

9th MEETING OF THE THEMATIC NETWORK ON SIMPLIFICATION Prague, 26-27 June 2018



Summary

85 representatives from 25 Member States including Managing Authorities, Audit Authorities and Certifying Authorities as well as stakeholders and the European Commission (DG EMPL) attended the Thematic Network on Simplification ninth meeting in Prague on 26-27 June 2018, hosted by the Czech Ministry of Labour and Social Affairs.

This meeting was dedicated to a key theme for simplification in ESF: “Audit and partnership between Audit Authorities and Managing Authorities” with the aim of achieving the following **objectives and outcomes**:

- Promoting and encouraging partnership between both authorities, based on dialogue, collaboration, transparency, mutual understanding and respect of roles and responsibilities
- Discussing in concrete terms on how to set up collaborative schemes and develop joint solutions, procedures and tools
- Setting up a framework for sharing experiences and practices
- Achieving better understanding on how Audit Authorities could be involved upfront and encourage ex ante assessment by defining the scope and functioning of collaboration
- Enhancing the two points of view (how do MAs and AAs “see” things, approach issues and work)
- Clarifying the role of the EC, particularly in the case of conflicts between the two bodies
- Sharing examples on how to audit SCOs

Next meeting will take place in Lisbon, Portugal on **25-26 October 2018**.

Sub-groups meetings (i.e. on “Audit”, “Simplified Cost Options” and “Financial Instruments”) will be scheduled in September, on the basis of the outcomes of the survey questionnaires, to be circulated after the meeting.

List of participants is available [here](#).

Meeting agenda is available [here](#).

All presentations are available on the ESF Transnational Platform [online library](#) (restricted access only to TN participants)

DAY 1 – Tuesday, 26th June

WELCOME BY THE HOST MEMBER STATE

Jiří Kinský, Director of ESF Programmes Management Department within the Czech Managing Authority. Mr. Kinský welcomed participants of the Thematic Network (TN) and thanked the involvement of Managing Authorities (MAs), Audit Authorities (AAs) and stakeholders.

PRESENTATION OF THEMATIC NETWORK AND AGENDA

Luca Santin introduced the agenda of the Meeting divided into two sessions: audit and partnership between MA and AA and a second session on TN sub-groups. He presented the work of the TN to representatives of the AA as well as the activities and objectives of the meeting. With 25 Member States on board, 460 participants already involved and over 300 practices and proposals shared and developed on several topics, the Network now represents a key forum for discussion on concrete ideas around simplification in ESF (and ESIF). The presentation is available [here](#).

SESSION I – AUDIT/PARTNERSHIPS BETWEEN MA AND AA

I.1 – State of play and future of audit at European level

This session aimed to introduce the main theme of the meeting by presenting and discussing the state of play and key recommendations on audit, on the basis of the draft position paper prepared by DG EMPL and shared with participants.

Particular attention was dedicated to presenting the importance of setting up collaborative schemes between Audit Authorities and Managing Authorities, with a focus on simplified cost option.

Mark Schelfhout (Head of Unit, EC – DG EMPL, Unit G/2 “Audit Shared Management I”) presented the state of play and proposals on SCOs and particularly on the involvement of AAs in the ex-ante assessment (the presentation is available [here](#)), on the basis of the draft position paper that had been circulated before the meeting. The draft position paper is available [here](#).

Key points addressed within the presentation and the Q&A session:

- Simplified Cost Options (SCOs) can play a key role in achieving the key objectives of “EU budget focused on results”, linking payments to the delivery of

outputs and results, and simplification of the European Structural and Investment Funds.

