Regulation (EC) No 396/2009 and 397/2009 of 6 May 2009.

Audit approach

27 To facilitate the audit the Audit Plan is divided into three key parts.

- Part I provides a general overview of Structural Funds Programmes;
- Part II deals with the simplification measures adopted in 2008/2009/2010/ 2011;
- Part III discusses future simplification measures as foreseen in the legislative package.

28 More detailed information on the audit approach can be found in section 10.

Subsequent audit steps

29 I. As a first step SAIs should gather the following information using the first questionnaire that should be sent to the managing authorities:

- A general overview of Structural Funds Programmes (the number of operational programmes, the amount of funds involved and the division of the funds; it could be most helpful to rely on the evidence collected during the parallel audit of the Working Group Structural Funds IV (cost of controls) and apply it to this context).
- In how many projects are simplification measures applied (absolute number/percentage)?
    - This question should be answered for each simplification measure separately.
    - Data is collected for two periods, one period from the date of the introduction of the measure (the date that the Regulation entered into force) until 31.12.2011 and the second period from the date of the (retroactive) applicability of the measure (as it is foreseen for several measures) until 31.12.2011. It is useful to collect data for both periods to evaluate the effectiveness of the measures. The date of (retroactive) applicability stipulates the first opportunity to apply the measures. The period starting with the date of the introduction (the Regulation entered into force) should be analysed to achieve a fair picture of the use because many Member States will probably not have applied the measures retroactively.
    - If for some simplification measures it is not possible to provide this information for the whole population of projects, take a representative sample for these simplification measures for each operational programme. It might be useful to clarify in advance if the managing authorities are able to provide the information for the whole population or if the SAI needs to take a representative sample.
    - The sample is to be drawn from the population of projects which were confirmed after the date of applicability of the simplification measure in question. The same sample may be used for more simplification measures, if they were introduced simultaneously.
- The amount and percentage of funds (EU funds + national co-financing) covered by the projects in which simplification measures were applied?

30 The SAIs should furnish additional information by interviewing the authorities within the limits set by the national legal framework

31 II. As a second step, by using questionnaire 2, SAIs should assess the perception of each simplification measure in each OP by the managing/audit/certifying authorities and beneficiaries, the positive/negative effects, irregularities and suggestions. It could be most helpful to take samples from each OP in the audit to select the addressees of the questionnaire. At least all enumerated simplification measures should be covered. It may also be useful to include some projects in which the (optional) simplification measures are not used to inquire the key arguments for the decision (if the addressee had the opportunity) not to apply the measures. The samples do not need to be representative and should be drawn from the projects, which are already being implemented.

32 In addition to that the SAI should carry out on the spot checks or conduct interviews.

Useful documents

33 The following documents of the Commission and the ECA are helpful for the parallel audit:

- Indicative guidelines on evaluation methods: Monitoring and evaluation indicators 2007-2013[26];
- Guidelines on evaluation methods: Evaluation during the programming period (2007-2013)[27];
- Commission of the European Communities, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. Action Programme for Reducing Administrative Burdens in the European Union[28];
- EC Working Document on indirect costs declared on a flat rate basis, flat rate costs calculated by application of standard scales of unit costs and lump sums (COCOF)[29];
- Commission Staff Working Paper, Analysis of Errors in Cohesion Policy for the years 2006-2009, Actions taken by the Commission and the way forward[30];
- European Commission, Simplifying Cohesion Policy for 2014-2020[31];

---

[26] The new programming period 2007-2013 - INDICATIVE GUIDELINES ON EVALUATION METHODS: MONITORING AND EVALUATION INDICATORS, Working Document No. 2; http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/wd2_indic_en.pdf.

[27] The New Programming Period 2007-2013, INDICATIVE GUIDELINES ON EVALUATION METHODS: EVALUATION DURING THE PROGRAMMING PERIOD, Working Document No.5; http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/wd5_ongoing_en.pdf.

[28] Commission of the European Communities, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. Action Programme for Reducing Administrative Burdens in the European Union, COM(2007) 23 final, 24.01.2007.

[29] European Commission, Art. 11.3 (b) of Regulation (EC) No 1081/2006 as amended by Regulation (EC) No 396/2009. Article 7.4 of Regulation (EC) No 1080/2006 as amended by Regulation (EC) No 397/2009. Indirect costs declared on a flat rate basis. Flat rate costs calculated by application of standard scales of unit costs. Lump sums. COCOF 09/0025/04-EN, final version of 28/01/2010.

[30] European Commission, Commission Staff Working Paper, Analysis of Errors in Cohesion Policy for the years 2006-2009_Actions taken by the Commission and the way forward_, SEC(2011) 1179 final, 5/10/2011.

- Blomeyer & Sanz for the European Parliament's Policy Department D: Budgetary Affairs, Study 'What evolution can be identified in the organisations managing EU funding, particularly due to simplification efforts pursued by the Commission in 2008, 2009 and 2010?'[32];
- Bachtler, John/Mendez, Carlos, European Policies Research Centre for the European Parliament's Committee on Regional Development, "Review and Assessment of Simplification Measures in Cohesion Policy 2007-2013"[33].

Country reports

34 Each SAI should draw up a country report. Each country report should comprise the SAI's findings and statements separately for ESF/ERDF. As the SAIs are independent to decide on the extent of audit work and whether they scrutinise both, only one or even part of the funds, they should describe the adopted audit scope in their country report.

35 Each country report should consist of three parts:

- management summary;
- report proper that follows the order of the parts and key areas laid down in this Audit Plan;
- an annex supplying additional information, especially on the applied methodologies/estimations.

36 In the final overview report, the Working Group will present conclusions and recommendations based on the findings produced. The report will highlight the key results in comparative country tables.

Audit procedure

37 The attached timetable (see Annex 1) consists of three separate stages:

- **Planning stage**

38 The planning stage should be completed by mid-May 2012. By then, the final Audit Plan taking into account the inputs of Working Group members should be made available to all participating SAI. This should leave enough time for the intended audit activities.

---

31 European Commission, Simplifying Cohesion Policy for 2014-2020, February 2012, http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/simplification_en.pdf.

32 Blomeyer & Sanz for the European Parliament's Policy Department D: Budgetary Affairs, Study 'What evolution can be identified in the organisations managing EU funding, particularly due to simplification efforts pursued by the Commission in 2008, 2009 and 2010?' PE 453.229, 14/12/2011, http://www.europarl.europa.eu/document/activities/cont/201112/20111214ATT34185/20111214ATT34185EN.pdf.

