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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND  
TO THE COUNCIL**

**on the follow-up to 2013 discharge - Requests from the Council**

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## INTRODUCTION

This Commission Staff Working Paper completes the Report from the Commission to the European Parliament and the Council on the Follow-up to the 2013 Discharge. It presents in detail the answers to 75 specific requests made by the Council in the comments accompanying its Recommendation on the 2013 Discharge<sup>1</sup>.

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<sup>1</sup> <http://www.europarl.europa.eu/committees/en/cont/discharge-2013.html>

## **Council Recommendation on the 2013 discharge**

## Introduction

1. (§ 5 - 2013/COU/0177) The Council calls on the Commission to continue to apply both representative testing and risk-based checks, and to take the appropriate actions in line with Article 32(5) of the Financial Regulation if the level of error identified is persistently high.

**Commission's response:**

*The Commission intends to continue to apply both representative testing and risk-based checks.*

*If during implementation the level of error is persistently high, the Commission will, in line with art 32.5 of the FR, explore the scope for further simplification and additional (or alternative) cost-effective controls so as to reduce the level of error. Alternatively, the Commission will propose a redesign of the programmes or delivery systems. Yet, since the Commission has only recently revised the control systems for the implementation of the new programmes for the 2014-2020 programming period, it is necessary to assess the effectiveness of these revised control systems during a reasonable period of time first before reaching conclusions.*

*Indeed, the Commission introduced new requirements in the Common Provision Regulation for the 2014-2020 programming period aiming at strengthening the quality of management and control systems. For further details, the Commission also refers to its reply to 2012/PAR/0298<sup>2</sup> and 2013/COU/0178.*

2. (§ 6 - 2013/COU/0178) The Council calls upon the Commission and Member States to undertake further actions aiming at strengthening the quality of the management and control systems and making them more efficient, including the first level verifications.

**Commission's response:**

*The Commission has taken and is continuously taking the requested action.*

*Under shared management, it is the Member States' responsibility to set up the management and control systems in accordance with the EU legislation and their own particular national administration systems. The Commission provides guidance and assistance to Member States in this respect. Furthermore, the Commission has made and continues to make considerable efforts to supervise the functioning of the management and control systems and to ensure strict compliance with eligibility requirements and the correct application of rules. It provides training and guidance on eligibility rules to programme managing authorities to ensure they transmit this knowledge to all bodies in charge of managing the funds. Moreover, when it identifies complex rules at programme level, the Commission makes recommendations to simplify them.*

*The Commission's supervisory role is implemented through audits on high risk programmes and on appropriate actions, including interruptions and, if necessary, suspension of payments and/or financial corrections. Furthermore, it puts in place national remedial action plans aiming at improving the effectiveness of systems and remedying the causes of low performance for those programmes and Member States which are concerned.*

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<sup>2</sup> SWD(2014)286final, page 6.

*For the 2007-2013 programming period, the control strategy contributing to the assurance building is implemented through the various strands of controls foreseen in the regulatory framework at the beginning of programme implementation, during programme implementation and at the end of the programming periods. The audit strategy is systematically being revised on the basis of the new information for the update of risk-assessments for 2007-2013 programmes.*

*With a view to first level verifications, the Commission carries out since 2010 risk-based audits that focus mainly on the reliability of management verifications at the level of the managing authorities/intermediary bodies. In 2014, DG REGIO carried out 29 audits under this enquiry (33% of all the on-the-spot audit missions in 2014). A total of 108 audit missions have been carried out since 2010 covering 18 Member States, including 7 Italian regions, and 76 operational programmes (audited one or more times under this enquiry). These audits included 62 on-the-spot audits on operations at the level of beneficiaries. These risk-based audits contributed to:*

- the implementation of preventive and corrective measures such as remedial actions plans, interruptions and financial corrections, and*
- improvements in the management and control systems for programmes put under reservation, ensuring that past and future expenditure declared to the Commission is legal and regular.*

*For the 2007-2013 period, the main system deficiencies in the functioning of the systems were:*

- deficiencies in management verifications at the level of managing authorities/intermediate bodies;*
- some cases of deficiencies at the level of audit authorities;*
- to a lesser extent, some individual cases of fraud suspicion.*

*Root causes of errors are complex management structures in some Member States (federal or regionalised Member States), high staff turnover in some authorities leading to a loss of expertise or insufficient staff allocation (explained by the budgetary situation) as well as public procurement irregularities, non-compliant implementation of State aid rules and eligibility issues.*

*The Commission assists Member States to overcome the deficiencies. DG REGIO has established a competence centre on administrative capacity building (beginning of 2013) to assist Member States. The actions already implemented or ongoing include notably:*

- Administrative capacity initiative: the creation of a platform for peer to peer exchange of best practices and experience between Member States/regions: The demand analysis is completed and a pilot exchange was launched in early 2015; the initiative was presented during the 2014 Open Days; the organisation of 8 two-day training sessions on 'programme implementation – greater focus on results' and 'management and control for 2014-2020' for the programme authorities in the Member States: sessions on programme implementation and audit/financial management were held in 2014; a State aid action plan was elaborated in cooperation with DG COMP. Its aim is to increase awareness and understanding of this complex and technical subject; Anti-fraud/ anti-corruption measures to improve the overall governance of the Funds: 10 anti-fraud /anti-corruption seminars have been held with approx. 1000 participants. These allowed raising*

*awareness on good governance; reminding the Commission zero tolerance to fraud and underlining the new requirement for proportionate and effective anti-fraud measures now embedded in the 2014-2020 management and control systems as an additional requirement. Work is ongoing to support the setting up of pilot Integrity Pact projects bringing together governments, businesses and civil society to fight corruption in public contracting.*

*- Public procurement initiative: A public procurement action plan was established. The actions under way include: a Guidance for Practitioners on "How to avoid common public procurement errors" which was presented at the 2014 Open Days and is also scheduled in the Member States where it is most needed. Development of an expert exchange system for managing authorities to share experiences and expertise in public procurement capacity building. This will be part of the platform for exchanging expertise and experience referred to further above, definition of country-specific action plans to address identified weaknesses in Romania, Bulgaria, Greece and Italy.*

*For the 2014-2020 programming period a joint audit strategy is being developed jointly with other services in charge of ESI Funds. This single strategy takes account of the requirement to draw up annual accounts for each programme following completion of controls at national level, and submission of a complete set of assurance documents by 15 February each year as from 2016. This will include a management declaration by the managing authority accompanied by an annual summary of all management verifications and audits carried out, certified accounts by the certifying authority and an annual audit opinion and control report by the audit authority encompassing the accounts, the effective functioning of the management and control system and the legality and regularity of transactions.*

3. (§ 6 - 2013/COU/0179) The Council reiterates the need to apply financial corrections and recoveries rigorously.

**Commission's response:**

*The Commission continues to apply financial corrections and recoveries rigorously - this is evidenced by the increase in decided amounts for 2014 which were 37.6% higher than in 2013.*

4. (§ 6 - 2013/COU/0180) The Council calls upon the Commission to continue executing in full its supervisory role in order to ensure the maximum protection of the EU budget and to provide continuous guidance to Member States.

**Commission's response:**

*The Commission has taken and is continuously taking the requested action.*

*See reply 2013/COU/0178*

5. (§ 7 - 2013/COU/0181) The Council urges the Commission to continue improving its control systems, in particular the desk checks, while keeping the right balance between the costs of controls and achieving the policy objectives.

**Commission's response:**

*The Commission has taken and is continuously taking the requested action.*

*Under shared management, it is the Member States' responsibility to set up the management and control systems in accordance with the EU legislation and their own particular national administration systems. The Commission has made and*

*continues to make considerable efforts to supervise the functioning of the management and control systems and to ensure strict compliance with eligibility requirements and the correct application of rules.*

*The Commission's approach to improve the control system and to carry out its supervisory role is laid down in its audit strategy that covers all structural action instruments. It is updated annually based on its risk-assessments reviewed annually to take into account new audit results and other information and to set up the 18-month rolling audit plan of the Commission services. This audit strategy covers the Commission's desk review*

*The Commission's audit work is a combination of desk audit work and on-the-spot audit missions:*

*a) Commission desk review of the work of the national audit authorities through the continuous analysis of their systems audit reports (including consistency with Commission audits results; 541 reports were received in 2014), the analysis of annual control reports and audit opinions issued for all programmes by year end, annual bilateral control coordination meetings with all Member States and ad hoc technical meetings and contacts with the audit authorities to monitor the progress and results of all audit work in line with the approved national audit strategies;*

*b) Commission on-the-spot audits to conclude, including through the re-performance of samples of audits on systems and on operations carried out by audit authorities, on the reliability of the work carried out and reported by the audit authorities;*

*c) Commission on-the-spot risk-based audits on national bodies, parts of management and control systems or horizontal issues identified at risk (such as public procurement, State aid, financial engineering or the national systems for recording and reporting irregularities and recoveries), in order to complement the assurance obtained from the national audit authorities. On-the-spot risk-based audits are usually at the level of programmes authorities and/or intermediate bodies, and can include verifications down to the primary source of audit evidence at the level of beneficiaries (in 2013, this was the case for 24 out of 28 audit missions carried out on the spot).*

*Concerning the cost of controls, DG REGIO's 2013 AAR provides an analysis of the control efficiency and economy (p. 62-64). This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls. In case of shared management (99.3% of DG REGIO's budget), DG Regional and Urban Policy quantifies the costs of the resources and inputs required for carrying out the controls described in annex 5 of the AAR 2013 and estimates, in so far as possible, their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls. The estimated annual overall Commission cost is estimated at 0.14% of total payments of the year. When added to the cost at the level of the Member States assessed to be around 2.1% of the ERDF/CF 2007-13 programme budgets, the total estimated cost for the management and control of the ERDF/CF corresponds to 2.2% of the total annual budget. The quantifiable benefits mainly relate to the corrections implemented by DG Regional and Urban Policy following (Directorate-General) audit work. In addition, there are a number of non-quantifiable benefits resulting from the controls operated throughout the various control stages. This includes notably (but not exclusively) an increased level of assurance and the negotiation procedures on the content of Partnership Agreements and future Operational Programmes. In 2013, for the 2007-2013*



*programming period, the entire control system ultimately allowed that 87% of the credits were paid to programmes with a cumulative residual error rate below 2%.*

6. (§ 8 - 2013/COU/0182) The Council urges the Commission to identify the root causes of the reported irregularities, to focus on preventive measures, and to implement corrective actions where necessary.