- The role of the Audit Authorities in assessing the legality, regularity and eligibility of the proposed simplified cost options is, for the Managing Authorities concerned, a key factor in obtaining legal certainty that the SCOs comply with the applicable regulations and requirements
- The most recent survey on the implementation of Simplified Cost Options (30th October 2017) shows that Audit Authorities were involved ex-ante in designing 36% of SCOs (or carried out an ex-ante validation of the SCO). They audited 35% of SCOs and made observations on SCOs implemented for 10% of ESF operational programmes. This demonstrates that already today, many of the Audit Authorities are (pro-)actively involved in the ex-ante validation of the proposed SCOs
- Ex ante assessment adds significantly to the success of SCOs because Managing Authorities see the early involvement of the auditors as a basis of legal certainty.
- Independence and objectivity are more a matter of *actions* rather than of *positions*
- In terms of respecting the independence of the Audit Authority, it is essential to formalise that the advice is provided on the assumption that the information obtained from the MA is complete and accurate
- The advice aims at providing an ex-ante assessment of the validity and appropriateness of the proposed Simplified Cost Options and, as such, does not pre-empt findings related to the implementation of these cost options

I.2 – Good practices of collaboration between Managing and Audit Authorities

On the basis of the final version of the “Case reports on Partnership between MA & AA” presented during last TN meeting in Athens, representatives of the two authorities co-presented concrete examples of dialogue and successful collaboration, highlighting the added value in terms of legal certainty and enhanced simplification.

The following points were addressed:

- Key preconditions and actions (i.e. what does it take to develop a partnership approach)
- Main challenges, issues and solutions
- Outcomes and results (added value of partnership)
- Lessons learned and recommendations for MAs and AAs from other MSs and the EC

Cases were presented by representatives of Managing and Audit Authorities of [The Netherlands](#), [Northern Ireland](#), [Estonia](#), [Sweden](#), and [Portugal](#) (two presentations: [I ppt.](#); [II ppt.](#)).

The final version of the case reports is available [here](#).

I.3 – Developing partnership: looking at issues (from different perspectives)

This session, introduced by **Luca Santin** (presentation available [here](#)), aimed to identify the key challenges and issues that could hinder the development of a partnership approach between MA and AA.

Participants were divided into groups of homologues (i.e. representatives of AAs and MAs were in separate groups) and were invited to identify, from the two perspectives, the concrete

obstacles to partnership (what are the problems?) and the underlying reasons (why do we have these problems?).

The challenges/issues and related reasons identified by the groups were clustered into the following eight key points:

1. Lack of communication/trust or mutual understanding of roles and responsibilities
2. Assessing data coming from the MA (i.e. not collected by the AA as usual)
3. Time pressure (related to programming and reporting cycle)
4. Lack of resources and need for change management (staff)
5. Gold Plating, in terms of national rules and/or administrative customs/practices making complicated/burdensome or hindering relationships (e.g. one AA dealing with over 20 MAs' approaches)
6. The scope of the ex ante assessment is not completely clear
7. Uncertainty around consequences when errors are found afterwards
8. Lack of experience/knowledge/training on calculating and/or designing operations (e.g. innovative actions)

I.4 – Developing partnership: shared solutions

As opposed to issues, solutions were discussed in groups composed of both MA and AA representatives in order to identify shared solutions, valid for all actors of the partnership.

Therefore, participants discussed how to find common solutions to the key issues identified in the previous session and to point out what contribution should be made by each partner (i.e. what should AAs or MAs do/not do?)

During the working group sessions, representatives of MAs and AAs from the Netherlands, Estonia, Northern Ireland, Sweden and Portugal (i.e. the 5 best practices) moderated the groups to support the clear definition and prioritisation of issues and challenges and facilitate the identification of shared solutions.

Solutions to each key issue are presented on the table below.

ISSUES	SOLUTIONS
1. Lack of communication/trust/mutual understanding of roles and responsibilities	1.a Regular (formal and informal) joint meetings
	1.b Charters/ToRs setting out roles, responsibilities and collaboration process (key steps, timing)
2. Assessing data coming from the MA (i.e. not collected by the AA as usual)	2. Definition of key principles/criteria for data collection and assessment
3. Time pressure (related to programming and reporting cycle)	3. Joint definition of realistic timetable for ex ante assessment to be included in the charters/ToRs (e.g. could be based on reverse engineering approach: starting from the launch of the call for proposals and going back to the first step of the assessment)
4. Lack of resources and need for change management (staff)	4. Adopt lean organisation principles to simplify the process