33 Bachtler, John/Mendez, Carlos, European Policies Research Centre for the European Parliament's Committee on Regional Development, "Review and Assessment of Simplification Measures in Cohesion Policy 2007-2013)", PE 438.604, August 2010, available at http://www.europarl.europa.eu/studies.

- **Implementation/audit stage/fieldwork in the countries**

39 The implementation and fieldwork stage lasts from mid-May 2012 until October 2012. Each participating SAI should communicate its country report in English to the Core Group by end of December 2012.

- **Reporting stage**

40 The stage in which the Working Group drafts its joint report begins in January 2013 and lasts until the beginning of March 2013. SAIs that have not finished their final country report by the beginning of January 2013 at the latest may send their preliminary report (prior to finishing the contradictory proceedings) to the Core Group. The Working Group will draw up a joint report in English setting forth key findings and recommendations.

41 The Working Group intends to submit its final joint report to the Contact Committee in October 2013.

Audit questions – Key Areas

42 The following four Key Areas, which are divided into three parts, provide a skeleton or basic structure to accommodate the results of the audit.

43 Apart from Key Area 1 (Part I), which provides for general data about the Structural Funds Programmes in each Member State, each of the Key Areas 2, 3 and 4 focus on specific simplification measures. A brief description of each part is provided below.

44 Key Area 2 (Part II) focuses on optional simplification measures, their integration into national framework, their implementation and the perception in each Member State and the SAI's assessment.

45 Key Area 3 (Part II) provides an overview of the usage/application/perception of non-optional simplification measures in each Member State and the SAI's assessment.

46 Key Area 4 (Part III) seeks to outline an overview of the estimation of the draft legislative package of the European Commission for the period 2014-2020 by each Member State.

PART I

GENERAL OVERVIEW

Key Area 1 – Overview of Structural Funds Programmes

Key Area 1 provides an overview of the Structural Funds Programmes in each Member State in the period 2007-2013: the number of operational programmes, the amount of funds involved and the division of the funds. Key Area 1 also provides a breakdown of the funds that are part of the audit.

Question

How much Structural Funds money will your Member State receive for the period 2007-2013 and how is this divided among the operational programmes (excluding operational programmes targeting at territorial cooperation and transnational programmes)?

1.1 How many operational programmes have been set up in your Member State

a) for the European Social Fund (ESF)?

b) for the European Regional Development Fund (ERDF)?

Which aggregate volume of budget funds do the operational programmes have (EU funds + national co-financing)

a) for the ESF?

b) for the ERDF?

1.2 How much means have been reserved for each of these operational programmes?

a) European means
b) national means for co-financing

1.3 How large are the funds of each of these operational programmes (in %) in relation to the total amount of Structural Funds money (EU funds + national co-financing) in your Member State for the period 2007-2013?

Please list the answers to the above questions in the following tables:

Table of **all Structural Funds operational programmes** in your Member State (the CF (Cohesion Fund) column applies only in cases of mixed programmes).

	Budget of the operational programmes (2007-2013)						
OP	**ERDF**	**ESF**	**CF**	**National co-financing**	**Total**	**Percentage in total**	**Part of the audit (yes/no)**
A	*B*	*C*	*D*	*E*	*F=B+C+D+E*	*G=F/SUM(F)*	*H*
	€	€	€	€	€	%	
	€	€	€	€	€	%	
	€	€	€	€	€	%	
	€	€	€	€	€	%	
sum	€	€	€	€	€	%	

Table of **audited operational programmes** in your member state

OP and fund	Funds (EU funds+ national co-financing) allocated (in €)					Contracts signed (until 31.12.2011)/Funds granted to beneficiaries (in €)					Declared eligible expenditure to the EC (in €)				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011

PART II

SIMPLIFICATION MEASURES ADOPTED 2008/2009/2010/2011

Key Area 2 – Impact, integration into national framework and estimation of optional simplification measures

Key Area 2 provides an overview of the impact, the integration into national framework and the estimation of the following optional simplification measures:

1. indirect costs (declared on a flat-rate basis of up to 20% of direct costs),
2. flat-rate costs (computed by applying standard scales of unit costs),
3. lump sums,
4. permitted in-kind contributions to be declared as eligible expenditure in relation to financial engineering schemes,
5. advanced payments,
6. increased flexibility for major projects,
7. co-financed repayable assistance,
- measures not listed.

Relevant Regulations

Regulation (EC) No 396/2009:	Art. 1 on Art. 11 of Regulation (EC) No 1081/2006 (ESF) introducing two additional forms of eligible costs in the case of grants: • **flat-rate costs** computed by applying **standard scales of unit cost** as defined by the Member State; • **lump sums** to cover all or part of the costs of an operation (the lump sum shall not exceed EUR 50,000).	Measure 2 Measure 3
Regulation (EC) No 397/2009	Art. 1 (3) on Art. 7 of Regulation (EC) No 1080/2006 (ERDF) introducing three forms of eligible costs in the case of grants: • **indirect costs**, declared on **a flat-rate basis, of up to 20% of the direct costs** of an operation; • **flat-rate costs** computed by applying **standard scales of unit cost** as defined by the Member State; • **lump sums** to cover all or part of the costs of an operation (the lump sum shall not exceed EUR 50,000).	Measure 1 Measure 2 Measure 3
Regulation (EC) No 284/2009	Art. 1 (3) on Art. 56 (2) of Regulation (EC) No. 1083/2006 (SF General Regulation) permitting **in-kind contributions** to be declared as **eligible expenditure in relation to financial engineering schemes**. Art. 1 (4) point (b) deleting Art. 78 (2) point (b) of Regulation (EC) No. 1083/2006 that (regarding State aid) limited the **advances paid** to the beneficiaries to 35 % of the total amount of aid for the **statement of expenditure**. Art. 1 (4) point (c) on Art. 78 (4) of Regulation (EC) No. 1083/2006 (SF General Regulation) permitting **expenditures relating to major projects without prior consent of the European Commission to be included in expenditure declarations.**	Measure 4 Measure 5 Measure 6
Regulation (EU) No 1310/2011	Art. 1 (2, 3) introduces the possibility of **co-financed repayable assistance**.	Measure 7
Regulation (EC) No 1341/2008,	Other relevant optional simplification measures.	