**Commission's response:**

*The Commission has taken the requested action. See reply 2013/COU/178.*

7. (§ 8 - 2013/COU/0183) The Council invites the Commission to ensure through its technical assistance that the recently updated guidelines on public procurement are disseminated and understood by all relevant actors.

**Commission's response:**

*The Commission has taken the requested action. It is providing the programme authorities guidance and targeted trainings for each of the implementation phases of the programmes. This includes sharing good practices. DG Regional and Urban policy has set-up a specialised competence centre to improve the administrative capacity in Member States with difficulties. The competence centre has launched three initiatives to improve the managing authorities' administrative capacity and to improve enforcement of public procurement rules and State aid rules namely during first level verifications through: targeted action plans to address the causes of weak administration; additional guidance targeted to common errors, including for public procurement procedures; set-up of a Common Expert Exchange System for better sharing the existing expertise and good practices in the programme authorities.*

*The Commission carries out targeted audits in Member States and for programmes where it identified risks or difficulties with public procurement procedures. In particular it verifies whether management verifications by managing authorities allow detecting problems with public contracts. In half of its targeted, risk-based audits the Commission has found that management verifications of public procurement procedures were not appropriate. As a result of its audits the Commission imposes financial corrections for past expenditure and requires Member States to fix the system for the future. The Commission has carried out important financial corrections for public procurement deficiencies for ERDF and CF, both in the past (namely in Spain and Greece) and more recently (Romania, Czech Republic and Slovakia) to ensure that the EU budget was protected.*

*The Commission also provides assistance and help to programme authorities to improve their understanding of public procurement and to prevent errors in this area. Numerous seminars, workshops, presentations and training sessions have been and will continue to be organised with programme authorities to increase their knowledge and administrative capacity in this area. This includes targeted actions on a bilateral basis to assist Member States to tackle specific issues.*

*DG Regional and Urban Policy's competence centre for administrative capacity building has launched a public procurement initiative and action plan, in close cooperation with DG Internal Market and Services and DG Employment, Social Affairs and Inclusion. The actions under way include:*

*- A Guidance for Practitioners on "How to avoid common public procurement errors", based on an assessment of the most frequent types of errors identified in the last years; presented to Member States' representatives at the 2014 Open Days. The guidance will now be disseminated across Europe for programme managers.*

*A presentation / explanation of this new guidance for practitioners is also scheduled in the Member States where it is most needed;*

*- Development of an expert exchange system for managing authorities to share expertise in public procurement capacity building. This will be part of a platform for exchanging expertise and experience between managing authorities;*

*- Definition of country-specific action plans to address identified weaknesses in Romania, Bulgaria, Greece and Italy;*

*- Presentation of the new public procurement directives and the related simplification and increased transparency, including through e-procurement, in seminars across Europe.*

*The EU public procurement directives have been revised in 2014. Public procurement procedures will be simpler more flexible in the future. This will benefit both public purchasers and businesses, particularly small and medium-sized companies. It will reduce the risk of errors. However the revised public procurement directives will not have immediate effect as the Member States have until April 2016 to transpose the new rules into their national law.*

8. (§ 9 - 2013/COU/0184) The Council invites the Commission and Member States to take full advantage of this opportunity (to achieve major progress towards simplification) when implementing newly adopted programmes by using more extensively the variety of simplification measures that they offer and that were given a positive assessment by the Court.

**Commission's response:**

*A number of events giving practical guidance on simplification have been organised in Member States in 2012 and 2013. These capacity building activities have been continued in 2014 and 2015 to optimize the use of SCOs in the current programming period.*

*An updated Guidance note for the Member States on SCOs was issued in October 2014 and has been translated in all EU languages early 2015.*

*DG EMPL also set-up an internal Task Force for SCOs and Joint Action Plans. The aim of the task force is to promote the use of SCOs, in particular 14(1) ESF and JAP, and provide support to the MS in order to meet the objective of having 50% of ESF expenditure claimed under a Simplified Cost Option by 2017.*

*Important novelty: approval of simplified costs by DG EMPL*

*DG EMPL is currently working with Member States on the implementation of Article 14(1) of the ESF Regulation. This Article allows the Commission to adopt (by delegated act) standard scales of unit costs and lump sums. This provides legal certainty for the Member State, and thus offers a major opportunity for simplification. Also, the scope of audit will be reduced compared to "classical" simplified cost options.*

9. (§ 9 - 2013/COU/0185) The Council reiterates the need for the Commission to provide appropriate guidance and training to Member States and to beneficiaries in applying such measures (focussing on the balance between risk of error and cost of control and audit, as well as the potential additional burden), while helping them to fulfil their role in pursuing the policy objectives.

**Commission's response:**

*As in the past, the Commission continues to work closely with the Member States for the development of guidance and delivery of training to the Member States and beneficiaries as needed. The Commission intends to continue its efforts, with the aim to ensure the full implementation of the simplification opportunities offered in the adopted legislative framework for the period 2014-2020.*

10. (§ 10 - 2013/COU/0186) The Council calls on the Commission to continue, where appropriate, the implementation of all available corrective measures.

**Commission's response:**

*The Commission has taken the requested action and reported in its AARs. In order to exercise its supervisory role when management and control systems are not effective, the Commission has at its disposal a range of preventive and corrective legal tools. They serve to ensure that the funds are implemented according to the rules and to protect the EU budget in case irregularities appear. On the basis of audit results, the Commission can interrupt or suspend payments to Member States, require from Member States the implementation of appropriate remedial action plans and implement financial corrections to protect the EU budget. The Commission considers that these legal tools, including the possibility to replace irregular expenditure detected by national audits and controls, have already provided incentives so far for Member States to implement controls efficiently and effectively under shared management.*

*Furthermore, the regulation for the 2014-2020 programming period provides the Commission with additional tools to protect the EU budget and to strengthen the incentive effects for Member States. The Commission will have to apply net financial corrections in case EU audits detect serious deficiencies that have not been detected and reported by the Member State authorities before. Net corrections mean that the Member States and programmes will lose the corrected appropriations. This will have an increased incentive effect for Member States to do their utmost to timely detect and correct errors before they provide the Commission with the programme annual accounts. In addition the Commission will have the possibility to increase the rates of financial corrections in case the same type of deficiency is repeated in a programme. The Commission will also withhold 10% of each EU reimbursement during the accounting year, until the programme authorities submit each year the programme annual accounts accompanied by a management declaration that all required verifications have been implemented, an annual summary presenting the results of such verifications and follow-up given and an annual control report and audit opinion confirming based on audit evidence that the accounts are complete and accurate, that all expenditure included in the accounts is indeed legal and regular and that the management and control systems has functioned effectively. Failure by any programme authority to apply these reinforced control provisions will provide a basis to apply financial corrections, including net ones under the conditions fixed in the regulation*

11. (§ 10 - 2013/COU/0187) The Council invites the Commission and the Court to reflect on how to provide comparable data in the future, including as regards corrective mechanisms.

**Commission's response:**

*The Commission provides comparative data on financial corrections in both the EU annual accounts and in its annual Communication on the protection of the EU budget. Furthermore, historic data over 5 years and more is also provided, as is cumulative data.*

12. (§ 11 - 2013/COU/0188) The Council calls upon the Commission to analyse the added value of such instruments (Financial Engineering Instruments) and to make available the results of this analysis.

**Commission's response:**

*In article 49 (3) of Regulation (EC) 1083/2006 an ex-post evaluation of all the Structural Funds is foreseen. Within this ex-post evaluation one work-package is specifically addressing the efficiency and effectiveness of the financial engineering instruments for SMEs in the 2007-2013 programming period. The ex-post evaluation shall be completed by 31 December 2015.*

13. (§ 11 - 2013/COU/0189) The Council calls on the Commission to continue monitoring the evolution of the amounts of RAL, and to settle or decommit them in a timely manner and in line with the relevant rules.

**Commission's response:**

*A reference is made to the response 2012/COU/0227<sup>3</sup>.*

*Beside these actions the Commission will provide from 2015 a payment plan document together with the Draft budget (see response 2013/COU/0190)*

14. (§ 11 - 2013/COU/0190) The Council urges the Commission to provide, on a regular basis, clear, exhaustive, transparent and timely information about the needs for payment appropriations and the availability of funds in the annual budget, as well as to prepare a reliable forecast of the future payment requirements and budgetary priorities.

**Commission's response:**

*The Commission is taking the recommended action.*

*Along with the conclusions of the three institutions on Budget 2015, the Commission sent on 23 March 2015 to Parliament and the Council a document entitled "Elements for a payment plan to bring the EU budget back onto a sustainable track" analysing the backlog of unpaid claims at end-2014, the evolution during 2015 and conditions to return to the usual level of unpaid claims at end-2016.*

*The Commission will also in future draft budgets provide a document showing the level of unpaid bills and making a suggestion to reduce this level.*

15. (§ 11 - 2013/COU/0191) The Council invites the Commission to accompany any proposal modifying the agreed level of commitment appropriations with information on the corresponding impact on payment appropriations over the programming period.

**Commission's response:**

*The Commission is taking the recommended action.*

<sup>3</sup> SWD(2014)285final, page 13.

***In the Draft Amending Budget 2/2015 it has clearly stated that the reprogramming of unused commitments appropriations of 2014 by transferring them to 2015-2017 will have no impact on the level of payments appropriations in 2015.***

16. (§ 12 - 2013/COU/0192) The Council calls on the Commission to examine further possibilities for improving the Synthesis Report, in particular concerning the amounts at risk.

**Commission's response:**

***The Commission further clarified the methodology for its calculation in the 2014 Synthesis report<sup>4</sup>, ensuring consistency in the terms and concepts applied by the DGs in their annual activity reports. The Synthesis report included for the first time a consolidated estimation of the amount at risk for the entire budget under its responsibility (so not only for the part of the expenditure under reservations as it was the case in previous years) alongside its best estimate of the volume of errors and irregularities that could be corrected in the future.***

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<sup>4</sup> COM(2015)279final

### Chapter 3 - Agriculture: Market and Direct Support

17. (Nr 1, § 3 - 2013/COU/0193) The Council calls on the Commission to further enhance its work in terms of guidance and training at Member States' level in order to help them maintain the most accurate information in the database (LPIS).

