2012 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER CIOLOŞ

Hearing on 17 December 2013

Recoveries

1. For the financial corrections and recoveries of several countries moratoria (deferral for an 18 month period of the execution of financial corrections) have been granted for the settlement of the Commission's claims.

    a. What amount in the agricultural funds is concerned in which Member State?

Commission's answer :

In the first place, deferrals were requested and granted only for two Member States: Greece and Portugal. For Greece an amount of 504 million EUR has been deferred until end of 2013. The Greek authorities will have to start reimbursing this amount in three annual instalments commencing in January 2014. For Portugal, 108 million EUR has been deferred. The deferral period expires at the end of May 2014 and then the Portuguese authorities will also have to reimburse this sum in three annual instalments.

    b. Have the moratoria been extended in time or volume?

Commission's answer :

The provision in Regulation 885/2006 which introduced the possibility to defer provided that all financial corrections which should be executed (actually clawed back from the Member State) during an 18 month period could be deferred. The 18 month time period for the deferral was never extended.

    c. Have or will the moratoria been (partially) lifted? If yes when and why, for which countries?

Commission's answer :

In the case of Greece, the deferral was partially lifted. The reimbursement of financial corrections in conformity clearance decisions 2010/668/EU and 2011/244/EU had been deferred under the condition that Greece implemented an action plan to remedy deficiencies with regard to how permanent pasture is included in the Land Parcel Identification System. In September 2013 a DG AGRI audit mission found that Greece had not completed the implementation of the action plan. In line with the requirements of Article 11(4) of Regulation 885/2006 the Commission immediately proceeded to partially revoke the deferral. This was carried out in respect of that part of the financial corrections included in the above-mentioned decisions which were concerned by the deficiency for permanent pasture. The amount concerned was around 25 million EUR.

d. When do the moratoria cease?

Commission's answer :

For Greece, the deferral period expires on 31 December 2013. For Portugal it expires on 31 May 2014.

e. What are the agreed conditions for the moratoria?

Commission's answer :

A deferral may only be requested by Member States which are subject to financial assistance under Council Regulation (EC) No 332/2012, Council Regulation (EU) No 407/2010, the European Financial Stability Facility Framework Agreement signed on 7/06/2010 or the Treaty establishing the European Stability Mechanism. A Member State benefitting from a deferral decision is required to ensure that any deficiencies which were the reason for the financial corrections have been remedied or are being remedied on the basis of an action plan with a clear deadline. If a Member State fails to take the necessary steps to remedy the deficiencies in due time the Commission is required to revoke the deferral, as it did in the case of Greece (see reply to point c. above).

2. The Commission is putting much emphasis on the importance of financial corrections.

   - The corrections made in the CAP are net corrections. Could the Commission explain whether this has an impact on the behaviour of MS in the clearance procedure and with regard to redressing deficiencies?

Commission's answer :

Since the first clearance of accounts decision in 1976, financial corrections in agriculture have always been and will continue to be net corrections leading to a loss of EU funds for the Member State concerned. The new rules for the financing period 2014-2020 maintain that situation while focusing on the consolidation of existing mechanisms. Although the Commission considers that all financial corrections, including those where Member States are allowed to re-use the corrected amounts, protect the EU Budget, net financial corrections, where Member States cannot re-use the corrected amounts and therefore lose the funds, have a greater deterrent effect and provide a stronger incentive for Member States to improve their management and control systems.

- It takes too much time for financial corrections to be decided. What is the Commission doing to shorten the delays between identifying undue payments and the financial correction?

Commission's answer :

Carrying out a contradictory procedure is legally indispensable before making financial corrections. Prior to implementing any net financial correction, the Commission must therefore offer the Member States the opportunity to provide evidence and arguments that may contradict its initial findings. Indeed the current CAP financing regulation1 and the new CAP Horizontal Regulation foresee that "Member States shall be given the opportunity to demonstrate that the actual extent of the non-compliance is less than the Commission's assessment". The principle of a contradictory process between the auditor and the auditee is also an essential element of audit quality standards.

As indicated in the Commission's answer to paragraph 4.31of the ECA's 2012 Annual report on the length of the conformity procedure, there is scope for significantly speeding up the procedure so that in standard cases the financial corrections can be decided two years after the initial audit took place.

The Commission has engaged and will continue actions aiming at streamlining the whole procedure. Firstly, the new CAP Horizontal Regulation describes precisely the nature, scope and sequence of the successive steps, as well as the different types of financial corrections. Secondly, provisions in the delegated act (method and criteria for calculating the financial correction) and implementing acts (details of the conformity procedure, with mandatory deadlines) are intended to further streamline the legal framework and limit the risk of unnecessary delays. Thirdly, on that stronger basis, DG AGRI will intensify its monitoring of the progress of the conformity procedures to ensure a strict respect of the deadlines.

- Can you please explain what happens to the corrected amounts, are they still available for other projects in the same Member State?

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[2] General objective 1:To promote a viable and competitive agricultural sector which respects high environmental and production standards, ensuring at the same time a fair standard of living for the agricultural community
General objective 2: To contribute to sustainable development of rural areas
General objective 3: To promote the European agricultural sector in the world trade

Commission's answer :

According to the Common Agricultural Policy (CAP legal framework), financial corrections imposed by the Commission on Member States upon completion of a conformity clearance procedure have always been net corrections since the first clearance of accounts decision in 1976 and will continue to be net corrections as:

- The corrected amounts are actually reimbursed by the Member States to the EU budget; and

- The amounts received are treated as assigned revenue to the EU budget. They are used to finance CAP expenditure as a whole without being earmarked for any particular Member State.

For EAGF, financial corrections are executed by deducting the amounts concerned from the monthly payments made by the Commission in the second month following the Commission decision on a financial correction to the Member State concerned.

For EAFRD, the financial corrections are executed through a recovery order requesting the Member State concerned to reimburse these amounts to the EU budget. As the budgetary commitments have already been consumed by the Member State when it declared expenditure for reimbursement by the Commission, the recovered amounts cannot be used anymore.

3. Could the Commission give an overview of the action plans run in the last 5 years and comment on the results that have been achieved?

Commission's answer :

On direct aids under EAGF in the last 5 years action plans were instigated on explicit request from DG AGRI with the following Member States: GR, BG, RO, PT and FR.

For BG and RO the action plans have been finalised satisfactorily. System's weaknesses covered by them have been addressed (outdated information in the LPIS) and the effects on the level of error in these MS are showing a positive trend. As part of its continued monitoring the Commission is following-up the situation in these countries.

For GR the plan to implement a new LPIS by end 2008 was finalised in time and the results are positive, the real level of error has generally gone down. However, with regard to the specific issue of correct recording of permanent pasture a new plan was implemented, but with lesser success. The Commission is now taking follow-up action. This includes the partial lifting of the moratorium, which has an immediate effect on the corrections Greece has to repay to the budget; at the same time the clearance procedures on-going for years 2008-2013. A more pro-active approach by the suspension of monthly reimbursement of EAGF money is possible as of 1.1.2014. For PT, the plan has been finalised with delay due to problems in the PT administration. The weaknesses have in the meantime been addressed and the first result for claim year 2013 show a more satisfactory situation.

For FR the plan has just been instigated. Until its satisfactory implementation the conformity clearance procedure will continue in order to claw back to the EU budget amounts which were unduly paid.

In addition to these "formal plans", whenever deficiencies are found, in the framework of the conformity clearance procedure, the MS involved are prompted to take remedial action. As a result, MS put in place “action plans” on a voluntary basis. These are generally very successful, and where they are not (as in the case of ES), the Commission services take a more active role and ensure a close follow-up.

It should be recalled that the set-up of an LPIS or the full updating of an existing one, as is sometimes required, is a very substantial block of work which is expensive and lengthy to carry out correctly. There is no such possibility as "buying off the shelf" in the supermarket an up-to-date system. Results of remedial action are thus not always visible before 2 or 3 years.

It has to be stressed that, in the meantime, as long as action plans are not effectively implemented, the risk for the Agricultural Funds is protected by the application of financial corrections under the conformity clearance procedure.

A list of all "official" on-going and finalised action plans as well as the main "voluntary ones" is reported in annex. Note that regarding the latter the list is not exhaustive e.g. CY, MT, LU have also in the years 2005-2009 taken action, and with success.

As regards rural development (EAFRD), the Commission and the Member States have endeavoured to identify the main root causes of errors, and to draw up actions plans at the level of each Member State to address identified shortcomings (for further details, please see reply to written questionWQ 32).

The Commission is monitoring the implementation of the action plans by the Member States. A third seminar with managing authorities and paying agencies is planned for spring 2014.

4. Could the Commission comment on the use of trilateral meetings with the ECA and MS in the DAS procedure? Does the Commission still believe that trilateral meeting are a useful tool?

Commission's answer :

For the DAS 2012 exercise only one trilateral meeting has been held with the IT authorities, the Commission and the ECA, leading to a review of initial audit findings on an area related transaction.

The Commission however regrets that, despite fulfilling the formal adversary process requirements, the Court was reluctant this year to organize more than only one single trilateral meeting. Indeed trilateral meetings do not only allow the audited national authorities to bring forward their own arguments and additional evidence, but also play an educational role towards the national authorities and beneficiaries audited.

5. Only 68% of the irregularities discovered in the year 2007 have been recovered by the Member States. For all irregularities discovered from 2007 to 2012, only 43% have been recovered. Since 2007 Bulgaria recovered only 4%. Also, Belgium, France and Greece recovered only less than a quarter of the irregularities discovered since 2007.

    a. How does the Commission intend to tackle the problem of Member States not recovering irregular payments?

Commission's answer :

Low recovery rates are often explained by the pending recovery of one or a few individual irregularity cases of a greater financial magnitude, and are therefore not the only indicator to assess the proper functioning of a debt management system.

Under shared management, it is the responsibility of the Member States to recover any irregularly paid amounts. In the context of the clearance of accounts procedure and through conformity audits on debts management, the Commission verifies that the Paying Agencies have functioning systems in place for recovery. Weaknesses in this respect lead to financial corrections.

Furthermore, Article 32(5) of R.1290/2005 provides for the charging of 50% of any unrecovered amounts to the Member State if more than 4 years (or 8 years in cases of a judicial procedure) have passed from the primary finding.

It should be noted that the Commission's proposal in the new CAP Horizontal Regulation to improve debt management (in particular the provision of the possibility to charge the Member State concerned with 100% of any unrecovered amounts of debt after the 4 or 8 year period expired) was rejected by both co-legislators. Nevertheless the 50/50 rule, introduced in financial year 2006, has proved effective and will be maintained in the future. Furthermore, the 50/50 rule after 4 or 8 years has also been extended as to the EAFRD.

    b. For which Member States is the Commission considering charging the whole discovered irregular amount to the national budget of the respective Member State?

Commission's answer :

The Commission currently has on-going conformity enquires in relation to debt management in the following 15 Member States: AT, BE, DE, ES, FI, FR, GB, GR, HU, IT, NL, PL, PT, RO, SK.

Net financial corrections covering the whole debt are applied in all cases where the MS have not acted with the necessary diligence in their recovery procedures.

c. From the 1.2 billion EUR to be recovered from the final beneficiary at the end of the financial year 2012, the amount outstanding towards the EU budget was 961.4 million EUR (80% of the amounts to be recovered from the final beneficiary).Why is the share of the amount outstanding towards the EU budget so high?

Commission's answer :

All amounts unduly paid to the beneficiary are to be reimbursed to the EU budget. After 4 (or 8 years in case of judicial proceedings) of unsuccessful recovery efforts, a part (50%) is charged to the Member State under Art 32(5) of R.1290/2005. All debts which are younger than 4 (or 8 years in cases of legal proceedings) are consequently shown as outstanding towards the EU budget at full value.

Additional Information on overall impact of the policy and main results achieved by ABB Activity

6. DG AGRI has set a lot of target values for indicators that should measure the results achieved by ABB Activities. However it seems that a lot of the target values have not been reached by the agricultural policy. Also the question arises whether the targets are set in a way to compete with each other or are out of the realistic scope of agricultural policy.

a How have the result/output indicators for the different ABB Activities been established?