5. Gold Plating = national rules and/or administrative customs/practices making complicated/burdensome or hindering relationships (e.g. 1 AA dealing with 20+ MAs' approaches)	5.a Identify gold-plating issues and respective solutions/countermeasures
	5.b Establish coordination units/teams composed of MA and AA to harmonise approaches and processes (particularly in the case of MSs where the AA is responsible for several OPs)
6. The scope of the ex ante assessment is not completely clear	6. Preparation of a "TN position paper on the scope and functioning of ex ante assessment", based on the experiences developed by the good practices and the EC position paper and supported by guidance/further information from the EC
7. Uncertainty around consequences in case errors are found afterwards	7. Identification of the main risk areas and related potential consequences, to be discussed among MA, AA and EC representatives
8. Lack of experience/knowledge/training on calculation and/or designing operations (e.g. innovative actions)	8.a Enhance training provided by the Commission (advanced and hands-on training)
	8.b Exchange on examples and practices available at EU Level
	8.c Joint and crossed (i.e. AA training MA and vice versa) training sessions between the authorities

I.5 – Conclusions and next steps

At the end of the session a preliminary survey questionnaire, including the key issues and solution identified by the groups and a list of points that could be addressed by the sub-group on "Audit", was circulated among participants.

The outcomes of the group and joint discussions and the results of the preliminary survey will be used as a reference for the TN sub-group on "Audit" to set up actions and proposals on the Audit theme after the TN 9th meeting.

DAY 2 – Wednesday, 27th June

SESSION II – TN SUB-GROUPS

II.1 – "Post 2020": draft regulations

This session aimed to introduce the discussion on simplification beyond 2020 on the basis of the proposals presented by the European Commission for the 2021-2027 period. **Michael Grosse** (EC – DG EMPL, Unit F/1 "Policy and Legislation") introduced the recently presented CPR and ESF+ regulations, which are currently under negotiations in the European Parliament and Council. The presentations are available on the following links: [Common Provisions regulation 2021-2027](#) and [ESF+](#).

The new Common Provisions Regulation (CPR) 2021-2027 is to cover more funds: former Fund for European Aid to the Most Deprived (FEAD), which is now part of ESF+, Asylum, Migration and Integration Fund (AMIF), Internal Security Fund (ISF) and Border Management and Visa Instrument (BMVI). The CPR only applies to the ESF+ shared management strand.

There will be fewer, but a more complete set of, rules. These will be streamlined and rules on implementation will be more detailed. All necessary rules for starting implementation will be included as Annexes (e.g. programme template, Partnership Agreement template, elements

of the audit trail, management declaration, etc.) and not in delegated or implementing acts as during the previous programming period.

Partnerships will remain as a key part as in the current programming period. This will be carried out in accordance with Commission Delegated Regulation (EU) No 240/2014. (European Code of Conduct on Partnership). Member States will have to involve partners in the preparation of Partnership Agreements and throughout the preparation and implementation of programmes including through participation in monitoring committees in accordance with Article 34.

Partnership Agreements will be simplified, faster and more strategic. A mid-term review in 2025 will be introduced. There will be a closer link with the European Semester and more flexibility as no official EC decision is needed for transfers between priorities for up to 5% of funding.

Programmes architecture is to be set up at the appropriate level so as to ensure swift implementation. Programmes can still be multi-fund (ESF+, ERDF and Cohesion Fund) and cross-financing is possible up to a limit of 10% of the Fund to a priority.

In order to create conditions for success and right implementation, enabling conditions (formerly known as "ex ante conditionalities") will follow the same logic as in 2014-2020 for minimum prerequisites for effective use of the Funds. They will be fewer, clearer and with tighter links to policy. They will be monitored throughout the programming period, not just at the beginning.

There will also be a sound economic governance approach linked to the European Semester and other measures outside the CPR (Rule of law - applicable to the Union budget and a Reform Delivery Tool).