**Commission's response:**

*Since the start of the arrangements governing the functioning of the Common Agricultural Policy (CAP), the Member States have been responsible for executing the rules of the CAP including payments to beneficiaries. As a consequence of their responsibility to protect the financial interests of the EU budget, it is for the Member States to take all the measures (including guidance and training) necessary to satisfy themselves that subsidies are granted correctly and to prevent and deal with irregularities.*

*Nevertheless, in order to assist Member States in their implementation of the new rules on direct payments in the CAP reform, a new unit has been specifically created within DG AGRI. It provides Member States with implementation support and assistance activities including drafting of guidance documents, having bilateral contacts with national authorities, organising workshops and promoting exchange of experience.*

*In addition, shortcomings in Member States' management and control systems are addressed through targeted and comprehensive action plans where necessary.*

*When the Commission services detect such problems during the course of their audits, they request the Member State to take remedial actions. Where the problem is particularly acute, the Member State is required to implement a remedial action plan which is closely followed by the services.*

18. (Nr 1, § 6 - 2013/COU/0194) The Council urges the Commission to ensure an appropriate follow-up of the errors detected by the Court and to put in place, when necessary, the appropriate action plans or to proceed with the clearance of accounts.

**Commission's response:**

*Action plans put in place at MS level address the deficiencies identified in both the Commission's and the Court's audits. When the necessary corrective action is not taken in a timely manner, the Commission investigates the situation and, where appropriate may decide to reduce or suspend payments.*

*Clearance of accounts procedures take place independently of the implementation of action plans. They are systematically launched where deficiencies in the management and control systems are identified, in order to adequately protect the EU financial interest.*

19. (Nr 2, § 1 - 2013/COU/0195) The Council urges the Commission and Member States to continue their efforts to ensure that IACS remains an effective and functioning system.

**Commission's response:**

*See reply to 2013/COU/0193 and 2013/COU/0194.*

## Chapter 4 - Rural Development, Environment, Fisheries and Health

20. (§ 4 - 2013/COU/0196) The Council urges the Commission to further enhance its work towards simplification, guidance and training activities to address the shortcomings identified by the Court.

**Commission's response:**

*To make the control system more efficient, EAFRD rules have been simplified through the CAP reform, in particular the eligibility requirements in the rural development programme; nevertheless, EAFRD rules will always have a certain level of complexity because of the diversity of European agriculture, notably in the rural development area.*

*The Commission recommended the application of simplified costs (flat rate financing, standard costs, lump sums) in order to reduce the administrative burden on both beneficiaries and management bodies. Specific guidance material and seminars have been provided to facilitate the application of simplified costs.*

*In addition, the responsibilities of the Member States have been enhanced by requiring both Managing Authorities and Paying Agencies to assess the verifiability and controllability of the measures in their new Programmes before they were submitted to the Commission. During the adoption phase of the rural development programmes, the Commission services have intensively discussed the verifiability and controllability of measures with the Member States authorities and agreed the simplification of certain eligibility conditions.*

*The Commission services are currently carrying out a comprehensive screening of the entire agricultural acquis with a view to identifying simplification and subsidiarity possibilities. Both the European Parliament and the Council have been invited to submit their ideas on simplification.*

*Continuous guidance has been offered by the Commission services through seminars on the identification of cause roots of errors. In addition, the Commission discusses measures to improve the quality of administration and control systems with the Member States in meetings with the learning network, in DG AGRI's simplification working groups, and also in the conferences with the Directors of the Paying Agencies.*

21. (Nr 2, § 1 - 2013/COU/0197) The Council calls on the Commission to pursue its efforts in providing targeted guidance and in increasing the mutual understanding with the national administrations involved.

**Commission's response:**

*In addition to the seminars on cause root of errors, the Commission has issued and discussed with the Member States in the Rural Development Committees (RDC) a large number of guidelines, including specific guidelines for controls and penalties under rural development measures, including comprehensive sections on on-the-spot checks for both area and animal related measures, as well as for investment measures. Of other issues covered by the numerous guidelines can be mentioned public procurement as an important topic, covered in the above mentioned seminars on error rates with Managing Authorities and Paying Agencies in addition to the RDC (see replies to 2013/COU/0196).*

*The Commission is closely working with the Member States in order to avoid that complex and unnecessary rules make the control system more prone to errors.*

*"Gold plating" has to be avoided. This has, together with the issue of controllability and verifiability, been central in the approval process for the rural development programmes.*



22. (Nr 1, § 5 - 2013/COU/0198) The Council invites the Commission and Member States to examine the weaknesses identified by the Court in the existing verification systems, to analyse the costs and benefits of possible corrective measures and to take appropriate action.

**Commission's response:**

*The Commission has taken the requested action. The fact that for a third of the transactions examined by the Court in 2013 for regional policy errors found could and should have been detected by the Member States before certifying the expenditure is a cause of serious concern for the Commission. First level verifications are the first line of defence against errors in multilevel and multiannual management and control systems. The Commission takes fully account of this in exercising its supervisory role and continuously takes action to identify and remedy problems. The Commission has a role to supervise the systems, but it agrees with the Court that control systems can only work if Member States do their work properly. The Commission is carrying out since 2010 targeted audits on management verifications of high risk programmes where it has identified that deficiencies could remain undetected or not timely detected by the programme audit authority. The Commission will continue to carry out a close supervision after the implementation of the remedial actions to ensure that the management and control systems of programmes do not deteriorate again. In 2014, 29 audits were carried out under this enquiry (33% of all the on-the-spot audit missions in 2014). A total of 108 audit missions have been carried out since 2010 covering 18 Member States, including 7 Italian regions, and 76 operational programmes (audited one or more times under this enquiry). These audits included 62 on-the-spot audits on operations at the level of beneficiaries. One of the main conclusions from the work under this enquiry from 2010-2014 is that for 66% of these missions significant deficiencies have been identified in the first level controls, and as regards more than half of the missions (58%), these deficiencies specifically concern the area of public procurement verifications. As a result, continued focus will be given in the mission plan for 2015-June 2016 to the audit of management verifications, in particular in the area of public procurement.*

*Concerning the cost of controls, DG REGIO's 2013 AAR provides an analysis of the control efficiency and economy (p. 62-64). This section outlines the indicators used to monitor the efficiency of the control systems, including an overall assessment of the costs and benefits of controls. In case of shared management (99.3% of DG REGIO's budget), DG Regional and Urban Policy quantifies the costs of the resources and inputs required for carrying out the controls described in annex 5 of the AAR 2013 and estimates, in so far as possible, their benefits in terms of the amount of errors and irregularities prevented, detected and corrected by these controls. The estimated annual overall Commission cost is estimated at 0.14% of total payments of the year. When added to the cost at the level of the Member States assessed to be around 2.1% of the ERDF/CF 2007-13 programme budgets, the total estimated cost for the management and control of the ERDF/CF corresponds to 2.2% of the total annual budget. The quantifiable benefits mainly relate to the corrections implemented by DG Regional and Urban Policy following (Directorate-General) audit work. In addition, there are a number of non-quantifiable benefits resulting from the controls operated throughout the various control stages. This includes notably (but not exclusively) an increased level of assurance and the negotiation procedures on the content of Partnership*

***Agreements and future Operational Programmes. In 2013, for the 2007-2013 programming period, the entire control system ultimately allowed that 87% of the credits were paid to programmes with a cumulative residual error rate below 2%.***

23. (Nr 1, § 6 - 2013/COU/0199) The Council calls on the Commission and Member States to continue their efforts to ensure compliance with EU and national public procurement rules and eligibility requirements, to take their responsibilities for enhanced guidance and supervision, and to provide targeted training and guidelines to the relevant authorities and to beneficiaries.

**Commission's response:**

***The Commission has taken and is continuously taking the requested action.***

***Under shared management, it is the Member States' responsibility to set up the management and control systems in accordance with the EU legislation and their own particular national administration systems. The Commission provides guidance and assistance to Member States in this respect. Furthermore, the Commission has made and continues to make considerable efforts to supervise the functioning of the management and control systems and to ensure strict compliance with eligibility requirements and the correct application of rules. It provides training and guidance on eligibility rules to programme managing authorities to ensure they transmit this knowledge to all bodies in charge of managing the funds. Moreover, when it identifies complex rules at programme level, the Commission makes recommendations to simplify them.***

***The Commission's supervisory role is implemented through audits on high risk programmes and on appropriate actions, including interruptions and, if necessary, suspension of payments and/or financial corrections. Furthermore, it puts in place national remedial action plans aiming at improving the effectiveness of systems and remedying the causes of low performance for those programmes and Member States which are concerned.***

***For the 2007-2013 programming period, the control strategy contributing to the assurance building is implemented through the various strands of controls foreseen in the regulatory framework at the beginning of programme implementation, during programme implementation and at the end of the programming periods. The audit strategy is systematically being revised on the basis of the new information for the update of risk-assessments for 2007-2013 programmes.***

***For the 2007-2013 period, the main system deficiencies in the functioning of the systems were:***

- deficiencies in management verifications at the level of managing authorities/intermediate bodies;***
- some cases of deficiencies at the level of audit authorities;***
- to a lesser extent, some individual cases of fraud suspicion.***

***Root causes of errors are complex management structures in some Member States (federal or regionalised Member States), high staff turnover in some authorities leading to a loss of expertise or insufficient staff allocation (explained by the budgetary situation) as well as public procurement irregularities, non-compliant implementation of State aid rules and eligibility issues.***

***The Commission assists Member States to overcome the deficiencies. DG REGIO has established a competence centre on administrative capacity building***

*(beginning of 2013) to assist Member States. The actions already implemented or ongoing include notably:*

*- Administrative capacity initiative: the creation of a platform for peer to peer exchange of best practices and experience between Member States/regions: The demand analysis is completed and a pilot exchange was launched in early 2015; the initiative was presented during the 2014 Open Days; the organisation of 8 two-day training sessions on 'programme implementation – greater focus on results' and 'management and control for 2014-2020' for the programme authorities in the Member States: sessions on programme implementation and audit/financial management were held in 2014; a State aid action plan was elaborated in cooperation with DG COMP. Its aim is to increase awareness and understanding of this complex and technical subject; Anti-fraud/ anti-corruption measures to improve the overall governance of the Funds: 10 anti-fraud /anti-corruption seminars have been held with approx. 1000 participants. These allowed raising awareness on good governance; reminding the Commission zero tolerance to fraud and underlining the new requirement for proportionate and effective anti-fraud measures now embedded in the 2014-2020 management and control systems as an additional requirement. Work is ongoing to support the setting up of pilot Integrity Pact projects bringing together governments, businesses and civil society to fight corruption in public contracting.*

*Public procurement initiative: A public procurement action plan was established. The actions under way include: a Guidance for Practitioners on "How to avoid common public procurement errors" which was presented at the 2014 Open Days and is also scheduled in the Member States where it is most needed. Development of an expert exchange system for managing authorities to share experiences and expertise in public procurement capacity building. This will be part of the platform for exchanging expertise and experience referred to further above, definition of country-specific action plans to address identified weaknesses in Romania, Bulgaria, Greece and Italy.*

*For the 2014-2020 programming period a joint audit strategy is being developed jointly with other services in charge of ESI Funds. This single strategy takes account of the requirement to draw up annual accounts for each programme following completion of controls at national level, and submission of a complete set of assurance documents by 15 February each year as from 2016. This will include a management declaration by the managing authority accompanied by an annual summary of all management verifications and audits carried out, certified accounts by the certifying authority and an annual audit opinion and control report by the audit authority encompassing the accounts, the effective functioning of the management and control system and the legality and regularity of transactions.*

24. (Nr 1, § 7 - 2013/COU/0200) The Council urges the Commission to proceed in a timely manner with its action plan aiming at raising awareness and improving administrative capacity in national authorities.