Commission's answer :

For rural development, for 2007-2013 a Common Monitoring and Evaluation Framework has been created based on cooperation with the Member States. A selection of these indicators is presented in the DG AGRI's Annual Activity Report. Indicators for other ABBs have been established following analysis by the competent units in DG AGRI, taking into account the available data and where relevant using the Commission's repository of indicators. The framework was regularly monitored and checked by the central services of the Commission.

For the 2014-2020 period, a common monitoring and evaluation framework, as outlined in Annex 5 of the Management Plan 2014 (on the basis of the Horizontal Regulation Art 110 via implementing act; at the time being not yet adopted) for the whole CAP has been established following an extensive cooperation with MS.

b Have the targets for the indicators been assessed by SMART criteria?

Commission's answer :

All the objectives in the MP/AAR have been established to the extent possible in accordance with SMART criteria.

As for the indicators, they have been established using the RACER criteria (Relevant, accepted, credible, easy to follow, robust against manipulation) to the extent possible.

In particular, it is to be pointed out that it is not always meaningful to have quantified targets for all indicators. For example, it is neither the role of DG AGRI nor the purpose of the Common Agriculture Policy to set a level of farmers' income, which is why DG AGRI chose the qualitative target "keeping the ratio to other economic sectors".

c Could the Commission provide which amounts have been spent in order to reach the respective targets for the specific objectives?

Commission's answer :

The Commission publishes the amounts spent per ABB. The information is also available in annex 3 of DG AGRI 2012 Annual Activity Report.

The Commission does not dispose of the information of the amount spent on each specific target, because several measures or instruments can contribute to a single target, or one measure to several targets.

There are also certain targets not concerned by expenditure, e.g. for the indicators related to cross-compliance where the compliance with the rules as such does not entail any spending.

d. Could the Commission provide a simple overview (e.g. via a traffic light system) on whether the targets set for the specific objectives within each ABB Activity have been reached, partially reached or not?

Commission's answer :

DG AGRI provides information on the level of the realisation of its objectives in its AAR. For each objective and by ABB, and based on the updated data on the result indicators, updated data on the outputs (based on Agenda Planning), an analysis is provided of possible discrepancies between planned and achieved results (details are provided in Annex 6 of the AAR).

In line with the standing instructions for the AAR 2013, DG AGRI is currently considering options for improved presentation and visualisation of this information.

e. How does the Commission plan to increase the effectiveness of its policy instruments in those cases where the specific target value has not been reached or partially been reached for a specific objective?

Commission's answer :

The Commission assesses the effectiveness of its policy instruments taking into account the objectives, the evaluations, the data available for the indicators and their targets and taking into account that any discrepancy between targets and observed developments require indepth scrutiny on cause and effets to determine whether the policy instrument has been effective or not.

In the 2014/20 period, the measurement of the policy impact as well as the measurement of progress on targets will be strengthened by the adoption of the Common Monitoring and Evaluation Framework, providing a comprehensive set of objectives and indicators for the whole policy.

Closure of programmes stemming from the previous programming period 2000-2006

7. In its Annual report DG AGRI states that 27 programmes from the previous programming period have not yet been closed. Could the Commission provide information for each program …

a … about the status of those programmes concerned?

Commission's answer :

As of 6/12/2013, there are 6 programmes for which the closure procedure is still ongoing:

a) For two programmes, the Commission is expecting more information from the Member State or is waiting for the Member State to accept the final balance proposed to MS.

b) For two programmes, the Commission is assessing replies received from Member State and shall send a new preclosure letter by the end of January 2014.

c) For two other programmes, DG AGRI audit services opened an enquiry to be concluded during 2014. Closure of the programmes shall then be proposed taking into account the findings of these enquiries.

In addition to these 6 programmes, there are **8 "quasi closed**" programmes ready for payment of the final balance to the 5 Member States concerned. Payments shall be released as soon as additional funds become available through Amending budget No 8 in December 2013 (total amount 62 M€).

b … about the Member State concerned?

Commission's answer :

In relation to Q7 a) above Member State/programme concerned

Portugal	programme Norte
Portugal	Programme ADR

In relation to Q7 b) above Member State/programme concerned

Hungary	Rural development programme
Ireland + UK	PEACE II programme

In relation to Q7 c) above Member State/programme concerned

Italy	Sicilia
Greece	National RD programme

c … about the amounts proposed as balance in the pre-closure letter?

Commission's answer :

Portugal Norte	Recovery	9,6 M€
Portugal ADR	Payment	53,5M€
Hungary RDP	Payment	6,3 M€
Ireland+UK PEACE II :	Payment	0,09 M€
IT Sicilia	Recovery	39 M€
Greece National programme	Recovery	30 M€
Total of payments	**62 M€**	
Total of recoveries	**79 M€**	

d … about further information on the reasons for the non-closure?

Commission's answer :

Portugal Norte	Deadline MS to reply 31/1/2014

Portugal ADR	Member State to submit new Winding up declaration
Hungary RDP	DG AGRI to send 2nd preclosure letter
Ireland+UK PEACE II	DG AGRI to assess MS arguments
IT Sicilia	Enquiry ongoing
Greece National programme	Enquiry ongoing

Land Parcel Identification System – LPIS

Comparison between the reservations put by the Commission in the annual activity reports of DG AGRI and the observations made by the Court of Auditors as regards the weaknesses of the LPIS

	DG AGRI AAR	ECA annual report 2012 point 3.14 (footnote24)
2012	BG, FR, PT	EN_ Northern IRELAND_ LX
2011	BG, PT	SP- IT- AUS
2010	BG, RO	SP
2009	BG, RO	SP- IT
2008	BG,RO for Sapard and not LPIS	SP
2007	GR IACS	PT

8. Why has the Director General of DG AGRI noted a reservation on LPIS in Portugal only in 2011/12 while the deficiencies were detected by the ECA and the Commission in 2006/7? Is the fact that an action plan was decided in 2011 not the evidence that the deficiencies were not remedied yet?

Commission's answer :

When the Director General makes a reservation in his AAR, this means that he has concerns that more than 2% of the expenditure for an ABB policy area (in this case ABB 03 – Direct aids) is affected by error. Until 2010, both the ECA and the Commission were of the opinion that the error rate for the first pillar was below 2% and thus there was no need for a reservation on materiality grounds in the AAR. In 2011, the error rate calculated on the basis of the information provided by the Member States was also below 2%.

For Portugal, the Commission services established weaknesses in the Land Parcel Identification System (LPIS) in 2006 and 2008, as did the Court. As a consequence the MS, as part of the normal procedure was requested to take remedial action. However voluntary action plans established by the Portuguese authorities proved inadequate to address all the issues within the given deadlines. In spite of several missions from DG AGRI to monitor the work carried out and assess the results, progress constantly lagged behind the planned milestones. A further audit in March 2011 concluded that the scheduled improvements to remedy to these deficiencies by 2011 had been only partially implemented. At this stage DG AGRI decided that it was necessary to enter a reservation in its 2010 Annual Activity Report, accompanied by a new action plan to remedy the deficiencies by 2013. This action plan was established by the Portuguese authorities in agreement with DG AGRI and included clear targets and milestones which were closely followed up by the auditors.

In its AAR 2012 DG AGRI reported that an audit mission in March 2013 had confirmed that the action plan could be considered as finalised. It nevertheless maintained the reservation because solid evidence that the updated LPIS is correctly used would not be available before a first cycle of claims/controls/payments (ie claim year 2013). Since AAR2012 deals with claimyear 2011 (financial year 2012) the reservation was maintained.

It is also noted that financial correction have already been made in respect of the deficiencies in the Portuguese LPIS for the 2006-2009 claim years while conformity clearance procedures are underway in respect of the subsequent claim years.

When does the Commission expect that the LPIS in Portugal will be fully in line with the recommendations of the ECA?

Commission's answer :

The revised action plan was considered finalised in March 2013, after audits carried out by the Commission. It is expected that the renewed and updated LPIS will satisfy the minimum criteria to enable satisfactory control of direct aids. This will be subject to future audits so that the Commission can monitor that the standard achieved does not deteriorate.

How the European Union Budget has been protected since 2006/2007 until now?

Commission's answer :

For the claim years 2006-2007, financial corrections of around EUR 73 million was imposed on PT for weaknesses in the LPIS.

FFinancial corrections were imposed in relation to 2008 related expenditure (EUR 28,5 million) and 2009 (EUR 29,8 million) It is expected that the conformity clearance procedures for 2010, 2011 and 2012 will be finalised by end 2014 and a further one for for 2013 related expenditure should be finished by end 2015.

To which extend the undue amounts (if any) have been recuperated from the final beneficiaries?

Commission's answer :

In shared management, recoveries from final beneficiaries fall within the competence of the Member States' authorities. Because the Commission's audits are systems based and the corrections are made for deficiencies in those systems, it is not always possible for the MS to apportion the liability to the individual beneficiary. However, in the case of a number of conformity procedures, MS have provided evidence that undue amounts were recovered from the beneficiaries and that this has been credited to the EU budget. In such cases these amounts are deducted from the financial corrections.

9. Why has the Director General of DG AGRI noted a reservation on LPIS in France only in 2012 whilst the Commission itself says that several conformity clearance missions carried in the recent years have shown problems in LPIS and the quality of on the spot checks? Since when was the Commission aware of problems with the LPIS in France? Is it established that France did not always promptly take action to remedy the situation so as to ensure full compliance with the CAP legislation?

Commission's answer :

Until 2010, both the ECA and the Commission were of the opinion that the error rate for the first pillar was below 2% and thus there was no need for a reservation on materiality grounds in the AAR.

Commission audits carried out in 2006 already revealed weaknesses in the on-the-spot checks carried out by France for area related direct aids. Subsequent audits in 2009 showed weaknesses in the LPIS, which were then confirmed during audits in 2010 and 2011. The kind of weakness found for France was not so severe that it would put the reputation of the Commission at risk and neither was it material.

The findings from the audits carried out in 2010 and 2011 however, pointed to a deterioration of the situation found for claim years 2006-2007. Consequently, and considering the persistence and the gravity of the findings without appropriate action by the Member State, the Commission launched a request for an "official action plan" in 2013.

At the same time in line with the Standing instructions of the Commission for the 2012 Annual Activity Reports, a reservation was made in resepct of direct aid expenditure in France by the Director –General of DG AGRI in his 2012 AAR. It is noted that the reservation which was made in respect of France was based on the Commission's estimate of the level of error in that Member State which along with two other Member States contributed, for the first time, to the overall error rate for direct aid being above the 2% materiality threshold.

See also the reply to question 10 below which explains the Commission's criteria and methodology for introducing a reservation. Up to the 2012 AAR, these criteria were not met but, as the methodology for calculating the error rate changed in 2012, it became necessary to introduce the reservation.

How the European Union budget has been protected in this case?

Commission's answer :

For the claim years including 2007, financial corrections have been proposed. For the claim years 2008-2012 the clearance procedure is on-going. The clearance procedures will be closed by end 2014/early 2015.

To which extend the undue payments (if any) have been recuperated from the final beneficiaries?

Commission's answer :

In shared management, recoveries from final beneficiaries fall within the competence of the Member States' authorities. Because the Commission's audits are systems based and the corrections are made for deficiencies in those systems, it is not always possible for the MS to apportion the liability to the individual beneficiary. However, in the case of a number of conformity procedures, MS have provided evidence that undue amounts were recovered from the beneficiaries and that this has been credited to the EU budget. In such cases these amounts are deducted from the financial corrections.

In the specific case of Portugal the deficiencies identified in past financial corrections include shortcomings in ex-post recovery from beneficiaries. The amount that should have been recovered has been estimated and taken into account for the calculation of the financial corrections.

10. Why has not the Director General of DG AGRI noted any reservation in its annual activity reports about LPIS in Spain, Italy and Austria since the ECA detected deficiencies in the LPIS of those countries and whilst the audits of the Court show that it is a recurrent problem since 2008, 2009 for SP and IT?

