2003 discharge and follow-up of the 2002 discharge: EC general budget, section III Commission

2004/2040(DEC) - 05/01/2005 - Document attached to the procedure

PURPOSE :to present the report from the Commission on theMember States' replies to the Court of Auditors' 2002 Annual Report.

CONTENT : since the 1996 Dublin European Council, and in line with its conclusions on sound and efficient financial management, the Commission had requested Member States to reply to the observations made by the Court of Auditors in its Annual Report and special reports and to provide information on any corrective measures they have adopted. Article 143 (6) of Council Regulation 1605/2002/EC, Euratom has taken over this practice by requiring the Commission to inform the Member States concerned immediately of the details of that report which relate to management of the funds for which they are responsible under the rules applicable. The present report, which is transmitted to the Court of Auditors, the Council and the European Parliament, summarizes the Member States' replies to the Court of Auditors' 2002 Annual Report.

CONTEXT : in its 2002 Annual Report, the Court of Auditors has once more pointed out that the areas of the budget for which management is shared between the Commission and the Member States pose particular challenge due to their complexity and the many layers of administration involved. For its part, the Commission has taken steps to ensure that weaknesses are corrected. The 2001 Synthesis Report action has been achieved and will be complemented by concrete steps to promote a convergence of audit methodologies. Besides, in its 2002 Synthesis Report, the Commission has committed itself to making all appropriate recommendations to clarify the respective responsibilities of Member States and of the Commission in case of shared management.

Furthermore, given the importance of shared management and subsequently the place it occupies in the Court of Auditors' reports, it is particularly necessary to know the Member States' positions on the problems raised by the external auditor. Firstly, it allows the Member States to give their opinion on the observations and recommendations drawn up by the Court. Secondly, Member States can present the corrective measures they have implemented or are planning to implement. Lastly, It should also give the Commission a general picture of various problems encountered at national level and allow it to take proper remedial action.

RELEVANT INFORMATION : this report is based on the contributions from the Member States. It should be pointed out that despite the creation of the general framework, these contributions remain fairly heterogeneous both in form and especially in substance. The Member States thus replied in full or in part to the points or DAS errors submitted to them and in a few cases made recommendations or more general observations. The time limits set by the Financial Regulation were not fully complied with and some contributions arrived several weeks late. In so far as some Member States either fail to reply to specific observations concerning them or give only fragmentary information related to the failures highlighted by the Court of Auditors, it is sometimes difficult to get a complete picture of Member States' positions regarding important findings. Only 4 Member States made general comments on specific matters dealt with in the Court's Annual Report. One Member State did not transmit any reply at all.

OPERATIONAL CONCLUSIONS : the first part of the report concerns the own resource sectors, from agriculture to structural funds. The second part deals with the areas of agreement and disagreement between the Member States and the Court of Auditors.

The report concludes that there was a relatively limited number of conclusions, lessons and recommendations may be drawn from an analysis of the Member States' replies to the Court of Auditors' Annual Report for 2002.

These replies principally defend the validity of their management and the controls they carry out. This approach occurs at a number of levels: formal disagreement with the Court of Auditors, playing down the significance of its findings and the conclusions it draws, and presentation of specific or structural corrective measures to remedy the shortcomings detected. This stratification of arguments presented in their defence varies from one Member State to another; some are more inclined to question the Court's critical observations against them.

This attitude is not particularly surprising, since the Member States - apart from their replies to sector letters - do not have the possibility to defend contradictorily their point of view before the Court of Auditors when the latter question their management of EU funds.

The number of structural corrective measures announced is limited. For instance, in the Own Resources area, Member States have taken steps to improve the accounting and control procedures. As regards Agriculture, the need for better legislation and good control systems is expressed. Several Member States also expect more input from the Commission in the Agriculture and Structural funds areas, as regards simplification of legislation, timely issuing of guidance and better monitoring of management and control systems.