**Commission's response:**

*The Commission has taken the requested action. For the 2007-2013 period, the main system deficiencies in the functioning of the systems were:*

- deficiencies in management verifications at the level of managing authorities/intermediate bodies;*
- some cases of deficiencies at the level of audit authorities;*

*- to a lesser extent, some individual cases of fraud suspicion.*

*Root causes of errors are complex management structures in some Member States (federal or regionalised Member States), high staff turnover in some authorities leading to a loss of expertise or insufficient staff allocation (explained by the budgetary situation) as well as public procurement irregularities, non-compliant implementation of State aid rules and eligibility issues.*

*The Commission assists Member States to overcome the deficiencies. DG REGIO has established a competence centre on administrative capacity building (beginning of 2013) to assist Member States. The actions already implemented or ongoing include notably:*

*- Administrative capacity initiative: the creation of a platform for peer to peer exchange of best practices and experience between Member States/regions: The demand analysis is completed and a pilot exchange was launched in early 2015; the initiative was presented during the 2014 Open Days; the organisation of 8 two-day training sessions on 'programme implementation – greater focus on results' and 'management and control for 2014-2020' for the programme authorities in the Member States: sessions on programme implementation and audit/financial management were held in 2014; a State aid action plan was elaborated in cooperation with DG COMP. Its aim is to increase awareness and understanding of this complex and technical subject; Anti-fraud/ anti-corruption measures to improve the overall governance of the Funds: 10 anti-fraud /anti-corruption seminars have been held with approx. 1000 participants. These allowed raising awareness on good governance; reminding the Commission zero tolerance to fraud and underlining the new requirement for proportionate and effective anti-fraud measures now embedded in the 2014-2020 management and control systems as an additional requirement. Work is ongoing to support the setting up of pilot Integrity Pact projects bringing together governments, businesses and civil society to fight corruption in public contracting.*

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*For the 2014-2020 programming period a joint audit strategy is being developed jointly with other services in charge of ESI Funds. This single strategy takes account of the requirement to draw up annual accounts for each programme following completion of controls at national level, and submission of a complete set of assurance documents by 15 February each year as from 2016. This will include a management declaration by the managing authority accompanied by an annual summary of all management verifications and audits carried out, certified accounts by the certifying authority and an annual audit opinion and control report by the audit authority encompassing the accounts, the effective functioning of the management and control system and the legality and regularity of transactions.*

25. (Nr 1, § 8 - 2013/COU/0201) The Council asks the Commission to analyse the reasons for the delays in the disbursement of EU funds through Financial Engineering Instruments and to take appropriate corrective measures.

**Commission's response:**

*The Commission has taken the requested action. The information on the use of financial instruments (FI) was indeed very limited until the end of 2011 when a modification of the Regulation introduced a requirement for Member States to annually report on the implementation of FI. The reporting is comprehensive as it concerns not only the programme amounts invested in FI but also the programme amounts spent for investments in final recipients. DG REGIO publishes synoptical reports by 1 October of each year. DG REGIO published the latest available situation end September 2014. The average implementation rate at the end of 2013 was 47% (compared to 37% end 2012 as quoted by ECA in its annual report; this was the only data checked and available at the time of the ECA audit). Average disbursement covers all funds: those established already in 2008 as well those newly established in 2013 for which implementation was only starting. The average 47% is also an average for 900 instruments all over Europe. Amongst them there are instruments which invest already revolving funds (100% absorption achieved already). Indeed there are persistent delays observed in specific financial instruments. For the majority implementation is progressing, some are already in a second cycle of investment. As we are approaching the end of implementation, by which programme resources have to be disbursed to final recipients (enterprises) there are indeed some actions needed to speed up delivery of underperforming funds. These actions can cover both active follow up through monitoring committees, on-the-spot visit, more active promotional campaign, but also in certain cases reprogramming i.e. a reallocation of unused resources to another operation under the programmes. By programme closure (March 2017) resources from FI not transferred to final recipients (for the first cycle of investments or guarantees) will not be eligible, therefore funds will be lost for the programme and Member States. Member States thus have an incentive to take actions ahead of closure to boost the use of financial instruments or timely reprogram them.*

26. (Nr 3, § 2 - 2013/COU/0202) The Council invites the Commission and all other relevant actors to do their utmost to provide accurate, complete and reliable data on financial corrections, resulting in the robustness of the annual activity reports.

**Commission's response:**

*The Commission has taken the requested action.*

*For the 2000-2006 programming period, it has verified the reliability of Member States' reporting systems in the area of financial corrections by carrying out on-the-spot verifications of the quality of the Member States' systems for recoveries linked to structural actions. The results showed that Member States' authorities generally followed the requirements, although as confirmed by the Court of Auditors, some weaknesses existed in respect of the completeness of data and the systems for recording and reporting irregularities. Taking into account the findings, the Commission revised its guidance note on withdrawals and recoveries, which was presented to Member States in January 2010, in time for the last annual report for 2000-2006 programmes and the first report for the 2007-2013 programmes.*

*For the 2007-2013 programming period, the Member State reporting was substantially improved and standardised. Member States provide under Article 20*

*of Regulation (EC) No. 1828/2006, until 31 March each year information about corrections made (amounts withdrawn from statements of expenditure submitted during the preceding year following cancellation of all or part of the public contribution for an operation, amounts recovered which have been deducted from those statements of expenditure a statement of amounts to be recovered as at 31 December of the preceding year, classified by the year in which recovery orders were issued).*

*While the Commission monitors and reports financial corrections stemming from its own supervisory role in note 6 to the accounts and in the report on the protection of the EU budget, it has less assurance on the reliability of amounts of financial corrections reported by the national authorities. That is why the Commission is taking increasing actions to reduce the risks involved in the Member State's reporting on financial corrections:*

- performance of an annual risk assessment on data reported by Member States*
- contacts with the certifying authorities to clarify the reported data when inconsistencies are found*
- performance of on-the-spot audits to verify the accounting system of the certifying authorities and the reliability of data reported on financial corrections based on the risk assessment results*
- prudent reporting of figures on national financial corrections that are clearly additional to the Commission reporting.*

*First of all the Commission services perform an annual risk assessment on the data on financial corrections reported each year by Member States. This risk assessment considers several factors, such as data gathered from other sources (e.g. errors reported in annual control reports, data on financial corrections imposed by the Commission) and the Commission own conclusions on the functioning of the certifying authorities responsible to draw up the reporting on corrections (assessment of the key requirements of management and control systems linked to the work of certifying authorities).*

*As a result, the Commission services obtain an indication of possible discrepancies, inconsistencies or risk of incomplete data on corrections. This leads to clarification requests to the concerned certifying authorities and to the selection of certifying authorities / operational programmes / Member States for Commission on-the-spot audits on the completeness and accuracy of data and on the reliability of the reporting on financial corrections.*

*Such Commission audits are performed since 2011 as a response to a discharge recommendation to increase the assurance of such data, as reported in the DG REGIO's 2013 AAR on page 41 and in annex 8 on pages 47-48. In 2014, the enquiry has covered additional programmes and Member States, to take account of the increased risk on the reliability of data. This audit is focusing on the verification of the accuracy, completeness and reliability of the data reported by the Member States, in view of the Commission's calculation of the cumulative residual risk.*

*As reported in DG REGIO's AAR for 2013, the Commission's audits have revealed that in some well-identified cases and programmes, the Member States' reporting on corrections was not reliable or complete. This was for example the case of the reporting from the Czech Republic (leading to the correction of previous years'*

*over-reporting, implemented by end 2013) and some Italian programmes which underreported withdrawals and recoveries due to administrative delays.*

*The finding from the Czech programmes led the Commission services to issue additional horizontal recommendations and guidance to all certifying authorities to ensure an improved reporting exercise for 2013 due by end March 2014 and to request correction of past reporting where necessary.*

27. (Nr 3, § 3 - 2013/COU/0203) The Council asks the Commission to disclose further details in its annual activity reports in order to increase transparency on the reasons for issuing reservations and on the method for quantifying the amounts at stake.

**Commission's response:**

*The Commission has taken the requested action. In its reply to recommendation 6 of Chapter 5 of the 2013 annual report of the Court of Auditors, the Commission agreed to disclose further details in annex to the annual activity reports for those individual cases where it takes a reasoned decision not to make reservations or not to include the issue in the quantification of the reservation, based on its assessment of the specific situations. DG REGIO has done so in the 2014 AAR.*

## Chapter 6 - Employment and Social Affairs

28. (Nr 1, § 2 - 2013/COU/0204) The Council calls on the Commission and Member States to further strengthen the checks at all levels and to provide increased and comprehensive guidance to beneficiaries.

**Commission's response:**

*The Commission is further strengthening its checks, notably through the thematic audit on management verifications.*

*In addition through the system audits carried out at the level of the Managing Authorities, the Commission checks the guidance to beneficiaries issued by Member States authorities.*

29. (Nr 1, § 5 - 2013/COU/0205) The Council calls on the Commission and Member States to continue addressing the major weaknesses which were identified by the Court in first-level checks carried out by national managing authorities and intermediate bodies.

**Commission's response:**

*As reported by the Court in its report, the Commission carried out in 2013 thematic audits on the effectiveness of first level checks in order to evaluate and verify, on a risk based approach, the extent to which the verification process functions effectively to prevent, detect and correct errors. The Commission published in November 2013 an overview report of the results. Based on an in-depth analysis of the root causes of this problem, DG EMPL committed itself to continuing its capacity building actions (simplifications seminars and action plans) together with a stringent interruptions and suspensions policy. The thematic audit on management verifications, initiated in 2013, has been pursued in 2014 with 9 additional missions.*

*Recommendations and, where applicable, interruption and suspension procedures have been initiated for those programmes showing areas of non-compliance or weak verifications. In the DG EMPL's audit plan for 2015, the thematic audits on management verifications are pursued (5 missions planned).*

*A comprehensive guidance note on management verifications for the 2014-2020 programming period, drawing on the lessons learned in the 2007-2013 programming period and the Court's findings, has been drafted in January 2015 and will be adopted in the second semester 2015.*

30. (Nr 1, § 7 - 2013/COU/0206) The Council also invites the Commission and Member States to consider and take advantage of all other existing simplification opportunities, whenever possible and appropriate.