Commission's answer :

When the Director General makes a reservation in his AAR, this means that he has concerns that more than 2% of the expenditure for an ABB policy area (in this case ABB 03 – Direct aids) is affected by error. Until 2010, both the ECA and the Commission were of the opinion that the error rate for the first pillar was below 2% and thus there was no need for a reservation on materiality grounds in the AAR. In 2011, the error rate calculated on the basis of the information provided by the Member States was also below 2%.

Like the Court, the Commission established during its audits carried out in 2005-2008 problems in the LPIS for the Member States quoted. It has requested action from the Member States following these audits. While this has, in general, lead to an improved situation for the post-2010 claim years, the main concern in respect of the LPIS for these Member States is the correct recording of permanent pasture areas. This issue has and is being follow-up with the Member States concerned.

AAR 2012 Reservations were entered in line with the Standing instructions of the Commission for the 2012 Annual Activity Reports. The general principle on establishing reservations is the following:

Materiality is assessed at the level of the ABB activity by calculating the residual error rate resulting from the Member States control statistics. The result is compared with the 2% materiality threshold, as recommended at Commission level. An error rate at ABB level, higher than 2 % leads to a reservation.

Furthermore, each ABB, measure and/or management and control system (e.g. IACS for ABB 03) is assessed taking into account all the information available (statements of assurance from the Paying Agencies' directors, opinion from the certification bodies on those statements of assurance, control statistics, DG AGRI's own audits as well as any other audit body's findings whenever relevant and progress made as regards the action plans linked to previous reservations). In the event that the monitoring and supervisory controls reveal deficiencies of a qualitative nature (e.g. significant systemic deficiencies or major control failures) which have a significant impact on the reputation of the Commission, a reservation is made on a reputational basis, even though no payments or limited payments have been effected.

In 2012, it were the high error rates for Bulgaria, France and Portugal that taken together drove the error rate for the ABB above the materiality threshold. The reservation was therefore targeted to these three Member States.

Weaknesses that do not trigger a reservation, such as the deficiencies in LPIS in other Member States, are managed through the conformity clearance procedures.

How the European Union budget had been protected in those three cases?

Commission's answer :

The risk to the funds deriving from the LPIS weaknesses have been addressed in conformity clearance procedures. Net financial corrections have been / will be imposed, including for the issue of permanent pasture land. The Commission also refers to the attached table which discloses the amounts of corrections proposed.

11. Why the reservation on LPIS in Romania has been dropped since 2011 and why the reservation on LPIS in Bulgaria did persist so long with Bulgaria?

Commission's answer :

DG AGRI's conformity audits carried out in 2007, 2008 and 2009 revealed serious deficiencies in the IACS in Romania (RO) and Bulgaria (BG), concerning the quality of the information in the LPIS and the level of assistance given to farmers in lodging a correct claim. Although the financial impact of the errors deriving from these deficiencies did not lead to the 2% materiality threshold for direct aids being exceeded, the deficiencies triggered a reservation on reputational grounds in the 2010 Annual Activity Report of DG AGRI. In July 2009, an action plan was agreed with both Member States to remedy these deficiencies. In response to delays in the implementation, in agreement with the national authorities, intermediate deadlines for the corrective actions were revised.

For RO the final deadline for completion (February 2011) was maintained. A monitoring mission carried out in March 2011 did not reveal serious problems in quality of the work carried out. A plan to ensure continued updating of the LPIS for the period post 2011 is in place. The effectiveness of the action plan implementation was checked by the DG AGRI services during a 2011 audit mission carried out in October 2011. The audit confirmed the conclusion of the March mission and the action plan was considered to have been adequately implemented. Consequently, the reservation for Romania was lifted in the 2011 Annual Activity Report of DG AGRI.

For BG, the Bulgarian authorities reported the completion of the action plan implementation at the end of November 2011. An audit mission took place in early December 2011 and confirmed that the action plan had been completed by November 2011, as planned. Since, however, contrary to the situation for RO, the Commission services did not yet have sufficient assurance in March 2012 that the application of the new elements in the handling of the 2012 claims would work properly, the reservation for Bulgaria in the AAR was carried over. The latest audit missions carried out to check the effectiveness of the implementation of the action plan took place in April and October 2012 and did not reveal any significant deficiencies and thus there was on longer a reputational risk for the Commision.

However, in its 2012 AAR, DG AGRI reported an overall error rate above the 2% materiality threshold and this resulted in reservations being necessary on materality grounds for three MS and thus a new reservation had to be introduced for Bulgaria. The situation in both Member States will of course continue to be monitored.

It is recalled that in the meantime the EU budget was protected by the application of financial corrections under the conformity clearance procedure – see table in annex for details.

12. What is the average duration of a flat rate financial correction procedure as launched by DG AGRI? What has been the evolution since ten years?

Commission's answer :

The following table shows the average duration of the conformity clearance procedure from audit mission to closure (either with or without financial correction).

Year of closure	number of days to complete an enquiry
2003	365
2004	493
2005	519
2006	528
2007	617
2008	610
2009	870
2010	872
2011	688
2012	830
Average duration of all audit enquiries 2003-2012	666

Average duration of audits closed without financial correction	472
Average duration of audits with financial correction but no concilation procedure	745
Average duration of audits with financial correction after concilation procedure	1124

It is noted that on average the conciliation phase adds more than one year to the length of the procedure. This is not exclusively due to the Conciliation procedure but also to the tendency of Member States to carry out additional work in order to calculate more precisely the extent of the financial risk to the EU budget. This requires more time on the part of the Member State and necessitates additional verification work to be carried out by the Commission.

As regard the proportion of corrections which are "flat-rate" as opposed to calculated, the following table sets out the situation over the past decade:

ADOPTION YEAR	NET FLAT-RATE CORRECTIONS	OTHERS	% of FLAT-RATES IN TOTAL
2003	-334.829.243,05	-55.863.639,31	86%
2004	-302.265.400,11	-105.108.241,69	74%
2005	-394.298.517,73	-297.272.994,22	57%
2006	-382.402.826,32	-204.210.207,10	65%
2007	-394.600.791,38	-293.133.465,38	57%
2008	-813.476.105,15	-215.978.614,17	79%
2009	-276.606.418,57	-67.560.976,26	80%
2010	-919.531.965,63	-270.121.245,01	77%
2011	-466.487.637,50	-276.077.610,09	63%
2012	-224.386.808,77	-572.002.097,64	28%
TOTAL	-4.508.885.714,21	-2.357.329.090,86	66%

The table shows that apart from in 2012, around two thirds of financial corrections which were determined using flat-rates.

It is recalled that the ECA in its Annual Report for 2012 noted that flat rate corrections represented only 12% of the total corrections made that year. This figure however does not reflect that the figure for flat rate corrections was inflated with 110 m EUR which was reimbursed to Spain following a European Court of Justice judgement. When that it taken into account, the actual proportion of flat rate correction is around 28% for 2012.

For 2012 it is further noted that there was a large and particularly unusual correction related to historic planting rights (pre-2000) for vineyards in Spain, Greece and Italy which amounted to 250 million EUR. This correction was something of anomaly and distorted the figures for 2012.

Does the Commission have any data comparing the situation with the procedures launched by DG REGIO and DG EMPL procedures?

Commission's answer :,

Due to the different regulatory frameworks applicable to financial corrections in the Cohesion area and in the Agriculture area for the period 2007-2013, correction procedures differ significantly in nature and lengths between the funds. Figures on the duration of the procedures are, therefore, difficult to compare and need explanation.

As regards agriculture, all financial corrections are net corrections, decided by the Commission at the exit of a complete contradictory procedure and, in many cases, a conciliation procedure. For cohesion, most financial are accepted and implemented by the Member State concerned after the complete contradictory procedure, but without a formal Commission decision.

Financial corrections based on a Commission decision (as is the case in Agriculture) require a heavier administrative procedure than corrections accepted and implemented by the Member States. Decisions have to be formally adopted by the Commission while accepting a correction is an administrative act that can be agreed between the responsible Director-General and the Member State in question. This results in varying durations of the two correction procedures and the difficulty to compare the related figures between agriculture and cohesion.

In the area of Cohesion policy, the average duration of flat rate correction procedures is within the 24 months. This is a result of efforts to streamline and speed up the process of financial corrections, while respecting strictly the regulatory provisions for the contradictory process. This was one of the actions and commitments undertaken in the context of the 2008 Action Plan to strengthen the Commission's supervisory role in the area of structural actions. In particular during the current programming period, interruptions and suspensions act as a strong incentive for Member States to accept financial corrections earlier than in the past, in order to avoid an interruption of payments and/or to de-block payments again. This applies to all types of corrections, not only flat rate corrections.

13. Can the Commission provide CONT with information about all flat rate financial corrections launched and currently discussed with the Member States as regards to the LPIS and IACS in general?

Commission's answer :

50 individual enquiries are presently open under the conformity clearance procedure relating to audits carried out for claim years 2009-2012 relating to LPIS/IACS. These audits concern 18 Member States (with multiple audits for those with more than one paying agencies as well as MS with known problems and in particular have action plans to be followed up). It is planned that the vast majority of these enquiries shall have been finalised by the end of 2014. For claim year 2013, 15 audits have been carried out and are still in the preliminary stages of the procedure.

As procedures are not yet finalised it is not possible to state which corrections are flat rate or calculated.

14. How the Commission assess the reliability of the LPIS in the Union as the Court audits detected problems since 2007, with the following audited Members States : LT, SK, CY, IT SP, UK, FR, MT, GR, PT, AUT, SU.

    How the European Union has been protected in all those cases?

Commission's answer :

The LPIS is assessed during the audit missions which the Commission carries out as part of its regular monitoring activities. In all the MS mentioned, the Commission services picked up similar shortcomings to those detected by the Court with regard to the LPIS and the quality of administrative and on-the-spot checks.

As part of the normal conformity clearance procedure, the Commission has proposed financial corrections.

In complement to the normal audits, and as a preventive tool for the Member States to assess the quality of their LPIS, and by this way avoid corrections, the Commission has introduced a method for performing a self-assessment by the Member States (LPIS-Quality Assessment) since claim year 2010. Besides "scoring" their system, the LPIS-QA is also a way to have Member States reflecting on the need for change / update of their system and on the source of the problems encountered, this with a view to have targeted improvements.

The Commission also refers to its replies to questions 16 to 18.

15. To which extent the DG AGRI practices concerning the flat rate corrections have more impact on the tax payers than on the final beneficiaries?

Commission's answer :

In all Member States the national and regional authorities responsible for implementing the CAP are directly affected by EU financial corrections. This has led to concrete budgetary and administrative reactions. For instance:

- in Germany the Basic Law was amended in 2006 following repeated disputes between the federal level and the Länder to clarify the burden-sharing with regard to financial corrections;

- in Denmark following a significant financial correction in 2009 a specific burden-sharing mechanism between the Ministry of Finance and the Ministry of Agriculture was recently put in place.

As net financial corrections do put a real strain on the national budgets of Member States, corrections of a certain volume can be executed in three annual instalments on request of the Member State concerned.

The Commission carries out audits on the management and control systems in place in the MS and its findings relate to deficiencies present in those systems. Thus the corrections are imposed on the national authorities. Where, however, the MS can identify overpayments to individual beneficiaries resulting from the deficiencies underlying the corrections, they are required to recover them from the beneficiary.

16. What were the results of screening of the first (test) years that has been finalized by the Joint Research Council that were reported back to the Member States?

Commission's answer :

The Joint Research Center's (JRC) role in the LPIS QA is mainly one of technical support to the MS and DG AGRI and not of review of the quality of the LPIS as such. In the first years the reporting to Member States consisted mainly in supplying clarification of the particulars of the method as such, indicating hereby the correct approach to be adopted as to ensure that the reporting is sound and thus enables a valid and useful evaluation of a MS's quality assessment results and a comparison of the situation between Member States within each year.
At the same time the fine-tuning of the method based on experience gathered by DG AGRI and DG JRC should enable a better evaluation of the situation and related improvements in the LPIS over the years.

The quality of the Member States' work and the validity of the conclusions in their QA reports have been looked at in more detail in audits by DG AGRI in 2013. This because experience showed there was a need for more than 1 "test year".

