



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 20 February 2012

**6708/12
ADD2**

**CADREFIN 100
POLGEN 33**

COVER NOTE

from: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 10 February 2012

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union

No Cion doc.: COM(2012) 42 final

Subject: ANNEX
Annex 2 – Financial Regulation to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions
- A simplification agenda for the MFF (2014-2020)

Delegations will find attached Commission document COM(2012) 42 final.

Encl.: COM(2012) 42 final



EUROPEAN COMMISSION

Brussels, 8.2.2012
COM(2012) 42 final

ANNEX

Annex 2 – Financial Regulation

to the

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
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A Simplification Agenda for the MFF 2014-2020

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FINANCIAL REGULATION

<i>TYPE OF ACTION/ MEASURE</i>	<i>COMMISSION PROPOSAL ON REVISION FINANCIAL REGULATION¹</i>	<i>FINAL TEXT</i>
Clear cost eligibility rules	<ul style="list-style-type: none">- The scope of grants, prizes and financial instruments is clarified (Art. 115 FR).- The obligation to open and use interest-bearing accounts is waived for grant beneficiaries (Art. 5.4 FR).- The access to Union funding is simplified for groupings, networks and entities affiliated to a beneficiary (Art. 172a.3 and 174b Delegated Regulation).- The rules applicable to financial support to third parties awarded by grant beneficiaries are	

¹ **FR:** Proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the annual budget of the Union (COM (2010) 815 final)
Delegated Regulation: Commission Staff Working document concerning modifications linked to the revision of the Financial Regulation prefiguring the proposal for a Delegated Commission Regulation amending the detailed rules of implementation of the Financial Regulation (SEC(2010) 639)

	<p>streamlined and the overall capping removed (Art. 127.2 FR, Art. 184a Delegated Regulation).</p>
<p>Simplified methods</p> <p>cost</p>	<ul style="list-style-type: none"> - The unit value for lump sums is not subject to any ceiling (Art. 181.1 Delegated Regulation). - Lump sums, unit costs and flat rate may be determined per beneficiary in addition to statistical methods (Art. 181.2 Delegated Regulation). - Costs declared by the beneficiaries according to their usual cost accounting practices may be accepted as eligible (Art. 181.2 Delegated Regulation). - The beneficiary may, on a voluntary basis, have its cost accounting method verified by the Commission for more certainty (Art. 181.3 Delegated Regulation). - The Commission is not required to adjust every two years, by decision, the amounts of lump sums, of unit costs or the flat rates (Art. 181.5 Delegated Regulation).
<p>Proportionate controls</p>	<ul style="list-style-type: none"> - The concept of Tolerable Risk of Error is introduced, to be decided by the Council and the European Parliament for each policy area following a Commission proposal assessing the cost and benefits of controls (Art. 29 FR). - Control measures are adapted to simplified forms of grants, which allow for a shift from input-based checks to output-based controls (Art. 181 Delegated Regulation). - Pre-financing guarantees are not required compulsorily but on a risk basis (Art. 109 and 125 FR, Art. 152 and 182 Delegated Regulation). - Administrative burden for grant applicants is alleviated through lighter requirements with regard to <i>ex ante</i> verification of the non-exclusion criteria and, for low value grants, of their legal status, operational and financial capacity (Art. 122 FR, Art. 173 and 174 Delegated Regulation). - Extension of audit findings in case of recurrent or systematic errors is authorised so as to

	facilitate corrections without having to perform on-the-spot controls which are resource-consuming for both the beneficiaries and the institutions (Art. 126 FR).	
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