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## SUMMARY

### **of the Joint Audit Coordinated by the Structural Funds Working Group on 'The Simplification of Structural Funds Regulations' (13013)**

#### **Objectives, scope and method of the audit**

The purpose of the audit was to assess the Hungarian implementation of simplification measures introduced within EU and national competence. Another objective set was to provide, in accordance with the joint international programme, a general overview of the Structural Funds programmes. We assessed the impact of mandatory and optional EU simplification measures, their integration into the national framework, the impact and perception of simplification measures introduced within the national competence, and we evaluated the draft legislative package for the 2014-2020 period.

The audit was conducted by the State Audit Office of Hungary (SAO) in accordance with the programme approved by the EU's Contact Committee – the cooperation forum of Member State SAIs and the European Court of Auditors. The audit was conducted by 14 SAIs within the Structural Funds Working Group (hereinafter: Working Group), based on a joint audit programme.

The Working Group resolved to audit nine EU simplification measures, and also made the assessment of simplification measures, introduced within the national competence, possible. Based on this, the SAO also audited 15 simplification measures introduced within the national competence.

Beyond the usual on-site data collection, the SAO used an innovative method, namely questionnaires, to survey the experience of beneficiaries (enterprises, local governments and non-governmental organisations). As part of the audit, the SAO developed a questionnaire method, through which we reached close to 30 thousand beneficiaries, asking them to provide opinions on the operation of the administration system and make recommendations on further simplifications.

#### **Main findings**

The SAO audit determined that in Hungary, all nine of the EU simplification measures specified by the Working Group (two mandatory and seven optional) have been integrated into the national framework. There was no need for any legislative changes for the integration of the EU simplification measures, because

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EU regulations are applied directly and become part of the national legislation without any transposition and are, furthermore, of general application.

Despite the legal opportunity that opened up, the number of EU simplification measures actually applied (four out of nine possible EU measures) and the ratio of projects affected by the measures (350 of the possible 18 317) was relatively low.

Of the two mandatory EU simplification measures, in the case of the first, 'Raising the Threshold on Total Project Expenditure', there were no Hungarian projects concerned in the period under review. The 'Introduction of a Uniform Threshold of EUR 50 Million' concerned one project in Hungary. The reason behind this was that the other Hungarian projects failed to reach the threshold where the simplification was enforced.

Of the seven optional EU simplification measures, only two were applied. The optional measures applied were 'Flat Rate Costs (calculated using standard scales of unit cost)' and 'Increased Flexibility of Major Projects'. In the case of optional EU simplification measures, the main reasons for the low ratio are the following: lengthy negotiation process with the EU, failure to reach the threshold required for application, and the difference between the Hungarian intermediary system of funding and the structures that are required by the measures to be introduced.

The SAO assessed the measures introduced within Hungarian national competence at managing authorities and beneficiaries alike. Their introduction was justified by the acceleration of the project selection process and the payments, the reduction of administrative burdens, the facilitation of faster and more transparent communication with applicants and beneficiaries, and the strengthening of the applicant-friendly system of funding. The managing authorities and beneficiaries regarded all measures applied as useful, which resulted in real and tangible simplification.

At the time of the audit, based on the good experience of the measures introduced, the National Development Agency (NDA) was planning to expand the range of simplification measures. Two of these were optional EU simplification measures, and seven simplification measures to be applied within national competence.

According to the authorities audited, the draft legislative package for the 2014-2020 period provides more room to manoeuvre/more opportunities for Member States. Hungary will only be able to take advantage of this opportunity if it establishes the required regulatory environment.

Overall, we were able to determine that the optional and the mandatory simplification measures, as well as those applied within national competence are

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considered by the authorities and the beneficiaries as useful, since they resulted in real and tangible simplification. No over-regulation was observed, and Hungary did not add additional elements, requirements or restraints to optional and mandatory measures.

The relatively low number and ratio of EU simplification measures applied was in part also due to the fact that the introduction of the measures was no longer relevant as Hungary established its own system aimed at simplification before the EU measures were taken. Of the total number of 37 432 potential projects, all were affected by one or more simplification measures introduced within national competence.

More than 14 thousand replies were received within the SAO's questionnaire survey. Of these, 1600 contained specific simplification measures, which the SAO summarised into eight topics. Those concerned primarily made suggestions on the reduction of administration and the speeding up of applications.

Most observations and recommendations were related to the expansion of electronic and online administration. Amongst other things, the respondents recommended the introduction of electronic signatures, the development of the Single Monitoring and Information System, and that there should be opportunities for the electronic administration of applications and projects in the period from the submission of the application up until the completion of a given project. This would speed up procedures, while beneficiaries and the authorities would save on paperwork, thus saving costs.

Many of the respondents' recommendations concerned the reduction of the number and length of documents to be submitted, and the further development of the applicant and project administration interface. Several specific recommendations were formulated with the purpose of speeding up and simplifying procedures. Furthermore, the respondents wished to see a more direct customer service and the possibility of personal consultation.

There were many recommendations regarding the upgrade of guidelines and templates, as well as the recurring suggestion to simplify and speed up financing. Many brought up the necessity of shortening the time between submitting the payment request and the actual transfer of funds. Another demand was for the date of expiration of various certificates issued by authorities to be 'automatically' extended should the processing period or the period to submit missing items be prolonged.

### **Recommendations**

Based on the audit findings, we recommended the Minister of National Development to facilitate the easier introduction of simplification measures in

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the future by analysing the reasons for the non-implementation of certain simplification measures and the relatively low number of EU simplification measures introduced. We also recommended the Minister to establish the measurability and assessability of the impacts of implemented measures. We initiated that the Minister take measures to utilise the simplification recommendations made during the questionnaire survey.

In relation to EU institutions, the 'Weaknesses and Recommendations' chapter of the National Audit Report prepared on the basis of the joint programme and forwarded to the Working Group formulates that in adopting the EU's 'legislative package' for 2014-2020, it would be beneficial to establish a clear regulatory environment to simplify cost settlements which would provide enough time for Member States to set up their own rules.