2008 discharge: EU general budget, section III, Commission

2009/2068(DEC) - 16/10/2009 - Document attached to the procedure

FOLLOW-UP ON DISCHARGE OF THE COMMISSION 2006: FOLLOW-UP ON THE EUROPEAN PARLIAMENT'S RESOLUTION

Preliminary remark: this Commission report concerns the follow-up of the recommendations and observations made by the European Parliament during the discharge procedure for the 2007 year. The Commission's full responses to each of the recommendations may be found in the Commission's working document (SEC(2009)1427) published at the same time.

CONTENT: this report seeks to respond to each of the recommendations accompanying the Parliament's discharge decisions concerning the implementation of 2007 expenditures (to learn more about the content of these recommendations, click on the summary relating to Parliament's opinion of 23 April 2009 in this procedure file).

In this context, the Commission has identified a total of 203 requests made to it by the European Parliament. For 99 of these the Commission agrees to take the action requested by Parliament. The Commission considers that for 96 requests the required action has already been taken or is ongoing, though in some cases the results of the actions will need to be assessed.

Lastly, for reasons related to the existing legal framework or its institutional prerogatives, the Commission cannot accept 8 requests.

The Commission's responses may be summarised as follows:

1) Horizontal issues

- **Statement of assurance**: the Commission welcomes the Court of Auditors' unqualified opinion on the 2007 accounts. It states that it will continue to improve the quality of its accounting data and accounts as recommended by the Court. It agrees that high error rates in underlying transactions are partly due to complex rules. It acknowledges that simplification has a role to play in improving the implementation of EU policies and reducing error rates, but points out that a certain degree of complexity in rules and eligibility criteria is unavoidable as these are often fixed in order to achieve desired policy objectives, and are the outcome of a complex legislative procedure. Improvements have been incorporated into the 2007-2013 legal bases. The impact of simplification is expected to become visible in the medium- to long-term. The Commission is currently working to identify possible areas of further simplification in particular on grants, in particular eligibility rules; management and control methods. The degree of complexity of the eligibility rules has a direct link with the intensity and cost of controls required to gain reasonable assurance on the legality and regularity of transactions. The Commission is also working on the concept of tolerable risk of error, which seeks to identify the intensity of the controls which is most cost-effective, i.e. to provide an appropriate balance between costs and benefits (reduction in error rates). It will also study principles for further simplifying sectoral legislation for the next round of basic acts, those to come into force from 2014.

- **Budgetary management - financial corrections, amounts recovered and suspension of payments**: changes were made to the ABAC financial system in 2008 to permit recoveries to be

traced back to the specific errors or irregularities. This has allowed the Commission to present more complete and reliable recovery figures in the 2008 accounts.

- **Annual summaries of audits and declarations available in the shared-management field, and national management declarations**: the Commission is continuing to work with Member States to improve the annual summaries. Compared to 2007, for 2008 all Member States respected the obligation to provide an annual summary and complied or mostly complied with the minimum requirements. For 2008 the Commission issued new and better guidelines for the annual summaries under structural funds. It also welcomes the initiative by seven Member States to append an assurance statement to their annual summaries for 2008 as is suggested in the revised guidelines. Together with the four national management declarations received for 2008, this brings to 11 the number of Member States providing some sort of national assurance.

- **Control systems**: in recent years, the Commission has put significant efforts into improving its control systems, following recommendations made by the Court of Auditors and requests from the Discharge Authority. To address deficiencies brought up by its own audit work or by the external auditor, the Commission launched the action plan towards an integrated internal control framework (in 2006) and the action plan to strengthen the Commission's supervisory role for structural actions (in 2008). An impact report on the action plan towards an integrated internal control framework was adopted by the Commission in early 2009 (COM(2009)43), reporting completion of the actions. A report on the action plan to strengthen the Commission's supervisory role for structural actions was also adopted at the same time (COM(2009)42). The Commission is, on a continuous basis, further improving its own control systems and those of its partners wherever it identifies weaknesses. The Commission believes that a tolerable risk approach can give a clear view of the appropriate balance between error rates and the cost of controls, thus promoting sound and efficient stewardship of EU funds. Concrete proposals for tolerable risk shall be presented in the latter half of 2010.

- **Financial Regulation**: the Commission will present its proposal for the future Financial Regulation by May 2010. As in the past, the future Financial Regulation will be discussed and negotiated in close cooperation with the Parliament and Council.

b) Sectoral issues

- **Agriculture and Natural Resources**: the CAP Health Check agreement brings further simplification to the Single Payment Scheme (e.g. reducing the types of entitlements, possibility to merge entitlements) and more decoupling of payments (e.g. arable crops, seeds, hops, animal premia). The Commission will continue to monitor closely the IACS procedure in Greece. Greece has complied with its action plan and created a new, operational LPIS. The new system will be used by the Greek authorities for the first time during the 2009 claims procedure. As regards rural development expenditure, where most errors occur, the management and control system for the expenditure under the newly created European Agricultural Fund for Rural Development (EAFRD) has been aligned with the EAGF guarantee system as of 2007 in accordance with Council Regulation 1290/2005. Thus, in the future, the widely recognised advantages of the EAGF system will also apply to rural development expenditure. Moreover, Member States are obliged to ensure that all rural development measures are verifiable and controllable, as well as to ensure the respect of eligibility rules. The Commission has also given extra guidance to Member States on how to implement agri-environmental measures.

- **Cohesion**: the Commission has incorporated in its audit strategy for 2009-2011 all on-going actions of its action plan to strengthen the Commission's supervisory role for structural actions (such as completion of national remedial action plans, suspension and correction procedures). The

Commission showed that the action plan has produced effective results. The Commission has also continued to work on simplifying the 2007-13 rules, in particular on the system for reporting irregularities and the possibility to declare costs on the basis of flat rates, unit costs or lump sums.

- **Internal policies, including research**: in research, the Commission has devised a multiannual control strategy for the 6th Framework Programme (FP6). It is based on the detection and correction of any errors which could not be identified by desk checks before a payment was made. This approach has already contributed to a reduction in error rates in recent years. The 7th Framework Programme (FP7) has brought about further improvements and a number of important simplifications.

- **External actions, NGOs and Development**: the Commission has introduced measures to reinforce the controls at the level of implementing organisations. Meanwhile, it plans to put in place measures such as the development of specific guidance to help implementing organisations manage EC funds better and comply with EC rules, thus reinforcing preventive measures. Recent evaluations of the Commission's cooperation with partner countries through the UN, and of aid delivery through the EIB and the development banks, conclude that this gives added value and tangible results, in particular for the larger trust funds. In addition, participation in such initiatives enabled the Commission to intervene in politically sensitive areas, where it would otherwise have been impossible to deliver aid. The Commission was able to benefit from the field presence and expertise of its multilateral partners in terms of implementation. The Commission will continue to work closely with the UN to improve the performance of verification missions and to enhance the transparency and visibility of Community contributions to the UN.

- **Pre-accession strategy**: the fight against corruption and organised crime is a key priority of all the Accession and/or European Partnerships. The Commission has also made it an integral part of its strategy for the implementation of the instrument for pre-accession assistance (IPA). More practical initiatives are to be proposed and prepared in co-operation with OLAF.

- **Administrative expenditure**: work was also carried out as regards European Schools, staff issues and Community buildings.