Based on the experience the method has now been stabilised for claim year 2013, and results of this exercise will be available in 2014.

17. In which Member States have problems been reported by the Joint Research Council? Which problems?

Commission's answer :

As indicated in reply to question 16, the DG JRC's work was focussed on following up the quality assessment method as such. Hence it concentrated on the technical review of the correct inspection and transmission of results by the individual Member States and consequently the need to fine-tune assessment procedures in general. There has been no specific reporting on problems with the LPIS implementation as such for each Member State. These results have also been communicated in Management Committees, dedicated Workshops. As a result of this work, guidelines and methods have been fine-tuned.

For Italy, which announced the reduction of controls provided for in Art.31a of R.1122/2009 where meeting the thresholds in the LPIS-QA during 2 subsequent years is an eligibility condition, DG JRC performed an individual (internal) LPIS-QA verification report; however not validating the underlying LPIS-information as such.

18. How errors are treated which stem from an improved and more detailed LPIS?

Commission's answer :

Regulation (EG) No. 1122/2009 contains the rules for direct area-related payments. According to Article 12, the single application submitted by the farmer has to contain all information necessary to establish eligibility for the aid, also the location and maximum size of the agricultural parcels and its use, where applicable. The applicant himself is therefore responsible to ensure that all legally required eligibility criteria are met and the declared areas are correct. If an update of the Land Parcel Identification System (LPIS) reveals that the maximum eligible area is not correct and that payments have been unduly made, article 80 of that regulation provides that "the farmer shall repay the amount in question plus interest calculated in accordance with paragraph 2". However, if the farmer acted in 'good faith' the repayment shall not apply according to the third paragraph of the same article.

Article 3 of Regulation (EC, EURATOM) No 2988/1995 sets out that the limitation of proceedings shall be four years as from the time the irregularity was committed. Beyond this legal framework the Commission cannot give any amnesty.

Under the principle of shared management it is the Member State's responsibility to assess whether a payment has been unduly made and to take the legally required action.

In an effort to avoid that small changes without material impact on the area (and potentially the payment) put a disproportionate administrative burden on the Member State or the farmer, and to ensure the stability of the system, the revised legal provisions for the CAP 2014 – 2020 foresee a threshold for changes to be made.

19. Where weaknesses have been observed, how well are Member States dealing with problems in the LPIS systems? What will be done at the start of the new funding period to overcome any such weaknesses?

Commission's answer :

As reported under question 3, where audits revealed problems and Member States were requested to take action, in many cases this has been done successfully and the situation of the LPIS has significantly improved compared to 5 years ago. Of course there remain cases in which action is still required, and these are closely monitored by the Commission.

As indicated in question 14, to avoid problems the Commission introduced into the Regulation the annual assessment by Member States of their LPIS (i.e. LPIS-QA). Where Member States duly follow up on the quality assessment results and take the appropriate action there should in principle not arise any new weaknesses for the basic payment scheme.

With regard to the particulars required for the greening, Member States will be supported by DG AGRI and DG JRC via specific workshops and expert group meetings on how best to proceed in respect of the LPIS so as to avoid problems.

20. In the Commission's Synthesis Report 2012 three Member States with particularly high error rates in market and direct support for agriculture are mentioned: Bulgaria, Portugal and France. DG AGRI announced to implement action plans for these countries. What are the expected results of the action

plans and how does the Commission intend to prevent high error rates in these but also in other countries? Is there any progress made in the harmonisation of interruptions and suspensions with other DGs in the Commission and what is the outlook for the programming period 2014-2020?

Commission's answer :

When DG AGRI introduced its reservation for Bulgaria, an action plan had already been implemented and its completion was confirmed via audit missions carried out. However, it was noted in the AAR 2012 that the impact of the completed action plans would only be evident when the control statistics would be available for the 2012 claim year. On the basis of the preliminary data available, there has been a marked reduction in the level of error detected by the BG authorities for that claim year which indicates that the action plan has resulted in real improvments. At the present time it is not considered necessary to require the BG authorities to introduce a further action plan and DG AGRI will continue to monitor the situation in order to ensure that there is no deterioration of the situation.

In the case of Portugal, while the action plan has been completed, it will not be possible to determine fully its success until the control data is available for the 2013 claim year. As is the case for BG, at the present time it is not considered necessary to require the PT authorities to introduce a further action plan and DG AGRI will continue to monitor the situation in order to ensure that there is no deterioration of the situation.

For France, a comprehensive action plan has been recently approved by DG AGRI which requires extensive work by the French authorities over the coming years in order to update their LPIS. A very large body of work is to be carried out and the milestones and quality achievements will be closely followed up by DG AGRI in order to ensure that the objective of an up-to-date and effective LPIS is attained.

The Commission cannot prevent high error rates in Member States per se. It can ensure that the EU budget is protected via financial corrections and it can require those Member States to implement action plans to remedy deficiencies. If MS refuse or are unable to do so within a reasonable period of time, the level of financial correction can be increased and, following the adoption of the new CAP Horizontal Regulation at the end of 2013, will be able to suspend payments where MS are not able to remedy deficiencies.

Technical Assistance

21. The DG AGRI writes in its Annual Activity report that "*some Member States extended the range of expenditure financed by technical assistance to cover additional staff costs for programme management*." The Court recognizes that it was the case in Portugal for salaries of staff of the regional authorities in charge of carrying out on-the-spot inspections.

    a To which areas have the range of expenditure be extended?

Commission's answer :

The quotation from DG AGRI's Annual Activity Report refers to an aspect of the observed impact of national budgetary constraints on the execution of rural development programmes. As under rural development salaries of staff may be (co-)financed by technical assistance, it describes a practice which is in conformity with EU law.

In the case of Portugal the range of expenditure financed by technical assistance under rural development has been the same since 2000: costs related to the management, monitoring and control of RD Programmes. These costs include salaries of the staff directly linked to these activities, either at the Managing Authority, the Paying Agency or the regional directorates' level. In addition, the following costs are also covered by TA:

- Costs related to the design, management and hosting of information systems;

- Information and dissemination activities;

- On-going evaluation activities;

- Auditing and verification actions;

Since 2012, and following an amendment to the Council regulation (EC) 1698/2005, expenditure related to the preparation of the new programming period, in particular the ex-ante evaluation, is also eligible for funding.

The observation in Box 3.2 of the European Court of Auditors' Annual Report 2012 refers to expenditure under pillar 1. The Court observed that salaries of staff have been financed by EAGF in Portugal, contrary to Article 13 of Regulation (EC) No 1290/2005.

b In how many cases has staff expenditure not met the eligible rules? In which countries?

Commission's answer :

Although there are only a few measures under pillar I where technical assistance is co-financed, the European Court of Auditors has identified a case were the declared cost of public services staff costs for control was not eligible (see above). My services are not aware of similar situations under the same scheme occurring in other Member States.

IPARD and SAPARD

22. How does the Commission plan to tackle problems such as the low absorption of resources in the IPARD countries?

Commission's answer :

The low absorption of IPARD funds in the beneficiary countries has been a cause of concern for the commission. The issue has been addressed by both the authorities and the Commission through the implementation of action plans in each country which addressed all of the matters considered obstacles to the effective and efficient implementation of IPARD. The impact of the actions can now be seen through a substantial increase in applications for IPARD funding in the countries concerned in 2013.

23. Especially, in the case of Croatia the low absorption rate and the level of decommitments are worrying. What were the main reasons for the problems in Croatia? Which are the implications of those problems for the coming MFF?

Commission's answer :

While Croatia was eligible for IPARD from 01/01/07, due to their delayed national accreditation of their Management and Control structure, which in turn caused delays in the subsequent conferral of management by the Commission, the programme was implemented for the first time only in January 2010.This substantially reduced the benefit of the N+3 facility.

On implementation Croatia encountered unforeseen difficulties including property ownership, illegal structures, inability of potential beneficiaries to access credit, long delays on the part of authorities to provide necessary documentation such as building permits etc.

Additionally, potential beneficiaries were challenged by IPARD's requirements and the quantity and quality of expertise to assist them, in either the public extension service or in private consultancies was limited.

The Commission has been working closely with the Croatian authorities to address all of the obstacles to absorption with the result that the programme in now running smoothly. It is probable given the present level of eligible applications for IPARD support that Croatian will absorb most or indeed all of the financial allocations to the programme for the years 2011/2012/2013.

Both the authorities and potential beneficiaries have learned lessons from IPARD's implementation and this experience should be of substantial assistance to them in the context of CAP's implementation during the 2014-20120 period. As with all member states, the Commission will monitor the situation closely and take any action it considers necessary.

Results of the audits on organic production in two Member States

24. What were the results of the audits on organic production in two Member States and two Third Countries, and geographical indication schemes in two Member States?

Commission's answer :

Audits on organic production

The 2012 Annual Activity Report of DG AGRI mentions the audits carried out by the Food and Veterinary Office (FVO) of DG SANCO in two Member States (namely, Portugal and Poland) and in two Third Countries (namely, India and Tunisia).

Since then other audits have been carried out so that in total, between January 2012 and November 2013, the FVO has audited the control system for organic production and labelling of organic products in nine Member States and four Third Countries. In addition, a first audit has been carried out on the performance of three recognised Control Bodies applying equivalent production standards in Third Countries.

Not all reports are finalised, as some Member States, Third Countries and Control Bodies still have the opportunity to comment on the audit findings. So far the following six audits reports have been finalised, transmitted to the Member States and to the European Parliament for information and published on the FVO's website, together with the comments of the Competent Authorities:

2012: Portugal (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3035)

2012: Poland (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3058)

2013:United Kingdom (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3161)

2012: India (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3059)

2012: Tunisia (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3097)

2013: Israel (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3109)

Following the audits, the competent authorities of the countries visited were requested to present action plans to the FVO on how they intend to address any shortcomings revealed during the audit. Follow-up of the implementation of corrective actions is an integral part of FVO activities, whether by means of subsequent audits or on the basis of documentary evidence review. In the case of organics, follow up actions may be undertaken in conjunction with DG AGRI.

For Member States, the results of this follow up activity are published on the FVO's website.

DG AGRI also ensures other follow-up actions, for instance by reviewing as appropriate the scope and application of equivalent production standards by Third Countries and Control Bodies in Third Countries

In summary, the following can be concluded:

All audited Member States had control systems for organic production in place. All of them had entrusted Control Bodies with inspection and certification tasks or had conferred these tasks to Control Authorities. In general, staff of the Competent Authorities and Control Bodies were competent and had the powers to fulfil their tasks. The shortcomings found mainly refer to weaknesses in the import control system for organic products, a lack of appropriate supervision of the Control Bodies by the Competent Authorities and insufficient market controls. The results of the audits also show significant differences between CBs regarding the quality and intensity of the inspections at operators.

With regard to audits carried out in Third Countries, most shortcomings refer to weaknesses in the system for the approval, supervision and withdrawal of the Control Bodies by the Competent Authorities. Shortcomings were also found with regard to the effectiveness of inspections at operators and the application of specific production rules.

In the case of the 2012 audits on organics in Portugal, Poland, and in India and Tunisia, the reports included a total of 38 recommendations. The actions proposed by the relevant authorities to address the shortcomings were considered to be satisfactory in 28 cases. Actions have already been taken in 21 of these cases. The remaining cases are subject to ongoing follow up actions.

Audits on geographical indication schemes

Between October 2012 and November 2013 the FVO carried out five Member State audits on official control system of registered names relating to Protected Designations of Origin (PDO), Protected Geographical Indications (PGI) and Traditional Specialities Guaranteed (TSG). Four of the reports are finalised and one draft report is in the process of being prepared.

So far the following four audit reports have been finalised and published on the FVO's website together with the comments of the Competent Authorities.

2012: UK (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3104)

2012: Belgium (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3106)

2013: Czech Republic (http://ec.europa.eu/food/fvo/rep_details_en.cfm?rep_id=3107)

2013: Austria (http://ec.europa.eu/food/fvo/ir_search_en.cfm)

Following the audits, the competent authorities of the countries visited were requested to present action plans to the FVO on how they intend to address any shortcomings revealed during the audit. Follow-up of the implementation of corrective actions is an integral part of FVO activity (whether by means of subsequent audit or on the basis of documentary evidence). For Member States, the results of this follow up activity are published on the Commission's website.

