

2015 discharge: EU general budget, European Commission and executive agencies

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The present Communication provides a **thorough analysis of the root causes of errors in the context of the implementation of the EU budget** and the actions taken, in line with Article 32(5) of the Financial Regulation. It responds to the requests of the European Parliament and the Council to present a report on persistently high levels of error and their root causes.

The Communication is based on information available to the Commission mostly covering payments for the 2007 - 2013 programming period.

Shared management- shared responsibility: whereas the Commission is ultimately responsible for the implementation of the EU budget, around 80% of expenditure is actually executed directly by Member States under shared management. This is so notably for the Common Agricultural Policy and Structural and Investment Funds. The remaining 20% of the EU budget is implemented under direct or indirect management, via third parties, notably European or international financial institutions.

After careful examination of the reliability of the work carried out by external auditors, the Commission applies the “**Single Audit**” concept whereby each level of control builds on the preceding one. It establishes a series of reports on the implementation of the budget and provides a comprehensive overview based on the information available to it.

Thanks to this robust system of controls at various levels, **financial management has significantly improved in the course of the last decade**. The constant scrutiny by the European Parliament, the Council and the Court resulted in an **increased professionalisation of the entire chain of control of the EU funds** from the Commission to Member States' authorities, Third Countries and International Organisations.

Declining errors: in line with improvements in the financial management, the results of both the Commission and the Court indicate that the levels of error are declining. These annual estimates went from double digit rates for some policy areas (particularly 'Cohesion') before 2009 to considerably lower levels at present - below 5% in most policy areas and close to or even below 2% in some domains. Moreover, estimated error rates vary greatly depending on the policy area and the aid scheme.

Despite the progress made, the **Court has not issued a positive Statement of Assurance** until now as the annual estimated error rate has **not yet fallen below the materiality threshold of 2%**.

These improvements, illustrated by the reduction of the error rate, have required a very significant investment in terms of public sector controls. This explains the growing requests from public authorities and final beneficiaries to improve the proportionality and cost-efficiency of the legal and administrative framework. Not more, but better controls should be carried out.

Root causes of errors: in order to target action in this area, thorough analyses are carried out of the actual root causes of errors.

The analysis noted that over the years the most common error types were:

- ineligible expenditure items;

- ineligible beneficiaries/projects/implementation periods;
- breach of public procurement and State aid rules;
- insufficient reliable documentation to back expenditure declarations;
- incorrect declaration of eligible areas in the field of agriculture.

The Commission continuously takes actions, both preventive (such as interruptions and suspensions of payments) and corrective (financial corrections and recoveries), to address the root causes and the impact of persistently high levels of error.

The DGs implement targeted measures in order to strengthen the management and control systems at national, European and international levels. In addition, the Commission coordinates a network of Member State experts on Internal Control allowing for the identification and sharing of good practice to improve general public sector governance systems.

In the field of fraud prevention and detection, the European Anti-Fraud Office (OLAF) and the Commission services responsible for shared management cooperate with Member States through workshops, seminars, training and elaboration of practical guidance documents.

The present Communication examines the different MFF Headings are examined in the light of the existence of persistently high levels of errors, their root causes and the remedial actions taken by the Commission services responsible.