284/2009, 396/2009, 397/2009, 846/2009, Regulation (EU) No 437/2010, 539/2010, 832/2010, 1310/2011, 1311/2011, 1236/2011		

Questions I., II., and III. ***should be answered for each*** *optional simplification measure separately, while Questions* ***IV. and V. for all*** *optional simplification measures together.*
See table below (at the end of Key area 3) for reporting and analysis of the use of measures.

I. Question
Has your Member State integrated the optional simplification measure into the national framework?

2.1 Has your Member State transposed the simplification measure into its national framework?

2.2 If your Member State has integrated this measure:

2.2.1 What has been the driver for your country to integrate the measure?

2.2.2 How did your Member State transpose the measure? (Concerning the lump sum/standard scale of costs: How has your member state established the rates/standards for the measure? Please describe the major regulatory steps when transposing the simplification measure.[34].)

2.2.3 Has your Member State met obstacles/problems in transposing the measure? Please describe.

2.2.4 Has your Member State added elements/further requirements to the measure (gold-plating)? If yes, please specify (who, why and what?).

2.2.5 When did the transposed measure become effective in your Member State?

2.2.6 Does your Member State make use of the measure? If yes/no, what are the key arguments?

2.3 If your Member State did not transpose the measure:

2.3.1 Why has your Member State not (yet) transposed the measure?

2.3.2 Does your Member State plan to integrate and apply the measure until 2014?

II. Question
How many operational programmes and projects are affected and how much money is covered by the optional simplification measures? Please report for all audited OPs together but separately per fund.

2.4 How many projects have been confirmed since the date of introduction/applicability of the measure (see table at the end of Key area 3 for dates) - number and value (EU funds + national co-financing)?.

[34] A timeline could be useful for providing an overview.

2.5 In how many of those projects has the measure been applied - number and value (EU funds + national co-financing)? This may also be determined on a basis of a sample.

2.6 In what percentage (number and value (EU funds + national co-financing)) of projects is the measure applicable?

2.7 In what percentage (number and value (EU funds + national co-financing)) of projects is the measure applied?

III. Question

Are the optional simplification measures useful and genuine simplifications?

2.8 Do the managing/certifying/audit authorities and beneficiaries apply/check the measure? If yes/no, what are the key arguments?

2.9 Do the managing/certifying/audit authorities and beneficiaries perceive the measure as useful and as simplification (administration/costs)? If yes/no, what are the key arguments?

2.10 What are the positive and negative effects of the measure according to the managing/certifying/audit authorities and beneficiaries? What are the key arguments?

2.11 Did the authorities find any irregularities when controlling the projects in which the measure was applied? If yes, which?

IV. Question

Do the managing/certifying/audit authorities and beneficiaries recommend improvements or further simplification? If yes, which? What are the arguments for these proposed improvements?

V. Question

How does the SAI assess the usefulness of the optional simplification measures?

Key Area 3 – Impact and estimation of non-optional simplification measures

Key Area 3 provides an overview of the impact and the estimation of the following non-optional simplification measures:

8. raising of threshold of total costs of revenue generating projects to EUR 1 million and excluding ESF projects;
9. introduction of a single threshold for major projects of EUR 50 million;
- measures not listed.

Relevant Regulations

Regulation (EC) No 1341/2008	Art. 1 on Art. 55 (5) of Regulation (EC) No 1083/2006 (SF General Regulation) raising the threshold of total costs for **revenue generating projects** to **EUR 1,000,000** and **excluding ESF projects**.	Measure 8
Regulation (EU) No 539/2010	Art. 1 (1) on Art. 39 of Regulation (EC) No 1083/2006 (SF General Regulation) introducing a **single threshold of EUR 50,000,000 for major projects**.	Measure 9
Regulation (EC) No 1341/2008, 284/2009, 396/2009, 397/2009, 846/2009, Regulation (EU) 437/2010, 539/2010, 832/2010, 1310/2011, 1311/2011, 1236/2011	Other relevant non-optional simplification measures.	

Questions I. and II. ***should be answered for each*** *non-optional simplification measure separately, while Questions* ***III. and IV. for all*** *non-optional simplification measures together.*
See table below (at the end of Key area 3) for reporting and analysis of the use of measures.

I. Question

How many operational programmes and projects are affected and how much money is covered by the non-optional simplification measures? Please report for all audited OPs together but separately per fund.

3.1 How many projects have been confirmed since the date of introduction/ (retroactive) applicability of the measure (see tables at the end of Key area 3 for date) - number and value (EU funds + national co-financing)?

3.2 In how many of those projects is the measure applicable - number and value (EU funds + national co-financing)? This may also be determined on a basis of a sample.

3.3 In what percentage (number and value (EU funds + national co-financing)) of projects is the measure applicable?

II. Question

Are the non-optional simplification measures useful and genuine simplifications?

3.5 Has your Member State added elements/further requirements to the measure (gold-plating)? If yes, please specify (who, why, what?).

3.6 Do the managing/certifying/audit authorities and beneficiaries perceive the measure as useful and as simplification (administration/costs)? If yes/no, what are the key arguments?

3.7 What are the positive and negative effects of the measure according to the managing/certifying/audit authorities and beneficiaries? What are the key arguments?

3.8 Did the authorities find any irregularities when controlling the projects in which the measure was used? If yes, which?

III. Question

Do the managing/certifying/audit authorities and beneficiaries recommend improvements or further simplification? If yes, which? What are the arguments for these proposed improvements?

IV. Question

How does the SAI assess the usefulness of the non-optional simplification measures?