In summary the following can be concluded:

All Member States visited by the FVO had controls systems for PDO/PGI/TSG registered names. Four out of the five Member States had entrusted Control Bodies with inspection and certification tasks. In general staff of the Competent Authorities and Control Bodies were competent and had the powers to fulfil their tasks. The shortcomings found during the FVO audits mainly concern the lack of appropriate supervision of the Control Bodies by the Competent Authorities.

In the case of the audits on PDO/PGI in UK and Belgium, the reports included a total of 6 recommendations. The actions proposed to address the shortcomings were considered to be satisfactory in all cases. These cases are subject to ongoing follow up actions.

Results for DG AGRI composite indicators

25. Could the Commission provide the results for DG AGRI in all 61 requirements under the internal control standards and the rank within all DGs?

<u>Commission's answer</u> :

The Commission does not rank the DGs on their relative level of compliance with the requirements for the internal control standards. This is, firstly, because as the implementation of the internal control framework reached a sufficient level of maturity, all DGs were virtually in full compliance. And secondly, because of the diverse nature of the various requirements and because of the differences in the risk environments in which the DGs operate, comparisons across Commission would neither be possible nor relevant. DG Budget produces an annual overview report on the state of internal control in the Commission services.

The Commission's internal control framework put in place in 2000 relied on 24 Internal Control Standards. Each Standard was complemented, from 2001, by a set of baseline requirements defining the specific practical actions which should underlie the internal control system. Since 2002 services were required to formally assess, on an annual basis, their level of compliance with these baseline requirements. By 2006, the annual assessments of the implementation of the standards showed a high level of compliance (95%). Therefore the Commission revised the framework in 2007 shifting the focus from formal compliance to the effective implementation of the standards.

At present, DGs are required to review the effectiveness of their internal control systems. The exercise aims at detecting and correcting any ineffective implementation of the internal control standards. In such a case, they identify the issue, the underlying reasons and the actions aimed to address the situation in their AAR. All DGs are expected to be fully compliant with the requirements and any deficiencies related to formal compliance are expected to be addressed immediately.

DG AGRI bases its assessment on the functioning of its internal control system on a twice-a-year desk review of action taken in the course of the year by the responsible units/persons in the DG (appointed as Chef-de-file by the Director General), complemented by other sources of information – e.g. DG AGRI managers' supervision reports, audit recommendations etc. For the follow-up, the DG monitors the progress of actions planned/underway by units chef-de-file and reports to the Commissioner in the biannual management reports.

As regards the functioning of the internal control system, DG AGRI AAR 2012 concluded on:

- the formal compliance with all 61 requirements of the internal control standards;

- the fully effective implementation of all the internal control standards, with the exception of the standard n° 6 on Risk Management (see subsequent reply).

26. Could the Commission elaborate on the problems with the partially ineffective implementation of the Risk Management in the DG AGRI?

Commission's answer : AGI

The assessment of a partial effective implementation of the standard n° 6 on Risk Management (see above) has been made to duly take into account the conclusions of an IAC audit on the risk management process, completed early 2013, which recommended to identify the administrative risks linked to new policy proposals more pro-actively and upstream (availability of resources for their implementation), to foster the risk management awareness of DG AGRI staff and to strengthen the risk identification process.

An action plan has been immediately set up to address these issues. The following actions have been implemented in the course of 2013:

- A revised process for the early identification of administrative risks in policy proposals has been elaborated in 2013, taking as reference the Legislative Financial Statement. The new process will be tested in early 2014 on a pilot basis and based on the lessons learnt during the pilot experience be integrated into the existing procedure;

- extended awareness initiatives (workshops on risk involving DG AGRI senior and middle management, with the participation of DG BUDG as well as peer exchanges with notably DG RTD and EMPL) and improved internal training on Internal Control Standards to extend the coverage of Risk Management principles.

- revision of the procedure and instructions for the risk management process, Risk Management Facilitator network put in place.

Integrated Administration and Control System – IACS

27. The Commissions states that the IACS covered 43% of payments under the EAFRD. Why did this share decrease? What expenditure was not covered by the IACS?

Commission's answer :

The IACS system covers area-based expenditure, which in case of EAFRD concerns only the expenditure of Axis 2 (agri-environmental, forestry, less favoured area measures etc) and does not cover the expenditure for the Axes 1, 3 (which are more investment oriented), 4 (Leader) and 5 (technical assistance).

The implementation of the measures of Axis 2 in the Member States has progressed steadily from the beginning of the programming period and the expenditure declared for this axis remain significant but relatively stable, while the expenditure declared for other axes has been growing gradually from the beginning of the programming period. In other words, the expenditure for the IACS covered measures has not decreased in absolute values but the share of the IACS covered expenditure in the total EAFRD expenditure has decreased.

28. What is the error rate in the non-IACS population for each fund by each Member State?

Commission's answer :

While the Commisson receives control statistics from MS for each fund, as stated in its 2012 AAR, it has some doubts as to the completeness of the control statistics it receives from some Member States and thus it has changed its methodology and will now take into account other audit assessments in order to present an estimate which reflects all available information. (See reply to question 31 for more detailed information) This was done on a pilot basis for direct aids in the 2012 AAR and will, as recommended by the ECA in its 2012 annual report, be extended to the EAFRD for the 2013 AAR. Thus DG AGRI does not yet consider that it has sufficiently reliable information that it can provide the error rate in the non-IACS population for each fund by each MS as requested by the honourable Member.

29. Could the Commission elaborate on the serious deficiencies for which a reservation has been made concerning the direct payments in Portugal, Bulgaria and France?

Commission's answer :

Portugal

Deficiencies in the functioning of the LPIS detected in the course of 2006 and 2007 audits, which resulted from incorrect application of EU-rules by the PT authorities, were not adequately tackled by the PT authorities until 2011 when a first action plan was set-up. Therefore, as is the case in previous years, the cross-checks carried out in respect of claim year 2011 cannot be considered to be conclusive, thus indicating that irregular payments have been made.

While, by summer 2012, much of the action plan had been completed, an element with regard to the reference parcel system had not been implemented. In November

2012, the PT authorities submitted a further specific action plan, established in consultation with the Commission, setting out firm and definitive deadlines for full implementation by March 2013. An audit mission carried out in March 2013 indicated that a harmonized reference parcel system is in place for the 2013 claim year. Therefore, the action plan can be considered as finalized as of March 2013. DG AGRI will pay particular attention to its performance for claim year 2013 in order to obtain reasonable assurance that the identified deficiencies have been properly addressed and that the LPIS is functioning appropriately.

However, it is noted that the impact of the completed action plan will become evident when the 2013 claim year has been completed. Moreover, the residual error rate, as adjusted via the new integrated approach, remains at a high level (5.54 % for decoupled direct aids and 4.3 % for ABB 03 as a whole). This motivates a reservation for Portugal.

Bulgaria

The LPIS which had been put in place in BG before accession quickly become outdated in the succeeding years. These deficiencies in the functioning of the LPIS detected in 2007 and 2008 led to remedial action by the BG authorities in 2009, when an action plan to update the LPIS was instigated. Confronted with problems in the acquisition of imagery the action plan could only be finalised end 2011. DG AGRI's audits carried out in April and October 2012 confirmed the proper functioning of the updated IACS for the 2012 claims. However, it is noted that the impact of the completed action plan will only be evident when the control statistics are available for the 2012 claim year.

The residual error rate calculated by DG AGRI (7.04 % both for decoupled direct aids and the ABB as a whole) motivates a reservation for Bulgaria.

France

For France several conformity clearance missions carried in the recent years have shown problems in the LPIS and the quality of the on-the-spot checks as well as in the management of the entitlements. So far it appears that France has not always promptly taken action to remedy the situation so as to ensure full compliance with the applicable CAP legislation. Findings reported by the European Court of Auditors also confirm this situation. The above mentioned elements, together with the residual error rate calculated by DG AGRI (5.08 %) for decoupled direct aids and 4.74 % for ABB 03 as a whole) motivate a Member State specific reservation.

It is emphasised that the findings both of the DG AGRI audit services as well as those of the ECA indicate that while there are weaknesses in certain Member States, the IACS itself remains overall a solid system for limiting the risk of error or irregular expenditure. There is, however, a continued need to ensure the quality of the information in the system.

30. Since 2008 the Commission has made a reservation for the IACS in Bulgaria. Why does the country still receive funds from the agricultural funds, if the Commission cannot assure the proper expenditure of the monies since 2008?

Commission's answer :

When a Director General makes a reservation, this means he has concerns that more than 2% of the expenditure is affected by error. It does not mean that all the expenditure for a MS should be blocked and certainly in the case of the direct aids in BG, there was no indication that this should be the case.

In the case of BG, deficiencies were detected and the MS worked, under the supervision of DG AGRI, in order to rectify them. The audit services of the DG presently consider that the work carried out as sufficient and, providing the level of error enables the lifting the reservation in a future AAR. The Commission has also continued to protect the EU budget in proportion to the risk via net financial corrections.

See also the reply to question 11.

Error rate

31. The Commission stated in its Synthesis report, that given the concerns regarding the usability of the controls in some Member States, the error rate deriving from the Member States' statistics needed to be reconsidered. Thus, which concrete steps have been undertaken by the Commission to 'reconsider' the error rate and the Member States' statistics?

Commission's answer :

In order to compensate for its own uncertainties with regard to the assurance that can be garnered from the Member States' reported data, DG AGRI undertook a further assessment of the control statistics provided by the paying agencies with regard to decoupled direct aid (representing 92% of direct aid expenditure) in order to better integrate the information deriving from the three building blocks of certification body opinion, Member States' control statistics and DG AGRI's own audits in order to provide a more multi-dimensional appreciation of the level of error for direct payments. The findings of the European Court of Auditors with regard to its systems audits in 2010 and 2011 were also taken into consideration.

Where the result of the certification body (for 2012) and ECA (2010 & 2011 Annual Reports) work led to the assessment that the control statistics did not reliably reflect the level of error, a flat rate adjustment of 2% was made to the error reported by the Member State at paying agency level. Where DG AGRI's own audits (2010-2012) revealed management and control system deficiencies, a flat rate adjustment of 2% or 5% was applied depending on the extent and seriousness of the shortcoming found (the flat rates referred to above were applied non-cumulatively). The amount at risk in the non-controlled population was then calculated by applying the adjusted error rate to the amount of payment made during the reporting year at paying agency level. The results per paying agency were then aggregated at Member State and EU 27 level.

DG AGRI will extend the approach for 2013 AAR in line with the Court of Auditors' recommendation in its 2012 Annual Report to extend it to Rural Development expenditure. DG AGRI considers that the adjustment it makes to the MS control statistics is the best estimate in the absence of any other more reliable data. From claim year 2014 the certification bodies will have to systematically test, on representative samples for EAGF and for EAFRD, the reliability of the administrative and on-the-spot-controls performed by the paying agencies. The guidelines prepared by the Commission aim at ensuring that this work is conducted on a robust statistical methodology and that its results will reinforce assurance on the legality and regularity of the transactions and will provide a valid estimate of the residual error rate per member state and per Fund. This would allow the Commission to progressively reduce the need for the individual statistics provided by the Member States.

32. How is the Commission actively working together with all Member States' administrations to identify the root causes of systemic sources of error and to determine possible corrective actions?

Commission's answer :

In respect to rural development, the Commission and the Member States have endeavoured in a partnership to identify the main root causes of errors, and to draw up actions plans at the level of each Member State to address identified shortcomings. In 2012 a first set of action plans for 14 Member States were drawn up and the Member States concerned have regularly reported to the Commission on the progress. In 2013 the exercise has been enlarged to cover all Member States. By February 2013 each Member State was requested to present an analysis to the Commission, accompanied by an action plan (updated plans for the 14 Member States being part of the first wave). By September 2013 the Commission requested new updates of the plans.