**Commission's response:**

*A number of events giving practical guidance on simplification have been organised in Member States in 2012 and 2013. These capacity building activities have been continued in 2014 and 2015 to optimize the use of SCOs in the current programming period.*

*An updated Guidance note for the Member States on SCOs was issued in October 2014 and has been translated in all EU languages early 2015.*

*DG EMPL also set-up an internal Task Force for SCOs and Joint Action Plans. The aim of the task force is to promote the use of SCOs, in particular 14(1) ESF*



*and JAP, and provide support to the MS in order to meet the objective of having 50% of ESF expenditure claimed under a Simplified Cost Option by 2017.*

*Important novelty: approval of simplified costs by DG EMPL*

*DG EMPL is currently working with Member States on the implementation of Article 14(1) of the ESF Regulation. This Article allows the Commission to adopt (by delegated act) standard scales of unit costs and lump sums. Member States can also suggest standard scales of unit costs and lump sums to the Commission that may adopt them. This provides legal certainty for the Member State, and thus offers a major opportunity for simplification. Also, the scope of audit will be reduced compared to "classical" simplified cost options.*

31. (Nr 2, § 2 - 2013/COU/0207) The Council invites the Commission and Member States to seek improvement in the quality and reliability of the information provided by national audit authorities, notably through better guidance on flat rate corrections and the audit sampling methodology to be applied.

*Commission's response:*

*Following the update of the Guidance on sampling methods for audit authorities and on the basis of the analysis by the Commission of the 2013 ACRs, further clarifications have been provided on sampling issues and treatment of errors at the Homologues Group meeting in September 2014 and in a note to the AAs issued in the beginning of 2015.*

*The Commission Decision C(2011)7321 of 19/10/2001 defines the guidelines on the principles, criteria and indicative scales to be applied in respect of financial corrections made by the Commission.*

32. (Nr 3, § 1 - 2013/COU/0208) The Council invites the Commission to reflect on the possibility of involving national audit authorities to ensure the accuracy, completeness and reliability of the data reported on financial corrections.

*Commission's response:*

*As financial corrections (withdrawals and recoveries) are an important element taken into account to calculate the residual risk of error of each operational programme. The Commission has carried out since 2011 audits on the Member State's reporting on financial corrections. In 2014, the number of these audits were increased substantially,*

*DG Employment, Social Affairs and Inclusion carried out 14 audit missions in 2014 to check the reliability of the information reported by the certifying authorities in view of the preparation for the closure of the programming period.*

*In view of the assurance in the 2014 AAR, DG Regional and Urban Policy carried out 12 audits (6 in 2014 and another 6 in January-February 2015), compared to 4 audits in 2013. Four of these were joint audits with DG Employment, Social Affairs and Inclusion. Since 2011, the Directorate-General's audits on recoveries have covered 16 Member States and 20% of the ERDF/Cohesion Fund programmes (63 out of 322).*

*An overview of the conclusions is provided each year in the AAR of the DG.*

*An audit report summarising the main findings of these missions, has been issued in April 2015. Generally, the work undertaken by the Certifying Authorities in relation to the withdrawals and recoveries is deemed acceptable and the DG can take the results into account when determining the residual level of error. Where*

*this is not the case, the Commission takes the necessary actions to mitigate the risk and follows-up with the Member State the improvements required in their reporting on financial corrections.*

## Chapter 7 - External Relations, Aid and Enlargement

33. (§ 5 - 2013/COU/0209) The Council urges the Commission to take the necessary measures to correct the weaknesses identified in its control mechanism, namely in relation to the clearance procedure.

**Commission's response:**

*DG Enlargement has already informed its staff that clearings should no longer be made on the basis of estimates.*

*DG Enlargement has adopted and is implementing an action plan which will enable the DG to introduce cost-based reporting by the beneficiary countries (i.e. Croatia, fYRoM and Turkey). This will ensure conformity with the accrual-based accounting rules of the Commission and make it possible to recognise cost in the accounting system in strict compliance with the legality and regularity requirements established under the Financial Regulation. The action plan was approved in the IPA Steering Committee of DG ELARG in September 2014.*

*Implementing actions to date include audit missions to Turkey, Croatia and fYRoM to test the systems in place in these Beneficiary Countries and to discuss the cost reporting requirements. The results are now being followed up.*

*A temporary policy has been adopted permitting cost recognition on the basis of local contracts where the beneficiary country has approved the final cost and closed the contract.*

34. (§ 5 - 2013/COU/0251) The Council urges the Commission to take the necessary measures to improve its supervisory role and to ensure that the quality checks carried out by external auditors are more efficient.

**Commission's response:**

*Actions are already being taken to this end in the frame of the existing Action Plan to correct the weaknesses in the implementation of DEVCO's control system (to be upgraded in the light of the new findings of the 2013 RER study and the Annual Report of the ECA). In particular, quality review grids intended for assessment of the reliability of external auditors' audits and verifications reports are expected to be completed by the 4th quarter of 2015, to be then integrated into the new IT audit tool (replacing the current CRIS audit module) following final endorsement by DG DEVCO management.*

## Chapter 8 - Research and Other Internal Policies

35. (§ 3 - 2013/COU/0210) The Council urges the Commission to address the deficiencies identified by the Court and to give priority to risk-based checks in its approach, and to provide well-targeted guidance to the beneficiaries.

**Commission's response:**

*In the research area, awareness-raising activities alert Commission staff to the particular risks of different types of beneficiary. This relates both to the payment stage (FP7) and the contracting stage (Horizon 2020). For Horizon 2020 this type of information will be built more systematically into the information systems used by the Commission. It is expected that 83% of the ex-post audits for the period 2012-2016 will be selected using different risk factors.*

*The research anti-fraud strategy is another important component of the Commission risk driven and risk based targeted controls.*

*The Commission recognises its obligation to provide timely and effective guidance to the beneficiaries. For Horizon 2020 guidance has already been offered at a much earlier stage than for any earlier programme. The Commission continues its efforts to provide better and more tailored guidance to beneficiaries and independent auditors. This has been based on a document on the 10 most common errors identified and how to remedy them.*

36. (Nr 1, § 2 - 2013/COU/0211) The Council calls upon the Commission to continue its efforts in providing clear guidance and information on the eligibility criteria to all beneficiaries of EU funds in this policy group, including education and culture.

**Commission's response:**

*The Commission accepts this request. In the research area, awareness-raising activities alert Commission staff to the particular risks of different types of beneficiary. This relates both to the payment stage (FP7) and the contracting stage (Horizon 2020). For Horizon 2020 this type of information will be built more systematically into the information systems used by the Commission. It is expected that 83% of the ex-post audits for the period 2012-2016 will be selected using different risk factors.*

*The research anti-fraud strategy is another important component of our risk driven and risk based targeted controls.*

*As regards the guidance to the beneficiaries, the Commission recognises its obligation to provide timely and effective guidance to the beneficiaries. For Horizon 2020 guidance has already been offered at a much earlier stage than for any earlier programme. The Commission continues its efforts to provide better and more tailored guidance to beneficiaries and independent auditors. This has been based on a document on the 10 most common errors identified and how to remedy them.*

*In the education and culture policy area the Commission applies risk-driven activities in the following areas:*

*a) The yearly cycle of supervisory visits performed by EAC staff at National Authorities and National Agencies;*

*b) The minimum percentages and minimum absolute numbers of checks on beneficiaries (primary checks) to be carried out every year by National Agencies (type of funding scheme, complexity of rules, beneficiary structure, etc.)*

***c) National Agencies risk management for performing targeted additional checks on beneficiaries on top of the minimum required checks imposed by DG EAC.***

***Well-targeted guidance to beneficiaries:***

***For the new programmes 2014-2020 guidance was offered at an earlier stage than for the predecessor programme. The Commission continues its efforts to provide better and more tailored guidance to beneficiaries, National Agencies and independent auditors.***

37. (Nr 1, § 3 - 2013/COU/0212) The Council invites the Commission to remain vigilant in ensuring that these rules (public procurement procedures) are applied correctly.

**Commission's response:**

***In the field of education and culture, it is mainly the National Agencies (NA) in the Member States that undertake procurement in their capacity of beneficiaries of EU funds.***

***The Commission is raising awareness about the importance of complying with the public procurement rules among the NAs and National Authorities (NAU), mainly by discussing audit findings and recurring errors in meetings with the NA and NAU, as well as during supervisory, monitoring and financial audit visits to individual NAs and NAUs. The Commission has, moreover, reinforced the written guidance to NAs on consequences of errors that occur due to weaknesses in procurement procedures, as well as to NAs, NAUs and auditors as to the importance and requirements related to checks on procurement.***

38. (Nr 2, § 1 - 2013/COU/0213) The Council calls upon the Commission to continue to provide guidance to external auditors in order to ensure full compliance of such controls with EU rules.

**Commission's response:**

***The Commission is continuing its efforts to provide better and more tailored guidance to beneficiaries and independent auditors. This is based on a document on the 10 most common errors identified and how to remedy them for one part.***

***For another part the Commission has been running a communication campaign to remind beneficiaries and external auditors of the FP7 eligibility rules. In total, there have been organized 22 events covering 22 Member States and associated countries. These seminars have been attended by 3500 participants, including at least 300 certifying auditors, and this number will increase since this campaign will continue in 2015. National Contact Points have highly contributed to the organization of these events.***

***The Commission services also contact the certifying external auditors when the Commission's ex-post audits identify material differences between the certified cost statements and the ex-post audits' findings.***

***Finally, the "Research Enquiry Service" replies to any questions raised by the auditors.***

***For Horizon 2020 eligibility rules have been simplified in order to decrease the risk of errors. This would also contribute to facilitate the work of the external auditors.***

39. (Nr 2, § 2 - 2013/COU/0214) The Council urges the Commission to improve its verifications to avoid inconsistencies and the reimbursement of ineligible expenditure, whilst being mindful of the necessity not to impose unnecessary

administrative burden and to find the right balance between costs and benefits of controls.

