

# 2009 discharge: EU general budget, Section III, Commission

2010/2142(DEC) - 18/11/2010 - Document attached to the procedure

## FOLLOW UP TO THE DISCHARGE TO THE COMMISSION 2008 : FOLLOW UP TO THE RECOMMENDATIONS OF THE EUROPEAN PARLIAMENT

*Preamble:* this is the Commission's report to the European Parliament and the Council on the follow-up to the [discharge](#) for the 2008 financial year, pursuant to Article 319(3) of the TFEU. The Commission's replies to each specific request from Parliament and Council are available in two Commission staff working documents (SEC(2010)1437 and SEC(2010)1438 appearing on this procedure file.)

CONTENT: this report aims to respond to each question asked by the European Parliament in its discharge decision for 2008. The Commission states that it identified a total of 238 requests made to it by the European Parliament. **For 108 of these the Commission agrees to take the action requested by Parliament.** The Commission considers that for 120 requests the required action has already been taken or is taking place although, 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 10 requests. The Commission has also identified 126 requests made to it by the Council. As regards requests in the resolutions concerning the agencies, most horizontal issues raised are being addressed by the interinstitutional working group on agencies.

The Commission's responses may be summarised as follows :

### 1) *Horizontal issues:*

- **Statement of assurance:** generally, error rates in the Statement of assurance of the Court of Auditors (DAS) have been reducing in recent years due to concerted action by the Commission. **In some areas (notably cohesion policy), the error rate remains too high.** To reduce error rates, the Commission agrees to do its utmost to set the conditions for an increase in the European Court of Auditors' "green classification" by a further 20% of the budget by 2014. Any development will depend on a number of factors, notably the effect of continuing actions to reinforce control systems plans. In May 2010, Commissioner Šemeta presented his agenda on discharge and audit to the Budgetary Control Committee of the European Parliament. The agenda sets out the priority measures for the mandate of the Commission (until 2014), and includes notably: actions to simplify legislation, the establishment of European Trust Funds, management assurance from the Member States, cooperation with supreme audit institutions and national Parliaments, and **strong action on recoveries and financial corrections.** With regard to the issue of **simplification**, the Commission stresses that simplifying eligibility conditions, targeting expenditure on specific objectives and controlling the error rate to within 2% are sometimes conflicting objectives that must be carefully balanced. By the end of 2010, the Commission will adopt a Communication setting out broad principles for the preparation of post-2013 legislation, including on the balance between control requirements, eligibility conditions and risk. The concept of **tolerable risk of error (TRE)** is a vital part of the agenda, and the Commission has proposed tolerable risk levels towards the middle of the **range 2% to 5%** (the "yellow" zone) for rural development and research, energy and transport. While simplification is important, any simplifications decided take time to filter down into the annual error rates in the DAS and in some areas, such as rural development, will not be enough to reduce the error rate below the materiality threshold without the risk of jeopardising policy objectives. The Commission will present TRE proposals for the other major policy areas:

administrative expenditure external aid, development and enlargement in the beginning of 2011 and that it awaits the response of the legislative authority on this matter.

- **Recoveries and suspension of payments:** in the Cohesion area, the data for 2009 as submitted to the Commission in the 1st half of 2010 has improved considerably. The Commission has audited national systems for withdrawals and recoveries in 19 Member States. The remaining will be audited in 2010. The Commission does not hesitate to use, where needed, the new possibility offered by the regulatory framework for 2007-2013 which allows the Commission immediately to interrupt individual payments before starting a suspension procedure. The total value of financial corrections in these areas amounted to EUR 3.8 billion for 2008 and 2009 compared to some EUR 3.6 billion during the years 2000-2007. Comprehensive information on recoveries from final beneficiaries and financial corrections imposed on Member States is already available in agriculture.
- **Annual Summaries and National Management Declarations:** the Commission considers that the management declarations proposed for the revision of the Financial Regulation are a more appropriate way of obtaining assurance from Member States than national declarations signed at political level. The Commission will, however, continue to encourage Member States to work on voluntary political assurance statements, covering all EU funds they receive, which document the controls and assess the effectiveness of their management and control systems.
- **Control systems:** the Commission has taken action to further improve the quality of Annual Activity Reports (AARs) and in particular the reasoning and evidence presented underlying the assurance provided. The 2009 AARs show a noticeable improvement across the Commission, both in terms of the quality of the evidence presented in support of the assurance and the readability of the reports. The Commission considers that the system implemented has reached maturity and that, globally, it provides the Commission and the other Institutions with a clear picture of the effectiveness of its internal control systems.
- **Political responsibility and administrative responsibility at the Commission:** the Commission has announced a revision of the Code of Conduct for Commissioners in its political guidelines. Concerning the disclosure of beneficiaries of EU funds, the Commission and the Member States' administrations already provide that information to the public.

## *2) Sectoral issues:*

- **Agriculture and natural resources:** the constant improvement of the Integrated Administration and Control System (IACS) is confirmed by the results of the conformity audits which the Commission has carried out over the past few years in Member States as well as by the low error rate indicated in the control statistics which it receives from Member States. All deficiencies found are followed up through conformity clearance procedures which ensure that the risk to the EU budget is adequately covered. As regards rural development, and notably agri-environmental measures, the Commission has taken several steps to simplify existing rules and to ensure effective and efficient implementation of the control rules.
- **Cohesion, employment and social affairs:** an indication on the results of the reinforced control framework is the Commission's audit of a sample of projects under the 2007-2013 period. The first preliminary results of this inquiry (based on payments until May 2009) reveal a clear decrease of the estimated error rate that suggests that actions taken are sound. Nevertheless, this result should be read with prudence.
- **Internal policies, including research:** the controls applied in the research area, including the audit strategy, the thorough implementation of its results and the correction of systematic audit findings for non-audited contracts (extrapolation) provide for a stringent control of the costs claimed, which has resulted in a reduction of the error rates over time. In the area of education, the Commission has sent updated guidance relating to the performance of secondary controls to the national authorities in December 2009. It has also reinforced its on-the-spot visits.
- **External actions, NGOs and development:** the Commission will continue to improve its supervisory and control systems, including improvements in its audit strategy and planning at EuropeAid. It fully supports the Court of Auditors' requests to obtain necessary supporting evidence

from UN organisations. The Commission agreed with the UN in April 2010 that additional information, including extracts from internal and external audit reports, could be made available on request. It has also proposed to set up Trust Funds for external actions, which would intervene in emergency, post-emergency crisis operations or for thematic actions. Lastly, the Commission is revising its guidelines on budgetary support, where particular attention is given to supervisory and control systems.

- **Administrative expenditure:** in this area, most of the work focuses on the individual rights information system in order to address the weaknesses identified by the Court concerning the transfer of acquired pension rights.