Special report 3/2012 (2011 discharge): Structural Funds: Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?

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PURPOSE : to present Special Report (No 3/2012) from the European Court of Auditors on improving Member States' management and control systems for Structural Funds.

CONTENT: the European Court of Auditors (ECA) audit was mainly carried out on the basis of a review of 40 programmes in which significant management and control deficiencies had been identified. It aimed at assessing whether the Commission dealt in a satisfactory way with deficiencies identified in the Member States' management and control systems.

To recall, the Structural Funds represent about one-third of the EU budget. During the 2000-2006 and 2007-2013 programming periods, EUR 475 billion were allocated to Structural Funds. Management of Structural Funds expenditure is shared between the Commission and the Member States. Member States prepare multi-annual programmes which are assessed and approved by the Commission and later implemented by the Member States.

The Commission has to ensure that Member States have smoothly functioning management and control systems so that EU funds are efficiently and correctly used. The Commission bears the ultimate responsibility for the implementation of the EU budget.

In its special report, the Court concludes that the Commission takes appropriate corrective actions when deficiencies in Member States' systems are identified, but the **process to implementation is lengthy**. The Commission had some success in ensuring that financial corrections were correctly applied, but was less successful in obtaining assurance that its actions led to improvements in Member States’ management and control systems.

Court recommendations: the ECA makes a number of recommendations to the Commission:

- **reducing the duration of the administrative procedure** from identification of deficiencies until implementation of corrective actions;
- giving higher priority to its audit work on the audit authorities to ensure that they produce robust error rates so that the financial corrections can be applied on the basis of these error rates;
- disseminating checklists that serve as best practice to be followed by Member States authorities for their first level checks;
- **ensuring that financial corrections cover all expenditure incurred** under deficient management and control systems.

The ECA also recommends that the Commission, the Parliament and the Council reconsider, when discussing future plans for spending on Cohesion, whether any changes should be made to the arrangements regarding, on one hand, the reallocation of support from the Cohesion Fund and Structural Funds and, on the other, the possibilities for substitution of expenditure found to be ineligible.