**Commission's response:**

*The Commission remains committed to a sound financial management of the public funds. The Commission has already redesigned some ex-ante controls in order to make them better focused on risky areas and on anti-fraud work. This means that, to avoid unnecessary bureaucracy, the controls will be reduced in some cases. This will be balanced by more in-depth controls and more audits for risky projects and beneficiaries combined with more anti-fraud work. This will continue, and assists in the fight against fraud. The Commission underlines that the Horizon 2020 legislation was proposed with the balance between costs and benefits of control, the reduction of administrative burden and the reduction of the risk of error as a central concern.*

40. (Nr 2, § 3 - 2013/COU/0215) The Council calls upon the Commission to increase the efficiency of its audit work and to recover the undue amounts without delay.

**Commission's response:**

*The Commission is continuing its program of ex post controls and making recovery where ineligible expenditure is uncovered. Around 500 audits per year are carried out, and these have covered beneficiaries receiving around 65% of FP7 grants. It will complete all audits and recover all undue amounts as quickly as possible, taking into account the inherent limitations such as the contradictory process, recoveries by offsetting from the next payment, etc.*

## Chapter 9 - Administrative and Other Expenditure

41. (Nr 2, § 1 - 2013/COU/0216) The Council invites the institutions concerned, in close collaboration with the Office for the Administration and Payment of Individual Entitlements, to address the weaknesses detected by the Court in relation to the accurate calculation and payment of salaries, pensions and the reimbursement of travel costs.

**Commission's response:**

*The Court of Auditors has carried out a follow-up of the 2013 DAS observations, and concluded in its SPF6945 that progress has been made. For two items, further progress is required:*

- 1. Updating of the personal and family situation of the staff members.*
- 2. Updating of family situations and allowances received from other sources using a self-declaration.*

*The PMO action plan consists of:*

*Since February 2013 (updated in August 2014) a new procedure has been implemented by the PMO: rights are granted on a provisional basis (in the year n) for a limited time span (n+2). A new Sysper declaration is requested annually for those cases where the allowance depends on the revenue of the spouse of the agent. As additional measure, further improvement of the monitoring system has been included by the PMO amongst needs for development of Sysper IT system in 2015-2016. Following up agents' family situation is expected to be done systematically by the system on a regular basis (periodicity to be decided), also via proactive notification sent to the agent automatically.*

42. (Nr 3, § 2 - 2013/COU/0217) The Council invites the Commission, when making budget proposals, to strictly scrutinise the level of carry-overs of agencies at the end of the financial year with a view to avoid over-budgeting.

**Commission's response:**

*The Commission has taken the recommended action.*

*A reference is made to the reply given both for 2011 discharge (2011/COU/166<sup>5</sup>) and 2012 discharge (2012/COU/0266<sup>6</sup>).*

<sup>5</sup> SWD(2013)348final, page 23.

<sup>6</sup> SWD(2014)285final, page 39

## Chapter 10 - Getting Results from the EU Budget

43. (§ 2 - 2013/COU/0218) The Council calls on the Commission and Member States to take advantage of the opportunities provided by the 2014-2020 multiannual financial framework (MFF) to make efforts towards a more result-oriented approach, based on an objective assessment of the needs, and to develop a performance framework in order to achieve the results and impacts that were laid down in the sector-specific regulations.

**Commission's response:**

*As indicated in the Synthesis reports on the years 2013 and 2014 as well as in its replies to the Court of Auditor's annual reports, the Commission has gradually further developed the performance framework and has taken several measures with a view to demonstrating the importance of the quality of spending and the added value of the EU budget. Starting from the legal framework of the new MFF which is designed to contribute to EU 2020 and includes stronger monitoring, evaluation and reporting arrangements thereto, the Commission has taken already the necessary actions to improve the reporting on performance in its strategic planning and programming cycle.*

44. (§ 6 - 2013/COU/0219) The Council considers, however, that further progress needs to be made, particularly as regards reporting on the "Europe 2020" Strategy targets. The achievements of the EU policies should be presented clearly, including actions that did not yield the expected results.

**Commission's response:**

*The Art. 318 Evaluation Report on the year 2014 includes a summary account on progress towards Europe 2020 targets. Where possible, the chapters of the report are structured around the Europe 2020 priorities of smart, sustainable and inclusive growth and results of EU programmes are linked to Europe 2020 aims. However, there are various factors that need to be taken into account as to what the EU budget can reasonably be expected to deliver or what the evaluation report can be expected to confirm. The Art. 318 Evaluation Report on the year 2014 takes a position on how the EU budget can realistically contribute to the achievements of EU policy goals and what cannot be expected from the Commission. The report mentions the limited size of the EU budget compared with total public spending in the EU, the variety of external factors involved (private sector decision-taking, the role of the EU institutions in adopting the programmes including monitoring and reporting arrangements and Member State responsibility to implement the major part of the budget) and the time lags between spending the money and measuring the impact of financed actions.*

45. (§ 6 - 2013/COU/0220) The Council invites the Commission to pursue its efforts in fine-tuning a timely presentation of its performance-related reporting in order to be able to contribute to the discussions on the next MFF.

**Commission's response:**

*The Commission makes sure that the timing of its performance-related reporting is in line with the monitoring, reporting and evaluation arrangements included in the legal basis that has been adopted by the co-legislators.*

46. (§ 7 - 2013/COU/0221) The Council invites the Commission, the Court and Member States, as well as other interested parties, to further exploit the concept of EU added value as part of the EU performance framework.



**Commission's response:**

*This recommendation is not only addressed to the Commission but equally to the Court of Auditors and the Member States. The Commission agrees on the need to develop a common understanding on the concept of EU added value between all interested parties involved in the performance framework. As part of its enhanced focus on performance, the Commission is putting strong emphasis on analysing EU added value. In its new Better Regulation Guidelines, adopted on 19 May 2015, the Commission has included EU added value as one of the key criteria to be systematically assessed in Commission evaluations.*

*Furthermore, the Art. 318 Evaluation Report on year 2014 includes examples of the added value created by the EU budget and is accompanied by a Staff Working Document (SWD1) dedicated to the efficiency and effectiveness of EU interventions and the synergies they create, contributing to EU added-value.*

## Eighth, ninth and tenth European Development Funds

47. (Nr 4 - 2013/COU/0222) The Council invites the Commission to implement all necessary measures to address existing weaknesses (The examined systems are partially effective. Particular attention should be given to ex-ante checks given the high-risk operational environment of the Commission.).

**Commission's response:**

*Actions are already being implemented to this end and measures have already been taken. The existing Action Plan (to correct the weaknesses in the implementation of DEVCO's control system) will be upgraded in the light of the new findings of the 2013 RER study and the Annual Report of the ECA.*

48. (Nr 6 - 2013/COU/0223) The Commission should demonstrate how this (improvements to be continued to be made in certain important areas) has been done in the context of the Annual Report of the Court of Auditors. Areas of particular importance are:
- endorsing compliance with procurement rules by beneficiaries;
  - promoting better document management among implementing partners and beneficiaries;
  - enhancing the quality of expenditure verifications carried out by external auditors;
  - making sure that recovery orders in respect of interest on pre-financing over 750 000 euro are issued annually;
  - continued attention to the budget support transactions;
  - completing the development of the CRIS system;
  - continuing the implementation of the Acton Plan.

**Commission's response:**

*As regards those particular issues, actions have been implemented to this end and appropriate measures already taken:*

*- Concrete measures aiming at improved document management and record keeping by implementing partners and beneficiaries were put in place in 2013, notably with information and clear instructions in DG DEVCO's financing/contracting guides and manuals (grants contracts, Programmes Estimates, etc.).*

*- Quality review grids intended for assessment of the reliability of external auditors' audits and verifications reports are being finalised to be then integrated into the new IT audit tool (replacing the current CRIS audit module) following final endorsement by DG DEVCO Management.*

*- Several reminders of the rules concerning the annual recovery of interest on pre-financing above 750.000 euro were sent to the sub-delegated Authorising officers (notably the latest one with the note for the annual pre-closing of accounts exercise). A list of all the open pre-financings was drawn up thus making it possible to see the outcome achieved.*

*- The correct application of specific conditions for Budget Support is being duly ensured through the use of the new guidelines issued in 2012.*

*- The development of the CRIS system (to allow interest on prefinancing of between 250 000 and 750 000 euro to be recognised as financial revenue) has been delayed due to the implementation of the new Financial Regulation and the ABAC release, but was completed in July 2014.*

*- The implementation of the existing Action Plan (to correct the weaknesses in DG DEVCO's control system) is on schedule. It will be upgraded in the light of the new findings of the 2013 RER study and the Annual Report of the ECA.*

49. (Nr 7 - 2013/COU/0224) The Council invites the Commission to continue regularly updating the ACP Working Party in the course of 2015 on the implementation of the Action Plan (DG DEVCO action plan received in September 2014 that addresses a number of recommendations made by the Court in the previous annual reports.).

**Commission's response:**

*A comprehensive progress report on the implementation of the Action Plan was circulated to the Council in September 2014. The Commission will continue to update the ACP working party on a regular basis (with an updated progress report to be provided before the summer break) concerning the implementation status of the Action Plan and any potential upgrade.*

50. (Nr 9 - 2013/COU/0225) The Council invites the Commission to fully implement these recommendations (outstanding recommendations and some which have been partially implemented) at the earliest opportunity.

**Commission's response:**

*The Commission always strives to implement the recommendations made by the Court of Auditors within the timeframes it sets in its replies to those recommendations. Progress is reported, every year, in the Annual Reports of the Court of Auditors. The Commission rejects this recommendation.*

## Bodies set up under the TFEU and the Euratom Treaty

51. (*Euratom, Annex to Annex 1, § 2 - 2013/COU/0226*) The Council notes the Court's observation that no details are provided in the Agency's 2013 annual accounts for the administrative services paid directly by the Commission. It invites the Commission and the Agency to take the appropriate remedial measures.

**Commission's response:**

*This action is now considered completed as the Euratom Supply Agency's Provisional Annual accounts 2014 (Ref. Ares(2015)863201) provide the details on administrative services paid directly by the Commission for the Euratom Supply Agency.*

52. (Annex, Nr 8 - 2013/COU/0227) The Council calls on the Commission and the EEAS to ensure, in close coordination with EU Member States and other partners, an appropriate policy dialogue with the DRC as well as context-specific programming within a results-based framework.

**Commission's response:**

*The Commission has taken the requested action.*

*The Commission/EEAS and Member States have succeeded during the last years to present, in the context of the policy dialogue with national authorities, common positions on key policy issues. They have issued common statements and presented common arguments in their policy dialogue that have produced visible results. Highlights among these were the protection of the Virunga National Park and the dialogue on the constitutional and political framework surrounding elections.*

*The Commission and the EEAS will continue to pursue this coordinated approach to policy dialogue with national authorities. The programming process was concluded in 2014 (National Indicative Programme adopted by the EDF committee in April 2014, and signed by Commission and DRC authorities on 26 June 2014): specific sectors of concentration have been defined and a set of well defined indicators will guide the formulation of projects in order to reinforce monitoring and ensure the achievement of the expected results.*

53. (Annex, Nr 8 - 2013/COU/0228) The Council calls on the Commission and the EEAS to encourage and assist the Government of the DRC in improving sector policies and accountability, including through capacity-building of national oversight institutions, and facilitating civil society space.