Table for reporting and **analysis of the use of measures from the date of introduction** (see column 2) **to 31.12.2011** in each Member State

Name of operational programme (if measures have been introduced for specific OPs):

Measure*	**Date of introduction in EU regulations**	**No. of all projects**	**No. of projects in which the measure in principle is applicable ("potential projects")**	**No. of projects with the measure applied ("actually affected projects")**	**Percentage - No. of projects with the measure applied / all projects**	**Percentage - No. of projects with the measure applied /potential projects**	**Funds*** allocated to all projects**	**Funds*** allocated to projects in which in principle the measure is applicable (potential projects)**	**Funds *** allocated to the projects where the measure applied (actually affected projects)**	**Percentage - Funds *** allocated to the projects where the measure applied/all projects**	**Percentage - Funds *** allocated to the projects where the measure applied/potential projects**
1	*2*	*3*	*4*	*5*	*6=5/3***	*7=5/4***	*8*	*9*	*10*	*11=10/8***	*12=10/9***
Optional measures											
1. indirect costs	22. 5. 2009 (ERDF only)										
2. flat-rate costs	22. 5. 2009										
3. lump sums	22. 5. 2009										
4. in-kind contributions in financial engineering schemes	9. 4. 2009										
5. advanced payments (State-aid)	9. 4. 2009										
6. increased flexibility for major projects	9. 4. 2009										
7. co-financed repayable assistance	23. 12. 2011										
Non-optional measures											
8. total costs of revenue generating projects raising to € 1 Mio. (excl. ESF projects)	25. 12. 2008 (ERDF only)			n.a.	(6=4/3)	n.a.			n.a.	(11=9/8)	n.a.
9. single threshold for major projects of € 50 Mio.	25. 6. 2010 (ERDF only)			n.a	(6=4/3)	n.a.		.	n.a.	(11=9/8)	n.a.

* Those SAI which shall next to all optional and non-optional measures audit also some other, not enumerated measure, please add an additional row at the end of the table.

** This formula is not directly applicable in case of sampling. Those SAI which shall use the sampling method are requested to calculate the correct percentage according to the whole OP and report it in the table. The formula should be adapted to the method of sampling.

*** Funds = EU funds + national co-financing.

Table for reporting and **analysis of the use of measures from the date of the (retroactive) applicability** (see column 2) **to 31.12.2011** in each Member State (measures that can not applied retroactively are not listed in this table)

Name of operational programme (if measures have been introduced for specific OPs):

Measure*	**Date of applicability of measure**	**No. of all projects**	**No. of projects in which the measure in principle is applicable ("potential projects")**	**No. of projects with the measure applied ("actually affected projects")**	**Percentage - No. of projects with the measure applied / all projects**	**Percentage - No. of projects with the measure applied / potential projects**	**Funds*** allocated to all projects**	**Funds*** allocated to projects in which in principle the measure is applicable (potential projects)**	**Funds *** allocated to the projects where the measure applied (actually affected projects)**	**Percentage - Funds *** allocated to the projects where the measure applied / (all projects**	**Percentage - Funds *** allocated to the projects where the measure applied /potential projects**
1	*2*	*3*	*4*	*5*	*6=5/3***	*7=5/4***	*8*	*9*	*10*	*11=10/8***	*12=10/9***
Optional measures											
1. indirect costs	1. 8. 2006 (ERDF only)										
2. flat-rate costs	1. 8. 2006										
3. lump sums	1. 8. 2006										
4. in-kind contributions in financial engineering schemes	1. 8. 2006										
7. co-financed repayable assistance	1. 1. 2007										
Non-optional measures											
8. total costs of revenue generating projects raising to € 1 Mio. (excl. ESF projects)	1. 8. 2006 (ERDF only)			n.a.	(6=4/3)	n.a.			n.a.	(11=9/8)	n.a.

* Those SAI which shall next to all optional and non-optional measures audit also some other, not enumerated measure, please add an additional row at the end of the table.

** This formula is not directly applicable in case of sampling. Those SAI which shall use the sampling method are requested to calculate the correct percentage according to the whole OP and report it in the table. The formula should be adapted to the method of sampling.

*** Funds = EU funds + national co-financing.

PART III

FUTURE SIMPLIFICATION

Key Area 4 – Assessment of the draft legislative package for 2014-2020

Key Area 4 provides an overview of the assessment of the draft legislative package of the European Commission for the period 2014-2020 in each Member State.

Draft Regulations

COM(2011) 615 final
COM(2011) 607 final
COM(2011) 614 final

Question

Will the draft legislative package of the European Commission for the programming period 2014-2020 simplify the use of the Structural Funds?

4.1 Are the managing/certifying/audit authorities and beneficiaries familiar with the proposed draft legislative package of the Structural Funds?

4.2 How do the managing/certifying/audit authorities and beneficiaries regard the following provisions of the General Regulation (COM(2011) 615 final):

4.2.1 As to grants Art. 57 (1) provides the following:
"*Grants may take any of the following forms:*
(a) reimbursement of eligible costs actually incurred and paid, together with, where applicable, in-kind contributions and depreciation;
(b) standard scales of unit costs;
(c) lump sums not exceeding EUR 100,000 of public contribution;
(d) flat-rate financing, determined by the application of a percentage to one or several defined categories of costs."
Further conditions are laid down in Art. 57 (2) – (5).

4.2.2 As to indirect costs for grants Art. 58 stipulates:
"*Where the implementation of an operation gives rise to indirect costs, they may be calculated as a flat rate in one of the following ways:*
(a) a flat rate of up to 20 % of eligible direct costs, where the rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;
(b) a flat rate of up to 15 % of eligible direct staff costs;
(c) a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.
The Commission shall be empowered to adopt delegated acts in accordance with Article 142 concerning the definition of the flat rate and the related methods referred to in point (c) above."

4.2.3 As to revenue generating projects Art. 54 (1) stipulates the following:
"*Net revenue generated after completion of an operation over a specific reference period shall be determined in advance by one of the following methods:*
(a) application of a flat rate revenue percentage for the type of operation concerned;

(b) calculation of the current value of the net revenue of the operation, taking into account the application of the polluter-pays principle and, if appropriate, considerations of equity linked to the relative prosperity of the Member State concerned.
The eligible expenditure of the operation to be co-financed shall not exceed the current value of the investment cost of the operation less the current value of the net revenue, determined according to one of these methods.
The Commission shall be empowered to adopt delegated acts in accordance with Article 142 concerning the definition of the flat rate referred to in point (a) above.
The Commission shall adopt the methodology under point (b) by means of implementing acts in accordance with the examination procedure referred to in Article 143(3)."

4.2.4 Higher responsibility and accountability for the Member States: more reporting obligations, e.g. management declaration of assurance (Art. 65, 75), accreditation of management and control bodies at national level (Art. 64), responsibility of Member States (Art. 63).

4.2.5 Management and control authorities: as before Art. 113 requires a managing authority, a certifying authority and an audit authority. The managing authority may also to carry out in addition the functions of the certifying authority. The three authorities may be part of the same public authority or body provided that the principle of separation of functions is respected. For those operational programmes for which the total amount of support from the funds exceeds EUR 250 million, the audit authority must not be part of the same public authority or body as the managing authority.

