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A7-0276/2012

20.9.2012

REPORT

on Special Report No 3/2012 (Discharge 2011) - Structural Funds - Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?
(C7-0110/2012 – 2012/2087(DEC))

Committee on Budgetary Control

Rapporteur: Jens Geier

PR_DEC

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**with observations, in the context of the 2011 Commission discharge, concerning Special Report No 3/2012 of the Court of Auditors entitled "Structural Funds - Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?"
(C7-0110/2012 – 2012/2087(DEC))**

The European Parliament,

- having regard to the general budget of the European Union for the financial year 2011¹,
 - having regard to Special Report No 3/2012 of the Court of Auditors entitled "Structural Funds - Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?",
 - having regard to Article 319 of the Treaty on the Functioning of the European Union and Article 106a of the Euratom Treaty,
 - having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities², and in particular Articles 145, 146 and 147 thereof,
 - having regard to Rules 76 and 112 of, and Annex VI to, its Rules of Procedure,
 - having regard to the report of the Committee on Budgetary Control (A7-0276/2012),
- A. whereas the special reports by the Court of Auditors are examined by Parliament during the annual discharge procedure,
- B. whereas the special reports of the Court of Auditors provide information on issues of concern relating to the implementation of expenditure, and are thus useful for Parliament in exercising its role of discharge authority,

¹ OJ L 68, 15.3.2011.

² OJ L 248, 16.9.2002, p. 1.

Introduction

1. Welcomes the Court of Auditors' Special Report No 3/2012; endorses all recommendations made by the Court and calls on the Commission to implement them effectively and as soon as possible;

Findings of Court of Auditors

2. Is pleased that the Commission systematically initiated corrective actions and that the actions requested were an appropriate response for the deficiencies in 90 % of cases (point 27);
3. Notes that around 75 % of the requests based on annual reports as referred to in Article 13 of Commission Regulation (EC) 438/2001¹ (Article 13 reports) were not followed by financial corrections; calls on the Commission, therefore, to provide information on the reasons for the absence of financial corrections in this context (point 24);
4. Is concerned about the Commission's different requirements in the 2000-2006 programming period with regard to the implementation of first-level checks as this can potentially result in the non-detection of irregular expenses; asks the Commission to apply a coherent approach to demands for first-level checks and to provide information for the programming periods after 2000-2006 (point 28); notes that the legal basis for the 2007-2013 period requires managing authorities to verify administratively all application for reimbursements by beneficiaries in accordance with Article 13(2) of Commission Regulation (EC) No 1828/2006²;
5. Asks the Commission to disseminate even more extensively elaborated checklists and best practice manuals (with special focus on eligibility rules) to be followed by the Member States and to strengthen its supervision on how these elements are taken into account;
6. Believes the first-level checks to be of utmost importance in ensuring a robust error rate from the onset of the implementation process; believes therefore, that the management authority should either be accredited by the Commission or the Commission should assist and supervise the management authority in exercising the aforementioned first-

¹ Commission Regulation (EC) No 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No 1260/1999 as regards the management and control systems for assistance granted under the Structural Funds (OJ L 63, 3.3.2001, p. 21).

² Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund (OJ L 371, 27.12.2006, p. 1).

level checks;

7. Is concerned, however, in particular about the following observations:
- corrective actions took 30 months on average (point 32) and delays were mainly attributable to the Member States concerned although the Commission was partially responsible for 39 % of cases and fully responsible for 5 % of cases (point 35),
 - in only 67 % of cases the Commission obtained a high degree of assurance that financial corrections were accurate (point 55),
 - in only 28 % of cases the Commission obtained a high degree of assurance that the Member States' management and control systems improved following corrective actions (point 64), which means that considerable effort will need to be undertaken in the closure process;
8. Is furthermore concerned about the Court of Auditors' finding that Commission's follow-up audits aiming to scrutinise the reliability of Member States' statements required further corrective actions by the Member States in 78 % of cases (point 45); is therefore worried that the Commission sometimes relied on potentially unreliable information by not sufficiently questioning information submitted by Member States (for example point 57, boxes 9 and 12) and that the Commission did not adequately scrutinise the reliability of the information; points out that the lack of reliability of Member States' statements requires further audit resources by the Commission; acknowledges also the need to balance appropriately cost and benefits of such follow-up audits (point 46);
9. Believes that a substantially higher degree of efficiency can stem from reinforcing the role of the Commission in ex-ante checks, rather than in ex-post checks;

Commission's action plan to strengthen its supervisory role under shared management of structural actions

10. Reminds the Commission that the error rate in the policy area Cohesion has increased in the Court of Auditors' Annual Report 2010, which reverses the positive trend observed in previous years and is contrary to an accelerated reduction of error rates, as called for by Parliament in the context of the 2008 discharge¹;
11. Reiterates the importance of the supervisory role the Commission exercises in order to be able to bear the ultimate responsibility for the implementation of the budget including the areas of shared management; recalls the action plan to strengthen the Commission's supervisory role under shared management of structural actions and the

