2013 discharge: EU general budget, European Commission and executive agencies

2014/2075(DEC) - 26/02/2015 - Document attached to the procedure

This report contains the Member States' replies to the European Court of Auditors' 2013 Annual Report.

Follow-up to the Court's audit: this report is an analysis of the Member States' replies to the European Court of Auditors' annual report for budgetary year 2013. It fulfils the obligations defined in Article 162 (5) of the Financial Regulation.

The Court's annual report for 2013 stated that the consolidated accounts were free of material misstatements and that revenue and commitments taken as a whole were legal and regular. The Court's audit also concluded that overall, payments were materially affected by error and that the supervisory and control systems were in general, partially effective.

The audit results showed that overall the **estimated error rate was 4.7%**, down by 0.1 percentage points on last year's rate, but still above the materiality level. The Court also pointed out that **a significant positive factor in 2013 was the increased impact of corrective measures applied by the Member States and the Commission**. In addition, the Court's audit also revealed that for a large proportion of transactions affected by error in the shared management areas, authorities in Member States had sufficient information available to have detected and corrected the errors before claiming reimbursement from the Commission.

Policy areas rural development, environment, fisheries and health as well as regional policy, energy and transport had the highest estimated error rate - 6.7% and 6.9% respectively.

During its 2013 audit the Court identified specific categories of quantifiable errors in shared management which contributed significantly to the most likely error rate for the policy areas concerned:

- **in the policy area "Agriculture: market and direct support"**: overstated number of eligible hectares or animals and ineligible beneficiary/ activity/expenditure together contributed 80% to the most likely error rate ;

- **in Regional Policy, transport and energy**: serious errors in public procurement accounted for 45% of all quantifiable errors and made up approximately 39% of the estimated error rate for the policy domain;

- **in the policy area Employment and Social affairs**: errors related to public procurement breaches accounted for 7% of all errors, which shows that the risk of non-compliance with public procurement is still relevant.

Control systems: the Court reported on the systematic weaknesses in the Land Parcel Identification System (LPIS) stemming from incorrect assessment of the eligible land in LPIS databases. Member States were asked whether they were in a position to state that their control system had addressed the recurrent deficiencies identified by the Court in relation to specific sectors. The Member States concerned stated that they had addressed all or nearly all the identified recurrent deficiencies.

Regarding the question on public procurement breaches, nearly half of all Member States responded that they had identified systemic issues related to public procurement and that they have taken preventive measures in this context.

Accountability: the report examined replies to questions on Member State accountability with the focus on management and national declarations, management verifications and the role and importance of the Court's assessments.

76 % of Member States stated that mandatory management declarations could have a positive impact on the prevention, detection and correction of errors by Member States. A sizable proportion of Member States (86 %) regarded the results of the Court's assessments as useful and contributing to their own assurance of the legal and regular use of EU funds. On the subject of the usefulness of national declarations, just over half of all Member States responded favourably.

Performance: the Court found that for the 2007-2013 programming generally the focus was more on the need to spend EU funds in compliance with rules and that the focus on performance was limited. In the 2013 questionnaire, Member States were asked how they ensured that **performance** was a key element in the use of EU funds and what measures had been put in place to monitor programme and project performance. A significant majority of Member States stated that the use of criteria, indicators and evaluations are the means by which many countries ensure performance is a key element. In terms of monitoring of performance, progress reports, control measures, evaluations and tracking of indicators are among some of the more common measures used by Member States.