4.2.6 Art. 38 provides for the re-use of resources attributable to the support from all Funds until closure of the programme when they are paid back to financial instruments from investments or from the resources released.

4.2.7 Please comment on any other relevant article/section/topic.

4.3 What is the assessment of the SAI?

Annex 1 – Timetable

Working Group on Structural Funds V

= meeting

DATE	ATTENDEES/ SAIs	AGENDA	VENUE
2012			
13/14 March	Working Group Core Group	Discuss draft audit plan, timetable and methodology	Berlin
Mid-May	Core Group Working Group	Finalise audit plan and circulate to all participating SAIs (via e-mail)	N/A
Mid-May - October	SAIs	**Fieldwork** in Member States	N/A
November	Working Group	Discuss initial results of fieldwork	to be arranged (if necessary)
End of December	SAIs	Complete country reports by Member States and submit to the Core Group	N/A
2013			
January - March (to be fixed)	Core Group	Review of country reports and draft composite report (aim to complete first draft of composite report by end of April; completion of draft by end of June)	to be arranged
April	Working Group Core Group	Discuss draft composite report Further consider final report	to be arranged
October 2013	Chair	Present final report to Contact Committee	N/A

Annex 2 – Questionnaires

Introduction

In this document you will find three questionnaires.

- The **first questionnaire** covers Key Area 1 and produces data for Key Areas 2 and 3. It is designed to provide general data about the Structural Funds programmes and simplification measures adopted in 2008/2009/2010/2011 in your Member State. This questionnaire should be sent to the competent authority or authorities capable of providing the data needed, generally the managing authorities. If it is not possible to provide this information for the whole population of projects the SAI may take representative samples of the whole population for each OP.

- The **second questionnaire** covers Key Areas 2 and 3 and is designed to produce additional information on the simplification measures adopted in 2008/2009/2010/2011. It might be most helpful to take samples for each OP. These samples do not need to be representative. The questionnaire should be sent to the respective managing/certifying/audit authorities and beneficiaries and each addressee should answer the questions from its respective point of view. It might be useful to also include projects in which the simplification measures are not used to inquire the key arguments for the decision not to apply the measures.

- Finally, the **third questionnaire** covers Key Area 4 and provides questions about future simplification measures. These questions should help assess legislative package for the 2014-2020 programming period and refer to the draft legislative package that was adopted by the European Commission in October 2011. This questionnaire should be sent to the managing/certifying/audit authorities.

QUESTIONNAIRE 1:
GENERAL OVERVIEW OF STRUCTURAL FUNDS

Preliminary remarks:

This questionnaire is an integral part of the audit on *simplification of the regulations in Structural Funds*, which is designed to assess the simplification measures for the programming period 2007-2013, in the years 2007 to 2011. This audit is a joint initiative of 14 EU SAIs[35], who wish to compare their audit results.

Part A of the questionnaire provides an overview of the Structural Funds Programmes in your Member State in the period 2007-2013: the number of operational programmes, the amount of funds involved and the division of the funds. It also provides a breakdown of the funds that are part of your audit.

Part B deals with the integration of optional simplification measures into the national framework and the number of projects affected by these measures.

Data is collected for two periods, the first period from the date of the introduction of the measure (the date that the Regulation entered into force) until 31.12.2011 and the second period from the date of the (retroactive) applicability of the measure (as it is foreseen for several measures) until 31.12.2011.

Part C deals with the projects affected by the non-optional measures.

The amendatory regulations introducing the simplification measures are binding in their entirety and directly applicable in all Member States. Nevertheless some measures only introduce a possibility to use a measure and the Member States can decide whether to apply or not to apply the measure. Measures providing that possibility are referred to as optional measures; measures which the Member State has to apply are referred to as non-optional measures.

This questionnaire provides an overview of the following measures in each Member State:

Optional simplification measures:
1. indirect costs (declared on a flat-rate basis of up to 20 % of direct costs);
2. flat-rate costs (computed by application of standard scales of unit costs),
3. lump sums,
4. allowing in-kind contributions to be declared as eligible expenditure in relation to financial engineering schemes,
5. advanced payments,
6. increased flexibility for major projects,
7. co-financed repayable assistance.

Non-optional simplification measures:
8. raising of threshold of total costs of revenue generating projects to EUR 1 million. and excluding ESF projects,
9. introduction of a single threshold for major projects of EUR 50 million.

Other measures not listed.

Explanation of key terms

[35] SAIs of Austria, Bulgaria, Germany, Hungary, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain and Sweden.

The key terms used in this questionnaire are set out below.

- *Structural Funds* are the ESF and the ERDF. The Cohesion Fund is not a structural fund in the current programming period. Nevertheless Regulation (EC) No 1083/2006 applies equally to the Cohesion Fund (see Art. 1 par. 2 of Regulation (EC) No 1083/2006). The Cohesion Fund can be included exceptionally, particularly in cases when it is impossible to distinguish between the Cohesion Fund and Structural Funds.

- *Beneficiary* is an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of aid schemes under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid (see Art. 2 par. 4 of Regulation (EC) No 1083/2006).

Part A: Overview of Structural Funds Programmes

Question

How much Structural Funds money will your Member State receive for the period 2007-2013 and how is it divided among the operational programmes (excluding operational programmes targeting at territorial cooperation and transnational programmes)?

1. How many operational programmes have been set up in your Member State
   a) for the European Social Fund (ESF)?
   b) for the European Regional Development Fund (ERDF)?

   Which aggregate volume of budget funds do the operational programmes have
   a) for the ESF?
   b) for the ERDF?

2. How much means have been reserved for each of these operational programmes?
   a) European means
   b) national means for co-financing

3. How large are the funds of each of these operational programmes (in %) in relation to the total amount of Structural Funds money (EU funds + national co-financing) in your Member State for the period 2007-2013?

Please list the answers to the questions above in the following tables:

Table of **all Structural Funds operational programmes** in your Member State (the CF (Cohesion Fund) column applies only in cases of mixed programmes).

