Integrated internal control framework

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The Committee on Budgetary Control unanimously adopted the own-initiative report by Andrea EŠKOVÁ (ECR, CZ) on the Integrated Internal Control Framework. Members consider that the most effective means for the Commission to demonstrate that it is genuinely committed to ensuring transparency and sound financial management is to do all it can to support measures seeking to enhance the quality of financial management, with a view to obtaining a positive statement of assurance (DAS) from the European Court of Auditors. They call, accordingly, for the effective implementation of the Commission action plan towards an **integrated internal control framework.** Members note that the Commission itself stated that the Action Plan was fully completed at the beginning of 2009, although 3 of the 16 original actions could not be implemented.

'Tolerable level of risk': Members discuss the concept of 'tolerable level of risk', noting that the Commission chose to complete this action by defining the concept of **'residual risk of errors'.** They recall that the overall rate of error in underlying transactions increased from 3.3 % to 3.7 % in 2010, reaching **3.9 %** in 2011. The report deplores the reversal of the positive trend that has occurred in recent years, and fears that the rate of error will grow in the years to come. It also deplores the fact that the commitment made by the Commission to reach **a fully positive DAS has not been fulfilled**, and calls on the Commission to take the necessary steps to achieve a trend of a consistent decrease in the error rate.

What is wrong?: broadly speaking, Members share the views of the Court of Auditors and the Commission as regards the fact that the **single audit scheme does not work** and that the control systems set up by the Member States are not functioning to their full potential.

In this regard, the report recalls that in 2011, in the area of regional policy, for over 60 % of the errors identified by the Court of Auditors, Member State authorities had sufficient information to identify and correct some of the errors before asking for reimbursement from the Commission. Members note that there is a fundamental discrepancy between the Court of Auditors, which believes that errors can be prevented, and the Commission, which relies on making subsequent financial corrections and on recovering funds. They urge the Member States to step up their **monitoring of the implementation of programmes at grassroots level**.

What is to be done?: the committee calls on the Commission to identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action in terms of simplification, improvement of control systems and redesign of programmes or delivery systems. Member States are asked to **strengthen their supervisory and control systems** and, in particular, to ensure the reliability of their indicators and statistics.

The Commission is called upon to:

- motivate the Member States to cooperate with a view to **ensuring that taxpayers' funds are used in accordance with the principles of sound financial management**, either through appropriate benefits or through **strict sanctions** or the suspension of the flow of funds;
- harmonise procedures within its departments;
- be more rigorous **when certifying the national management and audit authorities** and to put in place the right incentives and an effective system of sanctions.

Members call on the appropriate EU institutions to assess whether setting the error rate at **2 %** is appropriate and attainable for all areas of EU policy.

Follow up on 2011 discharge to the Commission: once again, the committee calls on Member States to issue national management declarations at the **appropriate political level** and asks the Commission to establish a template for such declarations.

It considers that the **principle of a compulsory national management declaration** should be incorporated into the interinstitutional agreement accompanying the decision on the Multiannual Financial Framework.

Members particularly remind the Commission that it should annually adopt, for the first time in September 2013, a communication to the European Parliament, the Council and the Court of Auditors with a view to making public all the amounts in nominal terms recovered in the course of the preceding year through financial corrections and recoveries.

They also point out that all the actions taken in order to reduce the error rates should be complemented by a **new culture of performance**. Thus, **performance indicators** should be fully integrated in all proposals for new policies and **programmes**. At the same time, Members call for the establishment of a **performance-based public budgeting model** in which each budget line is accompanied by objectives and outputs to be measured by performance indicators.

Lastly, the committee calls on all the parties involved in the decision-making process concerning the post-2013 legislation and programmes to bear in mind the need to respect the categorical imperative of **simplification** by reducing the number of programmes and defining proportionate and cost-effective controls and simplified eligibility rules and cost methods.