
Summary of the exchange of views on EU Member States National Declarations (ND) Committee on Budgetary Control Meeting on 11 April 2019

Under the provisions of the Financial Regulation¹ (FinReg), Member States' bodies entrusted with the management of EU funds should provide the Commission with a management declaration on an annual basis. It also sets out that Member States may also provide additional voluntary "declarations signed at the appropriate level", or National Declarations (ND). ND are a public accountability instrument; they strengthen the provision of assurance in the management of EU funds, and demonstrate the political commitment towards sound financial management.

Committee on Budgetary Control (CONT) held an exchange of views on ND with Mr Olivier Waelbroeck, Director of "Central Financial Service" (DG BUDG, European Commission), and Ms Eva Lindström, Member of the European Court of Auditors. The exchange of views, aimed to explore ways to promote the National Declarations².

Opening remarks from Chair I. Gräßle

Ms. Gräßle opened the debate by stating that it was the committee's intention to organise a workshop involving the Member States (MS); unfortunately, no MS was available to participate. Nevertheless, CONT maintained this discussion on its agenda, as the committee has systematically promoted ND during the last three legislatures.

Following this introduction the Chair gave floor to the Commission, followed by the European Court of Auditors (ECA).

¹ Regulation (EU, Euratom) 2018/1046, OJ-L 193, 30.7.2018, p. 1

² The recording of the CONT meeting of 11 April 2019 is available on EP audio-visual archive: <http://www.europarl.europa.eu/ep-live/en/committees/video?event=20190411-1500-COMMITTEE-CONT>

Summary of the speakers' presentations

Mr Olivier Waelbroeck (Director of "Central Financial Service", DG BUDG) confirmed that the Commission is in favour of compulsory ND, but that this has proved to be impossible. The Commission maintains that ND increase the degree of assurance and provide transparency for citizens. However, the Commission also maintains that present ND are not fully meeting requirements as a basis for the declaration of assurance. ND are not compulsory, and few MS submit them; when MS do prepare ND, there remains issues of timing and scope. Moreover, ND are not equally adapted for all MS. Finally, certifying bodies for agricultural expenditure can be private audit bodies. As it is, fewer and fewer MS are providing ND.

In this context, the Commission relies on the assurance package as defined in article 63 of the FinReg, built, among other elements, on management declarations (FinReg Art. 63, par. 6). The Commission holds the opinion as expressed in its communication from 2011³, that the management declarations, as requested by FinReg and certified by external auditors, are a more appropriate instrument to obtain the assurance from the MS than the present ND.

In the future, the focus of the Commission will be to continue progress in preventing, detecting and correcting errors, and to improve error rates so that an even larger part of the EU budget is below the 2% materiality threshold. In addition, a multi-level approval of the control system, based on the single audit principle, can be developed, where the EU level of audit may rely on previous controls performed by audit authorities at national level (after having performed a verification of the effectiveness of those controls). Finally, the national parliaments could also increase participation in debating European issues.

Ms Eva Lindström, Member of the ECA spoke next. She underlined the voluntary nature of the ND, as an option allowed by the FinReg. ECA Opinion 6/2007⁴ stated that ND can provide added value and audit evidence for the ECA; however, the usefulness of the ND depends on the scope and quality of the underlying work, and the ECA has an obligation to determine whether the underlying work is sound. Few MS have issued ND lately – only the Netherlands and Sweden have done it annually, Denmark and the United Kingdom submitted their last ND in 2009.

ND in Sweden clearly is a bottom-up process. The ND process builds on declarations delivered by agencies in the framework of internal control; it could be described as a chain of events assessing the legality and regularity of the spending of EU funds. This leads to an assessment, on a political level, by Sweden's Ministry of Finance. Finally, the national declaration becomes a part of the annual report on national accounts adopted by the government, reporting to the Swedish parliament.

As a personal reflection, Ms Lindström characterised ND as a political commitment, providing an assurance of legality and regularity, as well as contributing to transparency and openness. ND are the government 'setting the tone' from the top, signalling the importance of responsibility and accountability.

From the position of the Swedish supreme audit institution, the introduction of management declarations under Article 63 of the FinReg has been a major change, even a major break-through, when it comes to strengthening the system of internal control within the agencies.

³ "Adding value to Declarations: increasing assurance on execution in shared management", SEC(2011) 250 final

⁴ OJ C 216, 14.9.2007, p.3

Questions and answers session

Chair I. Gräble confirmed that ND remain a priority for the CONT committee, and that there is room for an own-initiative report or a workshop in the future. She put a question to the speakers asking what would be the next steps they envisage to promote the ND.

Mr Olivier Waelbroeck said that the Commission is still convinced that ND can and should be a useful complement to the assurance system under FinReg Art. 63. However, fieldwork and assurance have much improved at the level closest to the expenditure. This allows tackling and correcting potential errors more efficiently, and this should be acknowledged. The role of the ND should be defined, taking into account these building blocks and the single audit principle. However, coordination of scope and timing remains a challenge. Finally, inclusion of elements of performance auditing could be considered.

Ms Eva Lindström added that it is very important to involve the MS in the discussion, as it is they who can answer whether ND contribute to strengthening the system for internal control.

Chair I. Gräble noted that use of ND as a building block to save audit work could be a good initiative; however, continuity and consistency should be maintained. Moreover, there is a possibility of conflicting interests, as in some cases identifying problems may lead to loss of funding. The Chair closed the exchange of views with a promise that CONT will tackle the ND question again in the future.

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