	Budget of the operational programmes (2007-2013)						
OP	**ERDF**	**ESF**	**CF**	**National co-financing**	**Total**	**Percentage in total**	**Part of the audit (yes/no)**
A	*B*	*C*	*D*	*E*	*F=B+C+D+E*	*G=F/SUM(F)*	*H*
	€	€	€	€	€	%	
	€	€	€	€	€	%	
	€	€	€	€	€	%	
	€	€	€	€	€	%	
sum	€	€	€	€	€	%	

Table of **audited operational programmes** in your Member State

OP and fund	Funds (EU funds + national co-financing) allocated (in €)					Contracts signed (until 31.12.2011)/Funds granted to beneficiaries (in €)					Declared eligible expenditure to the EC (in €)				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011

Part B: Optional simplification measures

Relevant Regulations

Regulation (EC) No 396/2009:	Art. 1 on Art. 11 of Regulation (EC) No 1081/2006 (ESF) introducing two additional forms of eligible costs in the case of grants: • **flat-rate costs** computed by applying **standard scales of unit cost** as defined by the Member State; • **lump sums** to cover all or part of the costs of an operation (the lump sum shall not exceed EUR 50,000).	Measure 2 Measure 3
Regulation (EC) No 397/2009	Art. 1 (3) on Art. 7 of Regulation (EC) No 1080/2006 (ERDF) introducing three forms of eligible costs in the case of grants: • **indirect costs**, declared on **a flat-rate basis, of up to 20% of the direct costs** of an operation; • **flat-rate costs** computed by applying **standard scales of unit cost** as defined by the Member State; • **lump sums** to cover all or part of the costs of an operation (the lump sum shall not exceed EUR 50,000).	Measure 1 Measure 2 Measure 3
Regulation (EC) No 284/2009	Art. 1 (3) on Art. 56 (2) of Regulation (EC) No. 1083/2006 (SF General Regulation) permitting **in-kind contributions** to be declared as **eligible expenditure in relation to financial engineering schemes**. Art. 1 (4) point (b) deleting Art. 78 (2) point (b) of Regulation (EC) No. 1083/2006 that (regarding State aid) limited the **advances paid** to the beneficiaries to 35 % of the total amount of aid for the **statement of expenditure**. Art. 1 (4) point (c) on Art. 78 (4) of Regulation (EC) No. 1083/2006 (SF General Regulation) permitting **expenditures relating to major projects without prior consent of the European Commission to be included in expenditure declarations.**	Measure 4 Measure 5 Measure 6
Regulation (EU) No 1310/2011	Art. 1 (2, 3) introduces the possibility of **co-financed repayable assistance**.	Measure 7
Regulation (EC) No 1341/2008, 284/2009, 396/2009, 397/2009, 846/2009, Regulation (EU) 437/2010, 539/2010, 832/2010, 1310/2011, 1311/2011, 1236/2011	Other relevant optional simplification measures.	

Questions I., and II. ***should be answered for each*** *optional simplification measure separately. See table below for reporting and analysis of the use of measures.*

I. Question

Has your Member State integrated the optional simplification measure into the national framework?

1.1 Has your Member State transposed the simplification measure into its national framework?

1.2 If your Member State has integrated this measure:

1.2.1 What has been the driver for your country to integrate the measure?

1.2.2 How did your Member State transpose the measure? (Concerning the lump sum/standard scale of costs: How has your member state established the rates/standards for the measure? Please describe the major regulatory steps when transposing the simplification measure.[36])

1.2.3 Has your Member State met obstacles/problems in transposing the measure? Please describe.

1.2.4 Has your Member State added elements/further requirements to the measure (gold-plating)? If yes, please specify (who, why and what?).

1.2.5 When did the transposed measure become effective in your Member State?

1.2.6 Does your Member State make use of the measure? If yes/no, what are the key arguments?

1.3 If your Member State did not transpose the measure:

1.3.1 Why has your Member State not (yet) transposed the measure?

1.3.2 Does your Member State plan to integrate and apply the measure until 2014?

II. Question

How many operational programmes and projects are affected and how much money is covered by the optional simplification measures? Please report for all audited OPs together but separately per Fund.

2.1 How many projects have been confirmed since the date of introduction/(retroactive) applicability of the measure (see tables below for date) - number and value (EU funds + national co-financing)?

2.2 In how many of those projects has the measure been applied - number and value (EU funds + national co-financing)? This may also be determined on a basis of a sample.

2.3 In what percentage (number and value (EU funds + national co-financing)) of projects is the measure applicable?

2.4 In what percentage (number and value (EU Funds + national co-financing)) of projects is the measure applied?

[36] A timeline could be useful for providing an overview.

Part C: Non-optional simplification measures

Relevant Regulations

Regulation (EC) No 1341/2008	Art. 1 on Art. 55 (5) of Regulation (EC) No 1083/2006 (SF General Regulation) raising the threshold of total costs for **revenue generating projects** to **EUR 1,000,000** and **excluding ESF projects**.	Measure 8
Regulation (EU) No 539/2010	Art. 1 (1) on Art. 39 of Regulation (EC) No 1083/2006 (SF General Regulation) introducing a **single threshold of EUR 50,000,000 for major projects**;	Measure 9
Regulation (EC) No 1341/2008, 284/2009, 396/2009, 397/2009, 846/2009, Regulation (EU) 437/2010, 539/2010, 832/2010, 1310/2011, 1311/2011, 1236/2011	Other relevant non-optional simplification measures.	

*The question **should be answered for each** non-optional simplification measure separately. See table below for reporting and analysis of the use of measures.*

Question

How many operational programmes and projects are affected and how much money is covered by the non-optional simplification measures? Please report for all audited OPs together but separately per Fund.

1 How many projects have been confirmed since the date of introduction/applicability of the measure (see table below for date) - number and value (EU funds + national co-financing)?

2 In how many of those projects is the measure applicable - number and value (EU funds + national co-financing)? This may also be determined on a basis of a sample..

