2014 discharge: EU general budget, European Commission and executive agencies

2015/2154(DEC) - 08/10/2015 - Document attached to the procedure

PURPOSE: presentation of measures taken by the Commission to protect the EU budget.

CONTENT: this Communication seeks to describe the **functioning of the preventive and corrective mechanisms foreseen in the legislation and the actions taken by the Commission services to protect the EU budget** from illegal or irregular expenditure. It also provides a best estimate of the figures resulting from their use and indicates how Member States are involved and impacted.

A complementary document to the discharge procedure: this Communication is prepared annually following a specific request by the European Parliament in the context of the 2011 discharge procedure and is therefore addressed to this institution, as well as to the Council and to the European Court of Auditors (ECA). It complements the information included in the 2014 EU annual accounts, the 2014 Commission's Synthesis Report, and the relevant parts of the Annual Activity Reports of the Directorates General concerned.

Level of errors and financial corrections: the ECA provides in its annual report a statement of assurance on the legality and regularity of transactions underlying the EU annual accounts, as well as observations and statistics on the material level of error in the payments underlying the accounts. The importance of financial corrections and recoveries is particularly highlighted when considering their multi-annual character. This is duly reflected in the Annual Activity Reports which provide detailed information on both error rates and financial corrections and recoveries. A complementary assessment of both gives an indication of the final impact on the EU financial interests as regards irregular payments to beneficiaries and represents a key indicator for assessing how supervisory and control systems manage the risks relating to the legality and regularity of operations financed by the EU budget.

The significant work of both the Commission and the Member States to manage the risks relating to the legality and regularity of operations financed by the EU budget is performed in accordance with the Treaty on the Functioning of the European Union (TFEU), the Financial Regulation, its Rules of Application and the various sector-specific legal texts.

Protection of the EU budget: the Commission protects the EU budget, i.e. EU spending, from undue or irregular expenditure via two main methods:

1. Preventive actions;
2. Corrective mechanisms (primarily financial corrections imposed on Member States but also recoveries from recipients of EU payments).

The primary objective of financial corrections and recoveries is to ensure that EU funds are used in accordance with the legal framework.

Under shared management, **Member States** (and not the Commission) **are primarily responsible for identifying and recovering from beneficiaries amounts unduly paid**. Given the control framework, the complexity of the corrective mechanisms and procedures, as well as the multi-annual character of programmes, the results (i.e. financial corrections and recoveries) are generally implemented after the related weaknesses or irregularities are identified and payments are made.

In order to ensure the cost-effectiveness of control systems, one of the main work streams on which the services of the Commission will work during the mandate of the College is to rationalise and streamline controls and reallocate resources to controls deemed most appropriate for managing legality and regularity risks within the regulatory framework.

For shared management, the main objective is to improve the effectiveness of Member States' control systems.

This Communication focuses primarily on the results of the Commission's supervisory role, but also provides information on Member States' controls.