The action plans have been thoroughly examined by the Commission services in collaboration with each Member State, and have also been discussed with all Member States in seminars organised by the Commission in April and in October 2013.

The action plans have already resulted in concrete remedial measures undertaking in a number of Member States, including modifications to the rural development programmes in order to change or clarify the conditions for individual supports schemes. In some cases support schemes have also been phased out when the implementation has been deemed too prone to errors. Other actions include more information to beneficiaries to ensure better understanding of the conditions for the support, changes to control procedures, better use of IT applications etc.

The Commission believes that positive results in the error rates should be visible already during the final part of the implementation of the present programming period, and notably in the next programming period.

As regards the first pillar, a first step to address systemic errors is the implementation of a self-assesment by all the Member States of the quality of their LPIS (see also replies to questions n° 14 onwards). This enables Member States to act in a proactive manner. Guidelines on how this work has to be carried out have been discussed at many occasions with the Member States.

Furthermore, the Commission, through its conformity audits, has the objective of verifying that all Member States are implementing the CAP in conformity with the regulations. Should any weakness in their aid management and control system be determined during audits, financial corrections are applied on the basis of the clearance of accounts. During such audits Member States are informed immediately as to measures to be taken to improve the quality of the information in the system and how to better use it to inform the farmer of what is eligble land; this way avoiding farmers from making errors.

IACS is a solid system to protect the EU financial interest if information contained in it is of good quality and if properly applied by the MS. Hence the information on findings and good practices is also shared with other Member States in different fora.

DG AGRI decided to set up, as from 1 January 2014, a unit dedicated to the implementation of the direct payments, which will support the Member States with reinforced means in their preparative activities for a smooth implementation of the CAP reform in 2015

In the area of non-IACS, several legislative changes have been made in different areas to address errors that had been detected:

As regards wine, the experience gained throughout the first support period 2009-2013 for national support programmes has enabled the Commission together with Member States to clarify the rules concerning eligibility of measures and the checks on the basis of evaluation criteria thereby aiming at reducing irregularities in payments (two sets of guidelines in February and April 2013).

In the sector of fruit and vegetables, the Commission has since the 2007 reform provided Member States with a set of tools to improve the monitoring of producer organisations' operational programmes and producer groups' recognition plans as well as the evaluation of their National Strategies and National Environmental Frameworks.

As regards support for promotion of agricultural products, errors in the application of the rules on the selection procedures have been found in respect of the demarcation between public and private bodies managing the tendering procedure. So as to reduce the likelihood of errors in the future, scrutiny rules for Member States have been re-enforced in the area of promotion for agricultural products.

All these adaptations have been prepared in cooperation with Member States in the relevant committees and expert groups.

In terms of forward efforts to tackle the error rate, actions plans have recently been set in motion in the area of Direct Payments and non-IACS support measures. They are based on a stock-take of the root causes of error as encountered in DG AGRI's audits in Member States and as found by the European Court of Auditors. The DG also drew on the experiences of its policy units. The action plans contain corrective measures that should help to avoid certain types of errors in the future. A common theme to the action plans in terms of corrective steps is enhanced communication with and guidance of Member States so as to address errors that occur for instance due to at times inadequate checks of Member States authorities. Formats like the bi-annual conference of the directors of the paying agencies and its sub-bodies will continue to constitute an important interface in this regard.

33. Could the Commission provide Parliament with the information note provided to the responsible Ministers which was the basis of a discussion in the Council on 29 November 2013?

Commission's answer :

Please find attached the information note on the increased error rate in rural development and corrective/preventive actions which was used in the discussion of the Council on 28-29 November 2012.

ST_16585_2012_INIT_EN.pdf

Paying Agencies

34. One paying agency (OPEKEPE in Greece) continued to be under limited accreditation. Why? What effect has this on which payments made by the Agency? What does the Commission intend to do in order to remedy the situation?

Commission's answer :

In the first place, it is noted that Article 6(2) of Council Regulation (EC) No. 1290/2005 provides that it is the Member States, and not the Commission, that accredit the paying agencies, on the condition that they fulfil precise management and control criteria.

OPEKEPE is a fully accredited as a Paying Agency for EAGF and EAFRD. However, the GR authorities have not accredited alle EAFRD measures . This was confirmed by a Commission's accreditation audit mission in 2011.

Payments that might be made for measures that are not accepted or accredited will not be reimbursed by the Commission.

35. ODARC in Corsica, France, was put under probation by the competent national authorities. What is the status of the action plan drawn up by the French authorities? Has the Commission restored the accreditation of the Paying Agency?

Commission's answer :

It is important to note that according to article 6.2 of Council Regulation 1290/2005, it is the Member States, and not the Commission, that accredit the paying agencies, on the condition that they fulfil certain criteria. Article 6.4 of the same regulation states that "where an accredited paying agency does not meet or no longer meets one or more of the conditions…, the Member State shall withdraw the accreditation unless the paying agency makes the necessary changes within a period to be determined according to the severity of the problem."

In 2012 the certification body reported deficiencies with regard to the management of EAFRD measures governed by the Integrated Administration and Control System: ODARC control procedures did not ensure efficient administrative cross-cheks notably in relation to the identifiacation of eligible land. Pursuant to the request for DG AGRI , C, the French competent authority designed an action plan and put the Paying agency on probation for the period of 12 months from 01/07/2012 to 30/06/2013.

DG AGRI will check on-the-spot the results of the action plan, an audit mission is planned for 2014.

36. What is the status of the Paying Agencies in Croatia?

Commission's answer :

Reference is made to article 6.2 of Council Regulation 1290/2005 where it is mentioned that it is the Member States and not the Commission, that accredit the paying agencies, on the condition that they fulfil certain criteria.

In this context, the Croatian authorities created one paying agency to manage both EAGF and EAFRD payments. A Decision on the provisional accreditation for the use of the European Agricultural Guarantee Fund (EAGF) in respect of direct payments was issued by the Croatian Competent Authority for the period 27/12/2012 until 20/12/2013. The Competent Authority planned to accredit the Paying Agency in 4 stages: direct payments by 31/12/2012, CMO measures part 1 (trade mechanisms, milk quotas, sugar quotas, public intervention and private storage) by 1/7/2013, CMO measures part 2 by 31/12/2013, and rural development also by 31/12/2013. The first part of the accreditation for CMO measures took place as foreseen on 1 July 2013.

The latest available information, is that the decision on full accreditation for the EAGF will be granted on 19/12/2013, and that work continues to implement the necessary systems and procedures for accreditation for EAFRD. DG AGRI has scheduled an audit mission to Croatia in January 2014 to check the respect of the accreditation criteria as defined in Annex 1 of R. 885/2006.

Certification Bodies

37. Have the two missing certificates from Germany (DE03 and DE23) been received by the Commission? What was the reason for the delay?

Commission's answer :

The certification reports submitted late for these two paying agencies refer only to EAFRD. The EAGF certificates were received on time and the corresponding expenditure duly cleared. The DE03 – Baden Wurttemberg EAFRD report was received on 26/03/2013. The DE23 – Thuringen EAFRD report was received on 25/04/2013. As a consequence of these late transmissions, the 2012 EAFRD accounts for these two Länders have not yet been cleared.

The Commission services regret these delays and have recalled to Member States' attention several times, notably during the meetings of the Funds Committee, their obligation to respect the dealines provided for in Commission Regulation 885/2006.

38. Why could the Certifying Agency in Portugal, PT03 IFAP for EAGF and EAFRD not validate the Annex IIIA tables?

Commission's answer :

According to the Portuguese authorities, the data required to verify the Annex III tables was submitted to the certifying body very late to allow it to perform the necessary procedures to conclude thereon before the deadline of 01/02/2013. On 08/03/2013, the certification body submitted an addendum to the report with its conclusion on the Annex III tables.

39. Why has the paying agencies in Portugal and Germany not been included in the accreditation audits conducted in 2012?

Commission's answer :

Following the clearance of accounts review, the Commission services perform a risk analysis to determine which Paying Agencies (accreditation review) and Certification Bodies will be visited during the next year. The Portuguese Paying Agency was subject to an accreditation review in 2011. In Germany, the paying agency in Bayern was visited in 2012 for an accreditation review. Also in 2012, the Paying Agency in Sachsen was visited for a review of the certification body procedures, which includes review of the procedures to test compliance with the accreditation criteria. On the basis of the risk analysis performed in 2013 following the 2012 clearance of accounts procedure, both Portugal and (in Germany) Baden Wurttemberg were selected for certification and accreditation audit missions in 2013/2014.

40. Have the addenda from the certification bodies of the paying agencies in Baden-Württemberg, Hamburg, Sachsen-Anhalt Thüringen and Hessen been received? Which documents were missing?

Commission's answer :

The Commission regrets the repeated delays in submitting in due time all the information that is necessary to perform the yearly financial clearance procedure. The Member States at fault have been reminded several times of their obligation to respect the legal deadlines. All outstanding documentation requested from the German Paying Agencies and Cerification Bodies in the framework of the 2012 financial clearance has been received. All additional questions raised have been satisfactorily clarified.

41. What sanction has the Commission at hand to push the Certification Bodies and the Member States to a quick delivery of document?

Commission's answer :

The existing regulatory framework does allow much leeway for the Commission to push Certification Bodies and paying agencies to deliver within the legal deadlines the mandatory documentation for the annual financial clearance procedure. However, . Article 10 of Commission Regulation 885/2006 provides for the Commission to notify the Member State concerned of additional on-the-spot audits it intends to undertake in those cases where the Commission is unable to clear the accounts of a Member State before 30 April.

42. How many Paying Agencies of the member states made a declaration of assurance for the money spent from Agricultural funds?

Commission's answer :

As provided for by Article 8(1)(c) of Regulation (EC) No 1290/2005, each director of the 82 paying agencies is required to submit a statement of assurance together with the accounts of the year concerned and in accordance with the standard described in Annex II to Regulation (EC) No 885/2206. In addition, this statement of assurance is subject to an opinion by the Certification Body. For financial year 2012 all directors of paying agencies submitted their statement of assurance.

43. How many Certification bodies of the member states made a declaration of assurance for the money spent from Agricultural funds?

Commission's answer :

The Certification Bodies are not required to make a declaration of assurance. The Certification Bodies are required to provide:

1. An audit opinion on the annual accounts of the Paying Agency; and

2. An opinion on the statement of assurance signed by the director of the Paying Agency. For financial year 2012 the Commission received the required opinions for all Paying Agencies.

44. How many audits did the COM conduct on these declarations of assurance from …

a … Paying agencies?

Commission's answer :

The statements of assurance by the directors of the paying agencies and the opinion of the certification bodies are systematically reviewed by the Commission services in the framework of the financial clearance procedure . Following this overall review, the Commission services perform a risk analysis to determine which Paying Agencies and Certification Bodies will be visited in the next 12 months. For 2013/2014, DG AGRI plans to perform 20 on-the-spot audits to Paying Agencies (accreditation criteria) and/or Certification Bodies.

b … Certification bodies?

Commission's answer :

Please consult the reply to 44(a).

45. How many declarations were approved by the Commission of assurance from…

c … Paying Agencies?

Commission's answer :

For the financial year 2013, the Commission disjoined the accounts of eight Paying Agencies and cleared the accounts of the remaining 73 paying agencies. However, of these 73, there were 31 cases where the Commission had to request further clarifications and or information before being in a position to clear the annual accounts.

d …Certification Bodies?

Commission's answer :

Please consult the reply to 44(a).

Annual Summaries

46. Spain and France have disclosed very succinct further analysis of the problems identified that entered into the statement of assurance and the certificates. Has the Commission required those countries to revise their analysis?

Commission's answer :

As provided for by Article 7 of Regulation (EC) 885/2005, Member States with more than one accredited paying agency shall send a synthesis drawn up by the coordination body which provides an overview of the statements of assurance by the directors of the paying agencies and of the certificates of the certification bodies. For financial year 2012, 10 Member States (AT, BE, DE, ES, FR, IT, NL, PL, RO and UK) were required to draw up such a synthesis report. All of these Member States complied with this obligation.