3 In what percentage (number and value (EU funds + national co-financing)) of projects is the measure applicable?

Table for reporting and **analysis of the use of measures from the date of introduction** (see column 2) **to 31.12.2011** in each Member State

Name of operational programme (if measures have been introduced for specific OPs):

Measure*	**Date of introduction in EU regulations**	**No. of all projects**	**No. of projects in which the measure in principle is applicable ("potential projects")**	**No. of projects with the measure applied ("actually affected projects")**	**Percentage - No. of projects with the measure applied / all projects**	**Percentage - No. of projects with the measure applied / potential projects**	**Funds*** allocated to all projects**	**Funds*** allocated to projects in which in principle the measure is applicable (potential projects)**	**Funds *** allocated to the projects where the measure applied (actually affected projects)**	**Percentage - Funds *** allocated to the projects where the measure applied /all projects**	**Percentage - Funds *** allocated to the projects where the measure applied / potential projects**
1	*2*	*3*	*4*	*5*	*6=5/3***	*7=5/4***	*8*	*9*	*10*	*11=10/8***	*12=10/9***
Optional measures											
1. indirect costs	22. 5. 2009 (ERDF only)										
2. flat-rate costs	22. 5. 2009										
3. lump sums	22. 5. 2009										
4. in-kind contributions in financial engineering schemes	9. 4. 2009										
5. advanced payments (State-aid)	9. 4. 2009										
6. increased flexibility for major projects	9. 4. 2009										
7. co-financed repayable assistance	23. 12. 2011										
Non-optional measures											
8. total costs of revenue generating projects raising to € 1 Mio. (excl. ESF projects)	25. 12. 2008 (ERDF only)			n.a.	(6=4/3)	n.a.			n.a.	(11=9/8)	n.a.
9. single threshold for major projects of € 50 Mio.	25. 6. 2010 (ERDF only)			n.a.	(6=4/3)	n.a.			n.a.	(11=9/8)	n.a.

* Those SAI which shall next to all optional and non-optional measures audit also some other, not enumerated measure, please add an additional row at the end of the table.

** This formula is not directly applicable in case of sampling. Those SAI which shall use the sampling method are requested to calculate the correct percentage according to the whole OP and report it in the table. The formula should be adapted to the method of sampling.

*** Funds = EU funds + national co-financing.

Table for reporting and **analysis of the use of measures from the date of the (retroactive) applicability** (see column 2) **to 31.12.2011** in each Member State
(measures that can not applied retroactively are not listed in this table)

Name of operational programme (if measures have been introduced for specific OPs):

Measure*	**Date of applicability of measure**	**No. of all projects**	**No. of projects in which the measure in principle is applicable ("potential projects")**	**No. of projects with the measure applied ("actually affected projects")**	**Percentage - No. of projects with the measure applied / all projects**	**Percentage - No. of projects with the measure applied / potential projects**	**Funds*** allocated to all projects**	**Funds*** allocated to projects in which in principle the measure is applicable (potential projects)**	**Funds *** allocated to the projects where the measure used (actually affected projects)**	**Percentage - Funds *** allocated to the projects where the measure applied / all projects**	**Percentage - Funds *** allocated to the projects where the measure applied / potential projects**
1	*2*	*3*	*4*	*5*	*6=5/3***	*7=5/4***	*8*	*9*	*10*	*11=10/8***	*12=10/9***
Optional measures											
1. indirect costs	1. 8. 2006 (ERDF only)										
2. flat-rate costs	1. 8. 2006										
3. lump sums	1. 8. 2006										
4. in-kind contributions in financial engineering schemes	1. 8. 2006										
7. co-financed repayable assistance	1. 1. 2007										
Non-optional measures											
8. total costs of revenue generating projects raising to € 1 Mio. (excl. ESF projects)	1. 8. 2006 (ERDF only)		.	n.a.	(6=4/3)	n.a.			n.a.	(11=9/8)	n.a.

* Those SAI which shall next to all optional and non-optional measures audit also some other, not enumerated measure, please add an additional row at the end of the table.

** This formula is not directly applicable in case of sampling. Those SAI which shall use the sampling method are requested to calculate the correct percentage according to the whole OP and report it in the table. The formula should be adapted to the method of sampling.

*** Funds = EU funds + national co-financing.

QUESTIONNAIRE 2:
SIMPLIFICATION MEASURES adopted 2008/2009/2010/2011

Preliminary remarks:

This questionnaire is an integral part of the audit on *simplification of the regulations in Structural Funds*, which is designed to assess the simplification measures for the programming period 2007-2013, in the years 2007 to 2011. This audit is a joint initiative of 14 EU SAIs[37], who wish to compare their audit results.

This questionnaire provides an overview of the perception of the following measures in each Member State.

Optional simplification measures:
1. indirect costs (declared on a flat-rate basis of up to 20 % of direct costs);
2. flat-rate costs (computed by application of standard scales of unit costs),
3. lump sums,
4. allowing in-kind contributions to be declared as eligible expenditure in relation to financial engineering schemes,
5. advanced payments,
6. increased flexibility for major projects,
7. co-financed repayable assistance.

Non-optional simplification measures:
8. raising of threshold of total costs of revenue generating projects to EUR 1 million. and excluding ESF projects,
9. introduction of a single threshold for major projects of EUR 50 million.

Other measures not listed.

.

Explanation of key terms

The key terms used in this questionnaire are set out below.

- *Structural Funds* are the ESF and the ERDF. The Cohesion Fund is not a structural fund in the current programming period. Nevertheless Regulation (EC) No 1083/2006 applies equally to the Cohesion Fund (see Art. 1 par. 2 of Regulation (EC) No 1083/2006). The Cohesion Fund can be included exceptionally, particularly in cases when it is impossible to distinguish between the Cohesion Fund and Structural Funds.

- *Beneficiary* is an operator, body or firm, whether public or private, responsible for initiating or initiating and implementing operations. In the context of aid schemes under Article 87 of the Treaty, beneficiaries are public or private firms carrying out an individual project and receiving public aid (see Art. 2 par. 4 of Regulation (EC) No 1083/2006).

[37] SAIs of Austria, Bulgaria, Germany, Hungary, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain and Sweden.