On SCOs, the proposal builds on the experience in the 2014-2020 programming period with the Member State-specific SCOs and EU-level SCOs. Reimbursement will be based on unit costs, lump sums or flat rates established on the basis of: i. a delegated act; ii. a fair, equitable and verifiable calculation method; iii. draft budgets; iv. rules on unit costs and lump sums in other Union policies; v. rules on unit costs and lump sums applied under schemes for grants entirely funded by the MS. The Member State submits a programme or its amendment in line with the template in Annex V and the Commission adopts a decision. The amounts included in the payment application have to correspond to what is set out in the Commission decision. Audits shall exclusively verify that conditions for reimbursement are met.

There will be an extended possibility to use simplified cost options and financing not linked to costs. The number of controls and audits will be reduced and cross-reliance on audits increased. There will be no specific rules for operations generating net revenue. This new approach on Technical Assistance (TA) means that programme management related to it will be reimbursed exclusively through flat rates on the eligible expenditure (Art. 31). In addition, TA will reinforce the capacity of authorities, beneficiaries and partners for effective administration and use of the Funds, implemented through financing and not linked to costs (Art. 32).

On mandatory use of SCOs (Art. 48): the minimum threshold for the obligatory use of SCOs is raised to 200 000 EUR of total costs (instead of 100 000 EUR public support). Art 49 introduces a new flat rate for indirect costs, up to 7% of eligible direct costs (in addition to the flat rate of 15% of eligible direct staff costs and the 25% of eligible direct costs calculated on the basis of a fair, verifiable and equitable method). A flat rate established for the 2014-2020 period can be applied for similar operations.

Mark Schelfhout presented the new updates in terms of audit. There will be no designation, but a description of the M&C (Annex XIV) to be drawn up at the latest by the time of submission of the final application for interim payment of the first accounting year (30 June 2022) and no later than 30 June 2023.

Another important change is that the certifying authority is replaced by an accounting function – which cannot comprise verifications at the level of beneficiaries. Management verifications have to be risk-based and proportionate to the risks identified in a risk strategy.

II.2 – “SCOs” – Managing different reimbursement bases under art. 14(1) ESF

Art. 14(1) of the ESF Regulation provides that Member States can apply their accounting practices to support operations. This allows for differences on the relationship between the Commission and the Member State and the relationship between the Member State and the beneficiary. In this session, experiences of how different reimbursement bases have been managed in practice were presented and discussed.

Francesco Pistillo from Agenzia Nazionale Politiche Attive del Lavoro (ANPAL), managing authority of the national ESF operational programmes, presented an Italian case. During his presentation, Francesco explained in detail the specificities of the programme and the way ANPAL proceeds to reimburse beneficiaries. The presentation is available [here](#).

The issues this specific case poses come from the complexity and number of implementing authorities as well as the complexity in the high number of costs with the same measure delivered. However, he concluded by saying the management of different reimbursement bases requires a lot of work but guarantees greater flexibility in implementation, especially with a high number of beneficiaries. In addition, the use of different reimbursement bases has allowed Italy to take a first step towards uniform simplification for all Regions. During the new implementing phase of NOP YEI, all intermediate bodies will use the costs of the delegated act.

II.3 – Selecting priorities and actions for the sub-group on “SCOs”

The 8th TN Meeting in Athens (March 2018) discussed and approved the proposal to set up TN sub-groups dedicated to specific themes and topics. The experience of the first TN sub-group (on Audit) has already demonstrated that the proposal is sustainable and generates added value for the TN, in terms of more focused discussion and actions.

This session aimed to discuss and select the key priorities and actions for the sub-group on “Simplified Cost Options”.

Joanna Piscopo (Planning and Priorities Coordination Division MEAE – Malta) presented the sub-group, as Malta will lead it. The presentation is available [here](#).

The objectives of the sub-group will be to highlight common issues being encountered on the application of SCOs, to share good practices in the form of actual case studies showing the whole process from design to implementation, control and audit; to take a proactive approach on the application of current and future SCOs as a group and ultimately to propose concrete actions.

After discussing in groups, participants reported in plenary the key topics and actions that should be discussed and developed by the TN sub-group on SCOs.