¹ See par. 4 of the Resolution of the European Parliament of 5 May 2010 with observations forming an integral part of its Decisions on discharge in respect of the implementation of the EU General Budget for the financial year 2008, Section III - Commission and executive agencies (OJ L 252, 25.9.2010, p. 39).

improved legal framework for the 2007-2013 programming period which aimed at reducing the level of error in structural actions and thus to protect the EU budget¹; notes, however, that the action plan of 2008 came only into force at the end of the programming period 2000-2006 and could therefore cover the closure process of that period only; calls on the Commission therefore to fully enforce measures as stated in the action plan for the 2007-2013 programming period and beyond; expects in this context from the Commission a considerable and steady decrease in error rates, in particular of programmes that are expected to have the highest error rates; proposes that the Court of Auditors carry out a regular assessment of the technical and ethical quality of national audit authorities, with particular regard to their independence, and that it report its findings and conclusions to the Parliament and the Council;

12. Emphasises that speed is of the essence in the process of controls to ensure that the financial interests of European taxpayers are protected; calls on the Commission to prioritise the earliest possible scrutiny, assessment and follow-up action in its future management oversight of these funds;
13. Believes that improving the Commission's supervisory role is an ongoing process that can never be considered 'implemented'; underlines in this context the Court of Auditors' remark that although management and control systems were effective at a certain time this does not necessarily mean that they continue to be effective, as systems, personnel and entities in charge of management of structural actions may change; calls on the Commission to endorse fully the Court of Auditors' recommendations; considers enhancements of the action plan to be necessary if the expectations with regard to the improvement of the Commission's financial management are not met;
14. Asks the Commission to make efforts to ensure that Member States do not affect the continuity of programmes by changing entities, systems and personnel responsible for Structural Funds control, that had already been certified as effective by the Commission;
15. Notes with satisfaction the high number of preventive actions including financial corrections enforced by the Commission following the adoption of the action plan in 2008; asks the Commission therefore to provide information on the impact of those corrections on the overall error rate for the 2000-2006 programming period;

Single audit

16. Reiterates the idea of a 'single audit' that was pronounced by the Court of Auditors in its Opinion No 2/2004; believes that in an effective and efficient internal control system common principles and standards should be the basis for the administration at all levels²;

¹ COM(2008)0097.

² See most recently Resolution of the European Parliament of 10 May 2011 with observations forming an integral part of its Decisions on discharge in respect of

17. Is convinced that the Commission should continue to aim at implementing the single audit principle; emphasises that it is of utmost importance to ensure the quality of the work of audit authorities in the current and upcoming periods and to ensure that their independence is guaranteed and that to achieve this end it is essential to establish clear and transparent common standards for these audits; notes that - provided that the audit authorities produce reliable results - the EU budget could be adequately protected even if high error rates are present as the Commission could apply financial corrections to counter those error rates; reiterates, however, the fact that in such cases the national taxpayer has to pay twice which is why preventing errors from happening is always more efficient than correcting it later on, for both the Commission and the Member States concerned; stresses in this context specifically indent 2 of the Court of Auditors' recommendation 1 and urges the Commission to implement this recommendation;

Conclusion

18. Calls on the Commission to finalise the closure of the 2000-2006 programming period duly taking into account the Court of Auditors' observations and to report to Parliament on how the Commission will ensure legality and regularity in the process;
19. Calls on the Commission, furthermore, to take into account the lessons learned from the Court of Auditor's report and to monitor the implementation of structural actions for the 2007-2013 period and to bear in mind the Court of Auditors' observations in the discussions on the future structural actions for the period 2014-2020;
20. Believes strongly that the Commission should deepen its involvement in the Structural Funds scrutiny process by further assisting and supervising Member States' management and certifying authorities as well as the winding-up bodies, throughout all phases of implementation and verification, in order to ensure an even more efficient and less time and resource consuming process;

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21. Instructs its President to forward this resolution to the Council, the Commission, the Court of Justice of the European Union, and the Court of Auditors.

the implementation of the general budget of the European Union for the financial year 2009, Section III - Commission and executive agencies (OJ L 250, 27.9.2011, p. 33) (paragraph 61).

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	17.9.2012
Result of final vote	+ : 21 - : 1 0 : 0
Members present for the final vote	Marta Andreasen, Jean-Pierre Audy, Zigmantas Balčytis, Zuzana Brzobohatá, Andrea Češková, Tamás Deutsch, Martin Ehrenhauser, Jens Geier, Gerben-Jan Gerbrandy, Iliana Ivanova, Monica Luisa Macovei, Jan Mulder, Crescenzo Rivellini, Paul Rübig, Theodoros Skylakakis, Bart Staes, Michael Theurer
Substitute(s) present for the final vote	Christofer Fjellner, Edit Herczog, Ivailo Kalfin, Marian-Jean Marinescu, Derek Vaughan