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

2013/2195(DEC) - 28/02/2014 - Document attached to the procedure

This report is an analysis of the Member States' replies to the European Court of Auditors' annual report for budgetary year 2012.

Court's audit results: the results showed that for 2012 the consolidated accounts presented the financial position of the Union fairly and that they were free from any material misstatements. However, **for expensed payments the Court's conclusion was that they were materially affected by error** and the related control systems examined were partially effective for all expenditure areas except administrative expenditure, which was free from errors.

For the budget as a whole, the most likely error rate had increased from 3.9% in 2011 to **4.8% in 2012**. The Court identified that eligibility errors accounted for a significant proportion of the estimated overall error rate.

It also highlighted that shared management expenditure, which represents 80% of EU expenditure, contributed significantly to the estimated overall error rates and that many of the errors found could have been detected by better first-line controls at the level of the Member States.

Member States' replies: this report is accompanied by a Staff Working Document (SWD) which comprises the Member States' detailed replies (SWD(2014) 60 final).

This report analyses the replies provided by Member States under three main thematic headings:

(1) Performance: the Court criticised the existing performance measurement and reporting framework. Member States were therefore requested to reply to questions on **performance measurement**, evaluation and reporting for cofinanced programmes. Twenty three Member States indicated that they use SMART objectives and RACER indicators. Member States also detailed various aspects of their national performance measurement processes.

If the Member States' positive view is confirmed, it would allow the Commission to improve its global performance measurement and reporting on the basis of Member States' data.

(2) Eligibility and accuracy errors: in the area of expensed payments, the Court identified **recurrent eligibility errors with a financial impact concerning ineligible VAT in cost claims**.

In the area of Agriculture it also indicated that there were significant deficiencies related to three Land Parcel Identification Systems (LPIS) audited resulting in eligibility and accuracy errors.

All Member States concerned indicated that they had made efforts to rectify VAT errors and to update and improve LPIS databases. The Court highlighted the positive impact of simplified cost options (SCOs) in the area of Employment and Cohesion and its opinion was shared by a majority of Member States. This is extremely important because the use of SCOs could be a key element in the prevention of errors in programmes under the new MFF.

(3) Improving controls and systems: in shared management the Commission applies the concept of single audit whenever possible, meaning that it may rely on audit and controls performed by national audit authorities, if they are proven to be reliable and if the management and control systems are fully effective.

In its report, the Court referred to the **risk of frequently unreliable information provided by the audit authorities**.

Ten Member States replied that they had no plans for improvements as they considered their audit authorities to be reliable. Member States all expressed overall satisfaction with the guidance on the treatment of errors provided and the seminars organised by the Commission in 2012 and 2013. The majority of Member States indicated that they were willing to establish effective and proportionate anti-fraud measures.

Although, the Commission acknowledges the advantages of the single audit concept, **it has to ensure the reliability of the data reported by the Member States** and it therefore performs reviews and audits of the systems of national audit authorities and the national bodies responsible for the implementation of EU programmes.