**Commission's response:**

*The Commission has taken the requested action.*

*The development policy of the Commission in DRC is focused on the alignment with national sector policies and its strengthening and rationalisation. The approval of the 11th EDF National Indicative Programme for DRC in 2014 has endorsed this approach. In the 11th EDF, special attention is given to the improvement of public finance management systems, especially in our main focal sectors. The Commission and the EEAS will continue to strengthen and possibly increase the capacity of national oversight institutions, in the context of work sharing arrangements with other donors. This approach will be implemented during all the duration of the 11th EDF.*

54. (Annex, Nr 9 - 2013/COU/0229) In implementing the Busan aid effectiveness agenda and the New Deal for Engagement in Fragile States, the Council calls on the Commission and the EEAS to strive to align their engagement with the New Deal fragility assessment for the DRC, which should be country-led, and to further strengthen the effectiveness of their assistance to the DRC, performance measurement and the sustainability of development results.

**Commission's response:**

*The Commission is organising, jointly with the Belgian Cooperation and the Belgian Ministry of Foreign Affairs, a workshop in Kinshasa on how to work in a fragile country like DRC following the New Deal principles. A thorough analysis of the Fragility Assessment will take place. All EU Member States present in the*

*country have been consulted during the organisation of the workshop and have been invited to attend.*

55. (Annex, Nr 9 - 2013/COU/0230) The Council calls on the Commission and the EEAS to underline, in their sector policy and political dialogue with the DRC government, the importance of securing concrete engagements on Security Sector Reform, which are conducive to stability and sustainable development.

**Commission's response:**

*One of the sectors of concentration for the 11th EDF (Strengthening of Governance and Rule of Law) directly focuses on Security Sector Reform. A project on support to the reform of the defence sector has been approved in 2014 which has given the EU the opportunity to reinforce its dialogue line with the Ministry of Defence. Reform of the army and internal and external accountability of the defence forces are key issues in this project. At the same time the EU will work with key actors in SSR, notably MONUSCO (in line with its UN mandate), to encourage a high-level political dialogue encompassing SSR.*

**SR 11/2013 Getting the Gross National Income (GNI) data right - A more structured and better-focussed approach would improve the effectiveness of the Commission's verification**

56. (*Annex, Nr 2 - 2013/COU/0231*) The Council urges the Commission to maintain these elements (the verification of Own Resources data to be undertaken in the spirit of mutual trust and transparency) whilst implementing the Court of Auditors' recommendations. Special attention should be given to the reliability of the GNI data compiled within the ESA 2010 framework under the new own resources Decision.

**Commission's response:**

*The Commission has always undertaken its activities in GNI verification in the spirit of mutual trust and transparency. The specific issue of the reliability of ESA 2010 data will be examined during the forthcoming verification cycle, 2016-9.*

57. (*Annex, Nr 3 - 2013/COU/0232*) The Council urges the Commission to take a risk-based and proportionate approach to its verification strategy for European Statistics.

**Commission's response:**

*In preparation of the next verification cycle, the Commission will review its control framework. In that process it will take into consideration the points raised by the Court.*

## SR 13/2013 EU Development Assistance to Central Asia

58. (*Annex, Nr 7, 1st indent - 2013/COU/0233*) The Commission and the EEAS, in coordination with other development partners, including the Member States, should
- design future regional programmes so that they are likely to achieve a genuine regional dimension.

**Commission's response:**

*The Commission and the EEAS will implement the recommendation to the extent possible in Central Asia, provided that the individual countries can agree on joint objectives and programmes (e.g. BOMCA, CADAP). Regional funds remain also useful to support multi-country activities in a more efficient way, e.g. for blending purposes or academic mobility.*

59. (*Annex, Nr 7, 2nd indent - 2013/COU/0234*) The Commission and the EEAS, in coordination with other development partners, including the Member States, should
- continue to concentrate EU assistance on a small number of sectors.

**Commission's response:**

*The Commission and the EEAS are already concentrating assistance for each country programme and the regional programmes under the Development Cooperation Instrument (DCI). This is without prejudice to the specific nature of thematic instruments, which have been designed with specific objectives by the budgetary authority.*

60. (*Annex, Nr 7, 3rd indent - 2013/COU/0235*) The Commission and the EEAS, in coordination with other development partners, including the Member States, should
- further define and apply robust and objectively verifiable conditions for budget support programmes, and give sufficient attention to support for anti-corruption mechanisms.

**Commission's response:**

*The Commission and the EEAS are already applying robust and objectively verifiable conditions for all ongoing and pipelined Budget Support operations as foreseen in the new 2012 Budget support Guidelines, while sufficient attention to support for anti-corruption mechanisms is given.*

61. (*Annex, Nr 7, 4th indent - 2013/COU/0236*) The Commission and the EEAS, in coordination with other development partners, including the Member States, should
- improve programme design and delivery in the light of lessons learnt and changing circumstances and report on results and impact in a way that allows comparison with plans and objectives.

**Commission's response:**

*The Commission and the EEAS take into account experience to improve programme design and delivery on a continuing basis through the Quality Support Group reviews and on the basis of the feedback received from Monitoring and Evaluation results.*



**SR 15/2013 Has the Environment component of the LIFE programme been effective?**

62. (Annex, Nr 7 (a) - 2013/COU/0237) The Council calls upon the Commission to take into account the Court of Auditors' recommendations in its future management and implementation of the LIFE programme, and in particular to:

a) improve the quality and transparency of the selection process.

**Commission's response:**

*Opportunity is being given to the Commission to improve the quality and the transparency of the selection process under the new LIFE Regulation. The eligibility criteria mentioned in the first Multi Annual Work Programme (MAWP) foresees specific and transparent criteria for assessing the innovative or demonstrative character as well as the replicability and transferability potential of each proposal. The content of the MAWP is binding for the forthcoming calls and has been translated into the application packages of the call as well as into the instructions for the external evaluators. In addition applicant are being requested to provide data concerning the performance of their project in terms of contribution to the improvement of the environment, replicability and dissemination potential as well as to continue to report their costs incurred on the basis of constantly updated standard templates .*

*The completion date is expected by June 2015 – date of completion of the evaluation of the first call for proposals under the new LIFE Regulation*

63. (Annex, Nr 7 (b) - 2013/COU/0238) The Council calls upon the Commission to take into account the Court of Auditors' recommendations in its future management and implementation of the LIFE programme, and in particular to:

b) provide better feedback to applicants on significant shortcomings in their project application which led to an insufficient score and on the key project aspects identified in the Court's Special report, such as dissemination, sustainability and replication, so as to contribute to the enhanced effectiveness of the overall programme.

**Commission's response:**

*The Commission agrees with the Court concerning the sometimes insufficient explanations provided to applicants to justify the scores given to projects. Even if there is a serious time pressure to evaluate an ever-growing number of proposals each year the Commission is concentrating more on the strong points of each proposal than only on the negative aspects when providing systematic feedback to applicants.*

*The Commission agrees with the Court that a critical analysis of the disseminations, sustainability and replication measures proposed by the beneficiaries should be a more visible part of all assessments, not only at the end of the project but all through its duration. This is particularly the case for projects in which the beneficiaries are private commercial companies, in which a good balance must be found, in each case, between the legitimate concerns of the beneficiaries (who remain, in all cases, owners of the project results) and the need for dissemination of results that justified the EU funding of the project.*

*The completion date is expected by June 2015 – date of completion of the evaluation of the first call for proposals under the new LIFE Regulation*

64. (*Annex, Nr 7 (c) - 2013/COU/0239*) The Council calls upon the Commission to take into account the Court of Auditors' recommendations in its future management and implementation of the LIFE programme, and in particular to:

c) enhance the opportunity for the applicants of eligible projects to respond.

**Commission's response:**

*Opportunity for the applicants of eligible projects to respond to specific concerns from the Commission is being enhanced under the new LIFE Regulation at the following stages of the evaluation: technical selection, award phase, revision phase and instruction phase.*

*The completion date is expected by June 2015 – date of completion of the evaluation of the first call for proposals under the new LIFE Regulation*

**SR 02/2014 Are preferential trade arrangements appropriately managed?**

65. *(Annex to doc. 13205/2/14 REV 2 UD 210 WTO 263, Nr 9 - 2013/COU/0240)* The Council takes the view that Customs' opinions and inputs should be duly taken into account by the Commission when devising and/or (re)negotiating the PTAs and that the assessment of the control strategy applied by national Customs authorities to preferential trade arrangements and of the management of the administrative cooperation should also take due account of the impact on Member States resources, in the light of their budgetary constraints.

**Commission's response:**

*When preparing for the negotiation or renegotiation of a trade agreement the Commission duly considers all options and inputs. Moreover, all major trade negotiations for which the Commission will adopt a recommendation for a negotiating directive are subject to an impact assessment.*

66. *(Annex to doc. 13205/2/14 REV 2 UD 210 WTO 263, Nr 11 - 2013/COU/0241)* The Council invites the Commission and the Member States to do their utmost to follow up on the recommendations of the Court of Auditors' Special Report, while also bearing in mind also the reply of the Commission annexed to the Special Report.

**Commission's response:**

*The Commission would like to reaffirm its commitment to adequately address the Court's recommendations and that doing better and more will contribute to successfully achieve the ambitious trade agenda.*

**SR 06/2014 Cohesion policy funds support to renewable energy generation — has it achieved good results?**

67. (*Annex, Nr 9 - 2013/COU/0242*) The Council invites the Commission to facilitate exchange of knowledge, experience and good practice among the Member States in that domain.

**Commission's response:**

*The Commission has launched in March 2015 the Energy and Managing Authorities (EMA) Network which brings together representatives of national energy authorities with representatives of Cohesion Policy Managing Authorities dealing with energy. It aims to help Member States make optimal use of Cohesion Policy funding to promote energy efficiency, renewable energy and smart energy infrastructure, as well as energy-related research and innovation. Meeting twice a year, the network acts as an informal platform of exchange of information, sharing of good practices, experiences and latest developments. Working groups will also be convened to work on specific issues, where needed and relevant.*

*DG Energy, DG Regional and Urban Policy, and the Joint Research Centre, launched in May 2015 an initiative of a Smart Specialisation Platform on Energy hosted by JRC-IPTS in Seville. It will look particularly into energy innovation and the broader uptake of Cohesion funds for sustainable energy in the EU regions and cities. It will support interested countries and regions to (i) analyse investment priorities and needs of the regions in the field of sustainable energy and smart specialisation, and (ii) identify good practices for a better, coordinated and more strategic uptake of Cohesion Policy Funds.*

68. (*Annex, Nr 11 - 2013/COU/0243*) The Council invites the Court, the Commission and the Member States to ensure adequate collaboration in this field (collection and availability, communication and use of reliable and updated data relevant for the analysis, like energy generating costs).