The outcomes from the group discussions have been clustered into 8 key points, which are presented in the table below:

1. Update the database on SCO practices (including methodologies that are now in the pipeline/in consideration) and the case reports (considering both the good and the “not so good” practices)
2. Collect fiches and relevant information on SCO established under 14(1) ESF
3. Set up a digital roadmap to disseminate the SCO practices (making them more accessible and readable for non TN members) and to support the development of SCO
4. Contribute to enhancing the EC Guidance note on SCOs (examples, clarifications, definitions) and/or prepare a similar TN document (to provide practical references to practitioners across Europe), also including more detail on topics discussed in the TN (e.g. State Aid, Public Procurement, Draft Budget, Financial corrections ...)
5. Collect information on the actual and potential use of SCOs from other Union policies and identify opportunities for new EU Level SCOs
6. Collect questions from the MSs on the design and use of SCOs and formulate TN's answers/references
7. Support the setting up of joint and cross training between MA and AA (in cooperation with the sub-group on “Audit”)
8. Prepare a checklist on principles to help MAs and AAs assessing SCOs ex ante (in cooperation with the sub-group on “Audit”)

II.4 – Introducing the sub-theme “Financial Instruments”

This session aimed to introduce “Financial Instruments” (FI) as a sub-theme for the TN, by presenting and discussing on concrete experiences in the MS.

Aleksandra Dmitruk (Ministry of Investment and Economic Development – Poland), representing the coordinating MS for the sub-theme, presented the state of play on Financial Instruments across Europe as well as the key advantages and challenges related to the implementation on Financial Instruments in the ESF. The presentation is available [here](#).

Aleksandra also introduced the idea of the sub-group on Financial Instruments and asked participants to answer a short questionnaire to identify which MSs implemented FI in 2014-2020, if not why and if yes, in which areas and what problems were observed. Finally, she asked participants to indicate their interest in becoming part of a subgroup on FI. Although the topic is a relatively new for the TN, Luca Santin invited TN members to consider the possibility of joining the sub-group, as Financial Instruments are likely to become a key theme for the ESF.

II.5 – Innovative projects from TN members

Lilia Melo (Portuguese Cohesion and Development Agency) presented “OneValue” which is a project resulting from the Protocol of Collaboration between the Portuguese government (through the Ministry of Presidency and Administrative Modernisation) and the Calouste Gulbenkian Foundation, through the Maze (former Social Investment Laboratory), which

aims to centralise, standardise and provide data regarding the cost of Portugal's entrenched social problems.

The project aims to organise information capable of promoting an improvement of national social services, especially those that are financed by public funds – either by improving the efficiency and effectiveness of the answers themselves, or by reviewing and updating the financing mechanisms.

Data contained in this platform have the potential to improve public service commissioning and public service reform, informing public policy and a more efficient use of public funds.

Full presentation is available [here](#).

SESSION III – TN'S FUTURE AND WORK PLAN

III.1 – Updating the work plan and planning the next meetings

Luca Santin closed the TN meeting with a recap of main decisions, ideas and proposals summarised in the table below.

<p>1. Audit (coordinated by sub-group on Audit)</p> <ul style="list-style-type: none">a. Sub-group on Audit/Thematic Expert prepare a survey questionnaire based on the outcomes of the 9th meeting and circulate it by 11 Julyb. All TN members return the questionnaire by 31 July
<p>2. SCOs (coordinated by Malta)</p> <ul style="list-style-type: none">a. Malta/Thematic Expert prepare a questionnaire on the SCO sub-group and circulate it by 11 Julyb. All TN members return the questionnaire by 31 July
<p>3. Financial Instruments (coordinated by Poland)</p> <ul style="list-style-type: none">a. Poland/Thematic Expert prepare a short questionnaire on Financial Instruments and circulate it by 11 Julyb. All TN members return the questionnaire by 31 July

Sub-group meetings will be scheduled on the basis of the outcomes of the questionnaires.

'Save the date'

Next meeting will take place in **Lisbon, Portugal** on **25th and 26th October 2018**.