Relevant Regulations

Regulation (EC) No 396/2009:	Art. 1 on Art. 11 of Regulation (EC) No 1081/2006 (ESF) introducing two additional forms of eligible costs in the case of grants: • **flat-rate costs** computed by applying **standard scales of unit cost** as defined by the Member State; • **lump sums** to cover all or part of the costs of an operation (the lump sum shall not exceed EUR 50,000).	Measure 2 Measure 3
Regulation (EC) No 397/2009	Art. 1 (3) on Art. 7 of Regulation (EC) No 1080/2006 (ERDF) introducing three forms of eligible costs in the case of grants: • **indirect costs**, declared on **a flat-rate basis, of up to 20% of the direct costs** of an operation; • **flat-rate costs** computed by applying **standard scales of unit cost** as defined by the Member State; • **lump sums** to cover all or part of the costs of an operation (the lump sum shall not exceed EUR 50,000).	Measure 1 Measure 2 Measure 3
Regulation (EC) No 1341/2008	Art. 1 on Art. 55 (5) of Regulation (EC) No 1083/2006 (SF General Regulation) raising the threshold of total costs for **revenue generating projects** to **EUR 1,000,000** and **excluding ESF projects**.	Measure 8
Regulation (EC) No 284/2009	Art. 1 (3) on Art. 56 (2) of Regulation (EC) No 1083/2006 (SF General Regulation) permitting **in-kind contributions** to be declared as **eligible expenditure in relation to financial engineering schemes**. Art. 1 (4) point (b) deleting Art. 78 (2) point (b) of Regulation (EC) No 1083/2006 that (regarding State aid) limited the **advances paid** to the beneficiaries to 35 % of the total amount of aid for the **statement of expenditure**. Art. 1 (4) point (c) on Art. 78 (4) of Regulation (EC) No 1083/2006 (SF General Regulation) permitting **expenditures relating to major projects without prior consent of the European Commission to be included in expenditure declarations.**	Measure 4 Measure 5 Measure 6
Regulation (EU) No 539/2010	Art. 1 (1) on Art. 39 of Regulation (EC) No 1083/2006 (SF General Regulation) introducing a **single threshold of EUR 50,000,000 for major projects**;	Measure 9
Regulation (EU) No 1310/2011	Art. 1 (2, 3) introduces the option of **repayable assistance**.	Measure 7
Regulation (EC) No 1341/2008, 284/2009, 396/2009, 397/2009, 846/2009, Regulation (EU) 437/2010, 539/2010, 832/2010, 1310/2011, 1311/2011, 1236/2011	Other relevant simplification measures.	

*Question **I. should be answered for each** simplification measure separately, while Question **II. can be answered for all** simplification measures together.*

I. Question

Are the optional simplification measures useful and genuine simplifications?

1 Do the managing/certifying/audit authorities and beneficiaries apply/check the measure? If yes/no, what are the key arguments?

2 Do the managing/certifying/audit authorities and beneficiaries perceive the measure as useful and as simplification (administration/costs)? If yes/no, what are the key arguments?

3 What are the positive and negative effects of the measure according to the managing/certifying/audit authorities and beneficiaries? What are the key arguments?

4 Did the authorities find any irregularities when controlling the projects in which the measure was applied? If yes, which?

II. Question

Do the managing/certifying/audit authorities and beneficiaries recommend improvements or further simplification? If yes, which? What are the arguments for these proposed improvements?

QUESTIONNAIRE 3:
FUTURE SIMPLIFICATION MEASURES

Preliminary remarks:

This questionnaire is an integral part of the audit on *simplification of the regulations in Structural Funds* designed to assess the simplification measures for the programming period 2007-2013, in the years 2007 to 2011. This audit is a joint initiative of 14 EU SAIs[38], who wish to compare their audit findings.

It shall provide an overview of how each Member State perceives the draft legislative package of the European Commission for the period 2014-2020. The questions refer to the draft legislative package that was adopted by the European Commission in October 2011. Negotiations currently take place. Therefore the listed provisions might not be up-to-date and might have been amended, but nevertheless, they deal with crucial ideas.

Draft Regulations

COM(2011) 615 final:
COM(2011) 607 final
COM(2011) 614 final

[38] SAIs of Austria, Bulgaria, Germany, Hungary, Italy, Lithuania, Malta, the Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain and Sweden.

Question

Will the draft legislative package of the European Commission simplify the application of the Structural Funds?

1 Are you familiar with the proposed draft legislative package of the Structural Funds?

2 What is your opinion on the following provisions of the General Regulation (COM(2011) 615 final):

2.1As to grants Art. 57 (1) provides the following:

"*Grants may take any of the following forms:*
(a) reimbursement of eligible costs actually incurred and paid, together with, where applicable, in-kind contributions and depreciation;
(b) standard scales of unit costs;
(c) lump sums not exceeding EUR 100 000 of public contribution;
(d) flat-rate financing, determined by the application of a percentage to one or several defined categories of costs."
Further conditions are laid down in Art. 57 (2) – (5).

2.2As regards indirect costs for grants Art. 58 stipulates:

"*Where the implementation of an operation gives rise to indirect costs, they may be calculated as a flat rate in one of the following ways:*
(a) a flat rate of up to 20 % of eligible direct costs, where the rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;
(b) a flat rate of up to 15 % of eligible direct staff costs;
(c) a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.
The Commission shall be empowered to adopt delegated acts in accordance with Article 142 concerning the definition of the flat rate and the related methods referred to in point (c) above."

2.3As to revenue generating projects Art. 54 (1) provides the following:

"*Net revenue generated after completion of an operation over a specific reference period shall be determined in advance by one of the following methods:*
(a) application of a flat rate revenue percentage for the type of operation concerned;
(b) calculation of the current value of the net revenue of the operation, taking into account the application of the polluter-pays principle and, if appropriate, considerations of equity linked to the relative prosperity of the Member State concerned.
The eligible expenditure of the operation to be co-financed shall not exceed the current value of the investment cost of the operation less the current value of the net revenue, determined according to one of these methods.
The Commission shall be empowered to adopt delegated acts in accordance with Article 142 concerning the definition of the flat rate referred to in point (a) above.
The Commission shall adopt the methodology under point (b) by means of implementing acts in accordance with the examination procedure referred to in Article 143(3)."

2.4Higher responsibility and accountability for the Member States: more reporting obligations, e.g. management declaration of assurance (Art. 65, 75), accreditation of management and control bodies at national level (Art. 64), responsibility of Member States (Art. 63).

2.5 Management and control authorities: as before Art. 113 requires a managing authority, a certifying authority and an audit authority. The managing authority may also carry out functions of the certifying authority. The three authorities may be part of the same public authority or body provided that the principle of separation of functions is respected. For those operational programmes for which the total amount of support from the funds exceeds EUR 250 million, the audit authority must not be part of the same public authority or body as the managing authority.

2.6 Art. 38 demands the re-use of resources attributable to the support from all Funds until closure of the programme when they are paid back to financial instruments from investments or from the resources released.

2.7 Please comment on any other relevant article/section/topic.