**Commission's response:**

*Regarding energy costs, the European Commission, in response to a request from the European Council, released in January 2014 a first Communication with an in-depth analysis of energy prices and costs in Europe. The Communication aims to help policy makers to better understand the background context of the evolution of prices and their impact on the affordability of energy for consumers and on the industry's competitiveness. It provides extensive data drawn from a wide range of sources. It also assesses trends in energy prices and energy costs and explores their possible drivers. Finally it presents policy actions to reduce energy costs.*

*A second Communication on energy prices and costs is expected to be presented by the Commission in 2016. The Communication is one of the initiatives mentioned as part of the 15 action points included in the Framework Strategy for the creation of an Energy Union. It will contribute to ensure greater transparency in the composition of energy costs and prices by developing regular and detailed monitoring and reporting, including on impacts of energy costs and prices on competitiveness.*

*DG Energy has also released a study to quantify the extent of public interventions in energy markets in all 28 Member States for all energy use excluding transport. The study also gives an indication of energy costs and prices, which is useful to provide context to the quantifications of interventions and external costs.*

**SR 07/2014 Has the ERDF successfully supported the development of business incubators?**

69. (*Annex, Nr 7 - 2013/COU/0244*) The Council calls on Member States and the Commission to improve the programmes and procedures followed with the aim to enhance the effectiveness of newly founded incubators.

**Commission's response:**

*The Commission already provided analysis and guidance to Managing Authorities on how to enhance the effectiveness of science and technology parks and incubators. The respective documents are available at:*

*Guide on "Setting up, managing and evaluating EU Science and Technology Parks", EC, October 2013.*

*[http://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/stp\\_report\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/stp_report_en.pdf)*

*"The smart guide to innovation-based incubators", EC, October 2010.*

*[http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/working/innovation\\_incubator.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/innovation_incubator.pdf)*

70. (*Annex, Nr 12 - 2013/COU/0245*) The Council invites the Commission to continue updating the knowledge concerning the effectiveness and efficiency of business incubation and to reinforce its efforts to support the community of business incubators and in particular those in receipt of EU support, for instance by organising the promotion and dissemination of good practices and experience exchanges with the responsible bodies in Member States.

**Commission's response:**

*The Commission already provided analysis and guidance to Managing Authorities on how to enhance the effectiveness of science and technology parks and incubators. The respective documents are available at:*

*Guide on "Setting up, managing and evaluating EU Science and Technology Parks", EC, October 2013.*

*[http://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/stp\\_report\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/stp_report_en.pdf)*

*"The smart guide to innovation-based incubators", EC, October 2010.*

*[http://ec.europa.eu/regional\\_policy/sources/docoffic/2007/working/innovation\\_incubator.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/2007/working/innovation_incubator.pdf)*

*This guidance includes good practice examples. For exchange of experience and policy learning, including the promotion and dissemination of good practices the INTERREG family of programmes provides ample opportunities. Innovation is a key priority in the new generation of cross-border, transnational and interregional programmes which are managed in a decentralised way by Member States and regions (shared management). Interested and eligible stakeholders such as Member States, regions and their incubators are free to submit relevant projects to their own programme bodies. For more information:*

*[http://ec.europa.eu/regional\\_policy/en/policy/cooperation/european-territorial](http://ec.europa.eu/regional_policy/en/policy/cooperation/european-territorial)*

*The new Enterprise Europe Network supported under the COSME programme (DG GROW) provides advice and support to SMEs for doing cross-border business. This network also has a new task of helping transfer European best practice to the regions (which may also include transferring good practice to*

*incubators). DG GROW also continues to participate in the Business and Innovation Centres' Quality Mark Committee, contributing to the quality management of Business and Innovation Centres which belong to European Business Network.*

**SR 08/2014 Has the Commission effectively managed the integration of coupled support into the single payment scheme?**

71. (*Annex, Nr 5 - 2013/COU/0246*) The Council invites the Commission to continue its efforts to provide Member States with clear guidelines contributing to clear rules and a reliable administration of all new direct payments schemes.

**Commission's response:**

*The Commission services are available for consultations and assistance if there is a need and upon request from the Member State interested.*

*By 1 August 2014 and 31 January 2015, Member States had to notify most of their decisions regarding the implementation of the new system of direct support applicable from 2015. The Commission services had numerous exchanges with all Member States to ensure completeness of the notifications and highlight, where possible, possible inconsistencies with the regulatory framework. Member States remain ultimately responsible of the decisions taken in view of the fact that, except for the Member States deciding to allocate more than a certain percentage of their financial envelope to the voluntary coupled support, the Commission has no power to approve the decisions taken by the Member States.*

*More generally, the Commission services are proactively supporting the implementation of the reformed CAP, in particular for direct payments, through e.g. guidance documents, numerous and regular exchanges of correspondence with national authorities, experts group meetings, bilateral meetings and missions/visits to MS to discuss implementation issues. Resources have been dedicated in particular to implementation support and assistance to all Member States.*

*Support to Member States is an ongoing process and there is no clear cut date when such support would stop being provided. However, it is expected that by the end of 2015 any possible outstanding issues of general interest would be clarified and for the period after 2015 guidance would be provided on some more particular cases (specific situations faced by national administrations).*

**SR 09/2014 Is the EU investment and promotion support to the wine sector well managed and are its results on the competitiveness of EU wines demonstrated?**

72. (*Annex, Nr 4 - 2013/COU/0247*) The Council invites the Commission to ensure that the combined effect of all common agricultural policy (CAP) instruments is measured and assessed in relation to the common objectives of the CAP and to improve the quality of checks, in particular through a possible adaptation of the guidelines and rules as soon as possible.

**Commission's response:**

*In accordance with Article 110 of the horizontal Regulation 1306/2013, the Commission will ensure that the combined impact of all CAP instruments is measured and assessed in relation to the common objectives of the CAP. This includes an evaluation of the efficiency of the CAP instruments by 2018 (first results). In this context, the Commission will examine in 2018 how to include an assessment of the use of the budget allocated to the wine support scheme and of its impacts. It should be noted that information on the impact of a policy can only be obtained after a sufficiently long period of time has elapsed.*

*Concerning the quality of checks, the provisions of Commission Regulation (EC) No 555/2008 have been amended to improve clarity and the guidelines produced on the promotion, restructuring and investments measure have further detailed the checks that Member States are expected to implement. Furthermore, in the framework of the recast of Regulation 555/2008 a thorough work is taking place based, among others, on the principles of clarification of rules and the reduction of error rate, so that the new Implementing and Delegated Act concerning the National Support Programmes in the wine sector will provide more clear and precise rules on controls. The entry into force of these Regulations is scheduled for mid-2016 at the latest. If necessary, the guidelines that will be produced after the publication of those Regulations will further detail rules on controls.*



## SR 10/2014 The effectiveness of European Fisheries Fund support for aquaculture

73. (Annex, Nr 10 - 2013/COU/0248) The Council calls for, where appropriate, continued efforts at Union and national levels to overcome other significant barriers to aquaculture development, such as those related to the management of predator populations.

### Commission's response:

*Under the voluntary process for cooperation for the promotion of sustainable aquaculture set up with the new CFP, the Commission will take stock of the multiannual national plans submitted by the Member States and closely monitor their implementation. Efforts will continue to analyse existing barriers that prevent aquaculture growth. At EU level, in addition to Commission guidance documents aiming at clarifying the key concepts of some of the main environmental pieces of legislation having an impact on aquaculture (Birds and Habitats Directives, Water Framework Directive and Marine Strategy Framework Directive), the recent revision of the Environmental Impact Assessment Directive explicitly allows for streamlined environmental assessment procedures and time limits to reduce burden and improve effectiveness. The Commission has identified the need for reducing red tape amongst the main objectives to be pursued in the Strategic Guidelines for aquaculture (COM(2013) 229). The Commission will organise a first best practice exchange seminar on topics related to administrative simplification during the 4th quarter of 2015.*

*The Commission's objective is to ensure that funds are well spent, producing high added value and that spending programmes, including the European Maritime and Fisheries Fund (EMFF), are simplified in order to reduce the administrative burden and costs for beneficiaries and for all actors involved. Under shared management, implementation tasks are delegated to Member States.*

*Regarding efforts to overcome other significant barriers to aquaculture development, such as those related to the management of predator populations, the adoption of multiannual plans by the Member States will facilitate project submission for aquaculture development by setting up a supportive administrative framework within which to conceive, and implement projects. Member States will be able to provide support to project promoters by informing potential beneficiaries about funding opportunities, and by supporting advisory services to aquaculture operators to comply with relevant legislative requirements, and if appropriate to elaborate their project taking advantage of all the funding opportunities available to them under the relevant section of the EMFF (e.g. identification of suitable aquaculture sites, aquaculture stock insurance, etc.).*

**SR 12/2014 Is the ERDF effective in funding projects that directly promote biodiversity under the EU biodiversity strategy to 2020?**

74. (*Annex, Nr 13 - 2013/COU/0249*) The Council invites the Commission to take into account the relevant Partnership Agreement and the specific development needs identified in the operational programmes as well as the starting positions of the Member States and to refrain from imposing further obligations beyond legal requirements and/or unnecessary administrative burden on Member States.

**Commission's response:**

*The specific development needs as identified by the Member States are duly reflected in the operational programmes, which together with the overall provisions of the regulations form the framework that conditions implementation. The Commission is actively engaged in an ongoing process of simplification which aims to ease the administrative burden on the Managing Authorities and beneficiaries without jeopardising the quest for measurable results.*

75. (*Annex, Nr 13 - 2013/COU/0250*) The Council invites the Commission and the Member States to monitor the actual implementation of operational programmes in view of an early and proactive identification of difficulties.

**Commission's response:**

*Through its participation in monitoring committees and its analysis of the annual implementation reports the Commission will closely follow and assess the progress of the operational programmes, including within the area of biodiversity. In the period 2014-20 detailed performance indicators will help the Commission to closely monitor if the programmes are on track. In case of underperformance, the Commission will proactively take actions together with the managing authority in charge.*