Although in the cases of ES and FR the information was provided in a succinct manner, the Commission did not find it necessary to obtain further clarifications. In particular, the analysis of the identified problems is to be done at the level of each paying agency by the director and the certification body concerned, and not at a later stage by the coordination body.

47. Has the Commission received an annual summary from Germany and the Netherlands that includes both control statistics and recoveries? Why? What does the Commission intend to do about it?

Commission's answer :

All synthesis reports for financial year 2012 included elements addressing both control statistics and recoveries, for the latter with the exception of Germany. It is noted that the insufficiencies in these two synthesis reports had no impact as the required information was already furnished by the individual paying agencies.

48. How and when does the Commission intend to tackle the fact that Poland and to a lesser extent Italy did not provide the summary of the requested error rates per population?

Commission's answer :

This issue was raised with the Member States who were requested to rectify the situation for the financial year 2013

It is noted that the insufficiencies in these two synthesis reports had no impact as the required information was already furnished by the individual paying agencies.

Roma Programmes and Strategy

49. The Commission pretends to evaluate the implementation of Roma measures. At the same time it appears to be a very superficial evaluation. Even if the Roma strategy targets are “explicit but not exclusive” – there needs to be a clear overview on how much money was spent on which project. Therefore could the DG AGRI please provide the Parliament with an overview on how much money was spent in which country on the respective Roma related programmes/projects for each year (2011 – 2013) through the EAFRD?

Commission's answer :

The European Commission follows progress made by the Member States in improving the situation of Roma both, within the Europe 2020 process and also in the specific context of the EU Framework for National Roma Integration Strategies. A close monitoring of Roma inclusion and its coherence with mainstream policies continues on an annual basis up to 2020.

In the context of the EU Framework, the monitoring and the assessment of the efforts made by the Member States is based on the expertise and knowledge of around 120 Policy and Country Desk Officers from all Directorates-General concerned (JUSTICE, EMPL, EAC, REGIO, SANCO, AGRI, HOME) as well as on the contribution sent to the European Commission by the various stakeholders (including the EU MS, NGOs, international organizations, EU Fundamental Rights Agency and others).

In this regard, it is important to clarify that there are no funds from the European Agricultural Fund for Rural Development (EAFRD) earmarked or ring-fenced on the basis of ethnicity. Moreover, during the implementation of the rural development programmes Member States shall prevent any discrimination based on ethnic origin. For these reasons, it is not possible to know whether and to what extent the EAFRD funds are being accessed by Roma because the Member States do not report on such funding and most Member States even prohibit the registration of people’s ethnic origin when they apply for a grant.

However, Member States may use selection criteria in order to target particular vulnerable groups of the population, including Roma (i.e. long-term unemployed persons), and/or particular deprived areas (i.e. municipalities with high unemployment rates or in need of very basic services or small-scale infrastructure).

Member States' efforts to improve the living conditions of marginalised communities, including the Roma, may be supported in several ways under the rural development policy. These support possibilities may include, among others: creation and development of micro businesses in non-agricultural activities; investments in small-scale infrastructure and local basic services; vocational training, skills acquisition actions and information actions; advisory services; use of technical assistance for targeted information, publicity and preparation actions, including through the National Rural Network; use of financial instruments to facilitate access to measures; and use of local development strategies under the LEADER approach.

DG AGRI has regularly informed the Member States of these support possibilities, for instance through a presentation in June 2011 at the Rural Development Committee.

High level events on the use of EU Funds for Roma integration have been organised since 2010 in Hungary, Bulgaria, Romania and Slovakia, so as to support Member States' efforts in encouraging Roma integration projects to apply for EU funding. I have participated myself in one of these events, in October 2010.

Within the framework of the informal dialogue on the Partnership Agreement and programmes for the 2014-2020 programming period, the Commission services have been discussing these possibilities with the national authorities of the Member States most directly concerned. They have also asked these Member States to invite the National Roma Contact Points to participate in the working bodies discussing the future Rural Development Programmes, as well as in the future Monitoring Committees of these programmes.

50. What would be the maximum amount available from the EAGFR for Roma programmes for each Member state (2011 – 2013)? How much funding has been committed for each country from the EAGFR for the respective Year (2011 – 2013)? How much funding has been paid out to each country from the EAFRD?

Commission's answer :

For the reasons explained in the reply to question n° 49 the European Commission does not have the information requested in this question.

IAS Report

51. The IAS has recommended that DG AGRI pursues its efforts to develop mechanisms and tools for task mapping, put in place tools/methods to gather sufficient reliable information concerning workloads and develop an HR plan. How has this recommendation been implemented by the DG AGRI?

Commission's answer :

DG AGRI has issued an action plan regarding these recommendations. It contains different milestones and deadlines for each recommendation. The IAS has assessed this action plan as satisfactory and will assess the effective implementation of actions finalised during the course of 2014.

● **Task mapping** to be finalised by 31 March 2014

In November 2012 all managers in DG AGRI were asked to fill in a template requesting information on the allocation of human resources to the main activities in their area of responsibility. Each staff member had to be assigned to one or more activities/tasks providing a breakdown of their time allocation.

The input received has been analysed and consolidated. All activities/tasks submitted were categorised and assigned to a list of 13 macro-activities. In order to allow cross-analysis of tasks with policy areas, 7 policy domains were also defined. This process allowed to have a first snapshot on the use of full time equivalents (FTE) per macro-activity and per policy domain in DG AGRI.

During the second half of 2013, the list of macro-activities has been improved and further refined into 65 activities that cover the whole range of tasks undertaken by DG AGRI. An IT tool has been developed, which should make future input by managers easier and allow for regular reporting on the use of FTE. Managers will be asked to define sub-activities, assign them to activities, link them to a policy domain and determine time spent on sub-activities for each of their staff member.

The IT tool will then aggregate FTE contributions by sub-activity (at the level of activity and macro-activity) and per policy domain which will allow a complete overview of the allocation of staff to all tasks in DG AGRI and thus reply to the first recommendation of the IAS.

The tool and the common framework of activities is currently being tested with a small group of managers. The outcome of this pilot phase will be used to improve the methodology and the IT tool in the beginning of 2014 in order to prepare for the DG wide launch of the exercise in March 2014.

● **Workload assessment** to be finalised by 31 March 2015

In the first half of 2013, work concentrated on the search for and assessment of adequate indicators to evaluate workload. Tools and methodologies used by other DGs were analysed and contacts with external consultants were made in order to learn about workload assessment methodologies used in other organisations.

After due consideration of the different available options, DG AGRI has decided to further develop the IT tool created for the task mapping so as to be equally used for measuring workload. It is foreseen that the IT tool will also include a section with information on staff needs (in contrast to staff allocated) for each sub-activity. This will allow providing information about staff time allocated in reality and staff time necessary (judged by the manager) down to the level of files. By doing so, this tool should then allow evaluation and comparison of workload between entities and thus reply to the second recommendation of the IAS.

Further development of this methodology and of the IT tool are necessary in order to allow for an objective assessment of staff needs (indicators still to be developed).

● **HR Plan** to be finalised by 31 May 2014

A first draft HR Plan was prepared by end March 2013. After a complete revision of the templates and data tools provided by DG HR in order to draw up the plans, work continued throughout 2013.

DG AGRI has participated in the DG HR pilot exercise, testing the new HR Plan templates. It was foreseen that all pilot DGs would finalise its HR Plan by the end of 2013. However, due to the current reorganisation of the DG and the workload linked to all necessary preparations for its entry into force on 1 January 2014, planning now rather foresees the delivery of DG AGRI's HR Plan by 31 May 2014, in line with the action plan submitted to the IAS.

52. The IAS found that the audit strategy was not sufficiently formalised and that there were gaps in the definition of the audit universe, the setting up of quantitative and measurable objectives (e.g. audit coverage) and the related capacity analysis. Furthermore, according to the IAS, there is insufficient analysis of the Certification Bodies, inadequate consideration of their work, and insufficient use of audit resources, which jeopardises the assurance obtained. DG AGRI may, according to the IAS, not be able to define an appropriate audit plan and achieve the assurance that it is expected to reach. The IAS recommended therefore that the DG AGRI develops and formalises its control strategy, re-engineer its risk assessments according to the targets established and ensure proper monitoring through better quantitative and qualitative key performance indicators whose disclosure in the AAR should be improved.

a What is the status of the implementation for each aspect of these recommendations?

Commission's answer :

Further to the recommendations formulated by the IAS in its audit on the design of its control strategy, DG AGRI is currently working on the elaboration of a multi-annual audit strategy to be established early 2014 for the transitional strategy and January 2015 for the full implementation in link with the CAP reform. DG AGRI intends to move towards a 3 year rolling audit work programme (with 12 month mission programmes) in order to maximise this coverage, while preserving the system-based and risk-based nature of those audits. With a view of contributing to a more reliable estimation of the residual error rate, a particular emphasis will be put on the reliability of the new audit opinion on the legality and regularity of underlying transactions to be provided by the Certification bodies in respect of claim year 2014. In the meantime, DG AGRI is improving its calculation of the residual error rate on the basis of the information provided by the Certification Bodies in the context of the current regulatory framework.

b How is each aspect, of the weaknesses found, addressed?

Commission's answer :

Please consult the reply to 52(a).

c What is the schedule for the roll out of the IAS's recommendations concerning?

Commission's answer :

Please consult the reply to 52(a).

d To which extend are the recommendations for the 2012 AAR already implemented?

Commission's answer :

DG AGRI will extend the approach used in its 2012 AAR to estimate the residual error rate with regard to decoupled direct aid to all remaining CAP expenditure areas as from the 2013 AAR. This extension is also recommended by the Court in its 2012 Annual Report. DG AGRI does not claim that the adjustment it makes to the MS control statistics is statistically valid but considers it to be the best estimate in the absence of any other more reliable data. From claim year 2014 the certification bodies will have to systematically test, on representative samples for EAGF and for EAFRD, the reliability of the administrative and on-the-spot-controls performed by the paying agencies. The guidelines prepared by the Commission aim at ensuring that this work is conducted on a robust statistical methodology and that its results will reinforce assurance on the legality and regularity of the transactions and will provide a valid estimate of the residual error rate per member state and per Fund. This would allow the Commission to progressively reduce the need for the individual statistics provided by the Member States.

The Commission also refers to its reply to written question 31.

e When will quantitative and measurable key performance indicators covering the relevant objectives be available?

Commission's answer :

Please consult the reply to 52(a).

f. What key performance indicators will be established?

Commission's answer :

Please consult the reply to 52(a).

g. As the IAS stresses also the importance of a reliable error rate, which steps are foreseen to reach a satisfactory reliability?

Commission's answer :

Please consult the reply to 52(d).

53. The IAS identified weaknesses in the human resources management aspects. There is a high turnover and insufficient audit-related training which may undermine the Directorate's productivity.

a Has the cause for the high turnover be identified? If yes what is it?

Commission's answer :

The high turnover of staff in DG AGRI Audit Directorate is linked to a combination of several factors. Recruitment from specialised audit-related reserve lists has not always been possible. As a result, many newly recruited colleagues had a more general background and needed to get trained on the job in order to be fully operational.

However, as pointed out by the IAS, no structured training programme was set up to facilitate the integration and professional development of newcomers. Much was done through on-the-job training assisted by more experienced colleagues. Sometimes however, the challenges linked to the audit profession coupled with the complexity of the audit field, with often very technical CAP-related issues, led some colleagues to change assignment after a relatively short period.

Efforts will be further deployed in the future to attract and recruit staff with audit background and experience. In addition, a comprehensive training programme will be implemented as from 1 January 2014 taking into account the general and specific training needs of both the existing and future auditor staff, and foreseeing notably the necessary training for the existing staff to enable their certification as auditors.

b What targets have been set for human resources as a consequence to the IAS recommendation?

Commission's answer :

As already mentioned, in the future a reinforced attention shall be paid to the recruitment of experienced auditors. In the action plan set up following the IAS audit on the design and monitoring of its control strategy, DG AGRI committed to developing a specific training programme taking into account the general and specific training needs of both the existing and future auditor staff, and notably including the necessary training for the existing staff to enable their official certification as auditors.

A comprehensive training programme will be in place as from 1 January 2014.

