2012 discharge: EU general budget, European Commission and executive agencies

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FOLLOW-UP TO THE 2011 COMMISSION DISCHARGE: FOLLOW-UP TO THE RECOMMENDATIONS OF THE EUROPEAN PARLIAMENT

AND OF THE COUNCIL

Preliminary comment: this document is the Commission's report to the European Parliament (EP) and the Council on the follow-up to the discharge for the 2011 financial year, pursuant to Article 319(3) of the Treaty on the Functioning of the European Union. The Commission's responses to each of the Parliament and Council's requests are available in two Commission Staff working documents (published in SEC (2013)348 and SEC(2013)349 and attached to this procedure file).

This report summarises the Commission's responses to the main requests of the European Parliament and of the Council.

CONTENT: the report indicates that in the European Parliament's discharge resolution, the Commission agreed to start new actions on **181 requests** (143 from the EP and 38 from the Council). For 252 other requests (205 from the EP and 47 from the Council), the required action has already been taken or is on-going, though in some cases the results of the actions will need to be assessed. Lastly, for reasons related to the existing legal and budgetary framework or its institutional role or prerogatives, the Commission **cannot accept41 requests** (39 from the EP3 and 2 from the Council).

The Commission's responses to the requests of the EP and the Council may be summarised as follows:

Priority actions: in its resolution, Parliament specifically highlights four priority actions of institutional accountability and financial nature.

1. Communication on the protection of the EU budget: the EP requested the Commission to present a Communication on the protection of the EU budget, with a view to making public all the amounts corrected and recovered in the course of the preceding year. The Communication sas to be presented in September 2013 and demonstrate that corrections and recoveries have increased considerably in the last few years.

2. Actions relating to error rates: for shared management, the EP requested the Commission to harmonise the practices concerning the interruption/suspension of payments when significant deficiencies are detected at the level of the supervisory and control systems of the Member States. **The Commission indicates that interruptions and suspensions are intensively used as shown in various Commission reports and that it is its firm intention to continue using these tools.** The Commission's actions in this regard have been further harmonized in 2012, in particular in the area of Cohesion policy.

As regards agriculture, Commission Regulation No 883/2006 was amended in April 2013 with the objective to facilitate **interruptions of Rural Development payments to the Member States** already in the current programming period in case of deficiencies. However, a full harmonisation across all policy areas **is not possible under the current legal framework**. For the new programming period 2014-2020, the Commission's proposal for common provisions on the Funds foresees a further harmonisation of the interruption of payments for all these Funds, including Rural Development.

Other technical measures were proposed to simplify national eligibility rules for the Structural Funds, avoid "gold-plating" and provide for joint assessment between Managing Authorities and Paying Agencies, Member States (MS) to ensure that all the rural development measures they intend to implement are verifiable and comparable.

As regards the identification of so-called "systemic" errors, the Commission indicates that it intends to make considerable efforts to ensure **strict compliance with eligibility requirements and the correct application of public procurement rules**, through training and guidance to programme managing authorities who should in their turn transmit this knowledge to all bodies in charge of managing the funds. It has also shared with MS an analysis of the types of procurement errors detected by EU audits in cohesion policy during previous years.

Under the same priority action, the EP also had some requests concerning three specific directorates-general (AGRI, REGIO and Research).

3. Enhanced use of performance audits: the European Parliament asked the Commission to place the emphasis on the progress made in the achievement of the (EU 2020) flagship initiatives. It also calls for an enhanced use of performance audits.

The Commission has presented an action plan as part of the Evaluation report on the year 2012, which was adopted on 26 June 2013. This action plan includes actions to integrate performance information from the Strategic Planning and Programming Cycle. This includes the integration of elements of progress and performance management in the Management Plan for 2014 (setting objectives, performance indicators and associated targets per programme, evaluations planned).

4. Actions concerning revenues and traditional own resources:

the EP invited the Commission to provide it with an evaluation of the cost of postponing the full application of the Modernised Customs Code (MCC) in time for the 2012 discharge procedure. It also requested the Commission to collect reliable data on the customs and VAT gap in the MS and report every six months to the EP in this regard. In this field, the Commission is providing technical assistance to certain Member States and has taken a series of actions to support Member States in their fight against tax fraud and tax evasion.

On the issue of the impact of uncollected revenues on the availability of the Union Own resources, the Commission underlines that each revenue stream is characterised by a different risk profile. For traditional own resources, the Commission has repeatedly drawn Member States' attention to recovery issues and strengthened awareness by applying the principle of financial responsibility if non-recovery can be attributed to a MS. As far as VAT is concerned, by far the greater financial incentive arising from effective recovery accrues to MS: **for every euro collected a minimum of 97 cents goes to national budgets, while the much smaller part 3 cents flows to the EU**.

Horizontal issues:

1. **Responsibility of the Commission and the MSs in shared management:** Parliament noted that the Commission should give guidance to MS to draft meaningful annual summaries (AS) and considers that AS should be put at the disposal of the EP and should not only be made available in the language of the Member State. Guidelines on the form and content of the AS were provided to Member States in 2010. However, the Commission considers that requesting the Member States to transmit their AS in another language than theirs would affect current regulatory provisions on the

use of languages by Member States. Taking duly the principles of proportionality and cost-effectiveness into account, the Commission is committed to provide translation of the most important elements of those documents into English.

2. **Reliability of Commission management representations:** Parliament suggested establishing a clear link between amounts included in Annual Activity Reports (AARs), for establishing the residual error rate and information on recoveries / financial corrections presented in the accounts. A clear link has been established in the 2012 consolidated accounts. Detailed information on these points appears in the 2012 AARs and in the 2012 Synthesis Report.
3. **Anti-fraud Strategy:** Parliament called on the Commission to report on and evaluate the anti-fraud strategies established within each directorate general. The Commission will report to Parliament and Council in 2014 on the implementation of its anti-Fraud strategy starting with the Commission report on the protection of the EU financial interests for the year 2013.
4. **Tobacco Industry**: lastly, Parliament called on the Commission to report on how it intends to improve its provisions to introduce a pro-active management of potential conflicts of interest and "revolving doors". The Commission considers that the legal framework applicable to all institutions and the implementation provisions adopted by each institution are a solid basis for dealing with all issues relating to conflicts of interest, including the so-called revolving door cases. These rules are proactively managed by the Commission. On the whole, the Commission believes that the ethical framework applying to Members and staff is fully compatible with this provision.