As regards in particular the training to obtain Audit certification, concrete progress has been made. A specific training has been organised in the second half of 2013 for the auditors of DG AGRI – Audit Directorate preparing them to later on take the Certified Government Auditing Professional – CGAP © - exam. Between 2013 and 2014, 80 auditors will follow this training, of which 52 have already done so during the period September-December 2013. The remaining staff will take the courses in January-February 2014 and exams will start at the beginning of 2014.

Another special training on the CAP Management and Control Systems has targeted "newcomer" auditors (those having been recruited less than 1 year ago).

54. Has DG AGRI followed up on the recommendation of the IAS to conduct a workload assessment? Could the Commission provide Parliament with the results of this workload assessment?

Commission's answer :

In relation to the IAS audit recommendation stemming from the report on the Management and Monitoring of Staff Allocation, please refer to the Commission reply to WQ 51.

As regards in particular DG AGRI Audit Directorate , the assessment of the time spent on audit / non tasks was initially done at the end of 2012 and was up-dated at the end of June 2013. This information has been used in the preparation of the 2014 Annual Work Programme. Should the Committee be willing to have access to the reference tables, the Commission will provide them after deleting references to individual staff personal data.

55. Has DG AGRI identified as suggested the current and future staff needs? What are the results of this analysis? Could the Commission provide Parliament with the results of this analysis?

Commission's answer :

In relation to the IAS audit recommendation to draw up a HR plan stemming from the report on the Management and Monitoring of Staff Allocation, please refer to the Commission reply to WQ 51.

Beyond this concrete recommendation, it would be worth highlighting that DG AGRI has accomplished a comprehensive internal reorganisation aiming at aligning its structure to the needs and priorities of the DG in the context of the CAP reform for the period 2014-2020. This exercise has also duly taken into consideration staffing needs for the current and future challenges, as well as the more appropriate balance between overhead and operational staff, which will be reflected in the HR plan to be issued by May 2014.

56. How has the DG AGRI implemented the recommendation stemming from the horizontal audit of the IAS on the reporting of sound management?

Commission's answer :

The 'IAS audit report on AAR process in the Commission', finalised early 2013, did not include specific risks and recommendations addressed to DG AGRI, and no formal action plan was requested to DG AGRI. However, DG AGRI thoroughly examined the findings of the report to identify relevant elements to be taken into consideration in the AAR process.

In particular, the IAS report issued a recommendation requesting that *'The Central Services should develop further instructions on reporting on 'effectiveness', 'economy' and 'efficiency' of financial and non-financial activities in order to strengthen the Declaration of Assurance regarding sound financial management. More substantial information and evidences should be provided in the AAR. In this regard, the Central Services should associate DGs/Services in order to develop meaningful guidelines adapted to their different operational contexts.'* In this respect, DG AGRI has actively participated across 2013 to the working groups established by DG BUDG for the definition of the instructions and guidelines to be used for the reporting on sound management. This included the identification of the appropriate indicators to measure efficiency and effectiveness of controls, as well as the co-ordination with other shared-management DGs for increased reporting coherence.

These guidelines have been published by DG BUDG early November 2013, and DG AGRI will implement them when preparing the AAR 2013.

Reputational reservation for deficiencies in the supervision and control of organic production

57. What steps have been undertaken by the DG AGRI so that this reservation can be lifted?

Commission's answer :

1. Commission audits

The Food and Veterinary Office in DG SANCO undertakes since 2012 audits specifically dedicated to organic farming and included them in its regular annual audit programme: as from 2013, 9 such audits are scheduled each year.

Between January 2012 and November 2013, the FVO carried out audits in nine Member States (Portugal, Poland, Italy, Romania, United Kingdom, Germany, France, Spain and Greece) and four recognised Third Countries (India, Tunisia, Israel and Switzerland), as well as three recognised Control Bodies as equivalent for the import of organic products into the Union.

The audit reports have identified a number of shortcomings, on which recommendations for remedial action have been made to the Competent Authorities, and are closely followed up by DG SANCO in conjunction with DG AGRI. Please see reply to question No 24 further details.

In addition, DG AGRI carries out audits on the implementation of Rural Development Programmes that in most cases include support to the conversion to, or maintenance of, organic farming amongst agri-environmental measures. These audits verify the implementation of the measure supporting organic farming from the point of view of any risk for the Fund.

2. Improvements to the legislative framework

Commission Regulation (EU) No 392/2013 was adopted in April 2013 to amend the implementing rules on organic control system. The regulation, applicable as from 1 January 2014, addresses the more pressing recommendations in ECA's special report No 9/2012 and the citizens/stakeholders' growing concerns for the recent fraud cases in the organic sector.

It enhances the exchange of information between operators, control bodies and competent authorities.

Secondly, it strengthens the risk-based approach for controls, by introducing a minimum percentage of organic operators subject to control visits in addition to the annual inspection, as well as a minimum percentage of unannounced control visits and a minimum obligation for sampling.

Thirdly, it calls for an increased supervision of control bodies by the competent authorities, for the development of a catalogue of sanctions at Member State level, and for more structured reporting to the Commission on supervision and control.

3. Reinforcement of procedures and instruments for exchange of information

Improvements have been made and are underway to the existing procedures and to the instruments/IT tools (OFIS: Organic Farming Information System) for the exchange of information between the Commission and Member States as well as between Member States.

DG AGRI has also been actively engaged in the course of 2013 in preparatory work allowing for the establishment of a European electronic import certificates for organic products, with a view to enhance traceability and improve supervision and controls.

In conclusion, progress under the corrective actions that have been and are being implemented reduced the level of the risk to the reputation of the Commission that, while warranting continued close attention, is not considered critical any longer.

58. Is the action plan fully implemented? Which steps are missing?

Commission's answer :

The action plan is not fully implemented yet as regards the improvements to the legislative framework.

In 2012 the Commission launched an external evaluation of the organic farming regulatory framework and, at the same time, an impact assessment exercise for the review of the political and legislative framework for organic farming – Council Regulation No 834/2007 on organic production and labelling of organic products. The impact assessment report is currently being finalised and the Commission's adoption of the relevant political and legislative proposals is included in the Commission work programme for 2014.

Reservation concerning rural development

59. Except for the year 2010, in all years since 2008 the Commission has made a reservation for the expenditure in the area of Rural Development under DG AGRI. Which concrete steps are to be undertaken, so that the Commission can lift the reservation in the next year?

Commission's answer :

Many actions have taken place or are underway to improve the situation e.g. identify and address the causes of errors, development of guidance notes – e.g. on common problems in procedures for the award of public contracts - increased number of audits, training and awareness with Member States. For more details regarding the action plans see reply to question 32 above.
The Commission hopes to see the results of these initiatives already in the present programming period, but especially for the new period 2014-2020.

Nevertheless, at this stage it is too early to predict when the reservation could be lifted. The Commission is optimistic concerning reducing the error rate, but it must also be recognized that it is a big challenge to bring it below the materiality threshold of 2%.

60. When can Parliament expect the report mentioned in the Synthesis report of the Commission, concerning the main results of the review of the rural development programmes of some Member States (Portugal, Spain, Bulgaria and Italy) in order to reduce the risk of errors in implementation?

Commission's answer :

A Commission staff working document on the assessment of root causes of errors in the implementation of rural development policy and corrective actions (SWD(2013)244) was transmitted to the European Parliament and the Council on 27 June 2013, as requested by the European Parliament in the framework of the 2011 discharge.

61. As in its AAR 2012 the Director General of DG AGRI recognizes that it will not be possible to produce a significant impact on the error rate before 2014 at the earliest, point confirmed by the ECA in its annual report, on which basis the Parliament should, to the views of the Commission, take the decision to grant the discharge.

Commission's answer :

According to Article 319 TFEU, it is the European Parliament’s prerogative, acting on a recommendation from the Council, to "give a discharge to the Commission in respect of the implementation of the budget". The key question is whether the Commission, in implementing the budget, has diligently taken all necessary actions to remedy the problems when they were surfacing and/or to correct the risk for the EU budget.

The following documents contain pertinent information, on agriculture in particular, which may form part of the basis upon which such a decision could be made: the Court of Auditors' Annual Reports (2010 to 2012), DG AGRI's Annual Activity Reports (2010 to 2012), the Commission Communication on the Protection of the European Union Budget to End 2012 (SWD(2013) 404 final), and the Commission staff working document on the assessment of root causes of errors in the implementation of rural development policy and corrective actions (SWD(2013)244) transmitted to the European Parliament and the Council on 27 June 2013.

Serious problems for rural development were initially detected and reported by the Commission and then by the ECA in relation to financial year 2011. DG AGRI reacted immediately, with a reservation in its Annual Activity Report and a solid action plan encompassing a series of remedial measures for the short term (e.g. immediate modifications of existing rural development programmes) and for the longer term (e.g. for the period 2014-2020, alignment of interruption and suspension with other policies under shared management).

For EAGF, in its 2012 Annual Activity Report, DG AGRI announced global action plans for both direct payments and market measures and put a reservation for the expenditure in three Member States. National action plans (see document in Annex) will be developed with all Member States with a high error rate; a new Unit will be dedicated to ther design and monitoring.

These remedial actions cannot yield immediate results in terms of reducing errors, they require significant administrative and technical work. They also require the full involment, at all levels of the national authorities. In the meantime, the net financial corrections imposed by the Commission cover the risk to the EU budget.

In addition, the Commission would like to underline that the European Court of Auditors' error rate cannot be translated into money badly spent in a straightforward manner, as payments that have been classified as quantifiable errors by the Court may still contribute to the objectives of rural development policy.

62. In the letter of Mr Barroso, President of the European Commission, of 26 November 2013 to the Budgetary Control Commission on the discharge 2012, Mr Barroso mentions the importance of an "automatism" for net financial corrections impact at Member States level for the new financing period. The new legal bases foresee net financial corrections not only for agriculture where, he says, they are already widely used in 2012, but also for cohesion. Could Commissioner Cioloş give an overview of the Member States with net financial corrections and for each Member State the amount of net financial corrections made by the Commission in 2011-2012?

Commission's answer :

In 2011 and 2012, (net) financial correction decisions have been adopted by the Commission in the agriculture area (both 1st and 2nd pillar) for the following Member States and amounts:

Member States	2011	2012
AT	-1.303.515,38	-1.448.139,13
BE	0	-3.131.514,64
BG	-24.543.106,87	0
CY	-10.745.186,47	-127.016,09
CZ	0	-11.170,27
DE	-1.984.568,61	-10.193.142,37
DK	-22.379.438,60	-117.107,13
EE	0	-807.888,39
ES	-116.409.933,27	-34.399.520,80
FI	-990.910,38	-56.225,66
FR	-2.325.594,69	-63.752.953,88
GB	-33.229.918,00	-68.073.472,51
GR	-269.138.899,74	-79.282.779,78
HU	0	-6.975.893,53
IE	0	-10.625.020,08
IT	-80.664.281,85	-199.579.072,61
LT	0	-8.563.496,85
LU	0	-1.827,40
LV	0	-16.935,01
MT	-260.731,68	-1.162,63
NL	-24.933.790,74	-18.132.415,10
PL	-655.320,65	-13.509.819,99
PT	-2.454.346,92	-98.304.868,46
RO	-74.898.702,23	-11.513.890,85
SE	-75.647.001,52	-22.463.562,35
SI	0	-14.025,04

SK	0	0
TOTAL (EUR)	-742.565.247,59	-651.102.920,56

The treaty and the EU's Financial Regulation require Member States to cooperate with the Commission so that EU funds are used in accordance with the principals of Sound Financial Management, which are effectiveness, efficiency an economy. The Commission and Member States need timely information on whether rural development measures are achieving the policy objectives in an efficient way.

63. Could the Commissioner explain how these principals of the Sound Financial Management can be achieved with an information deficit of the Member States, not providing reliable monitoring and evaluation information or not giving any information at all (ECA Special Report No12)?

Commission's answer :

A large number of the Court's observations related to the information availability are linked to the fact that it was still too early in the programme for results and impacts to be visible. This is due to the fact that individual rural development programmes first needs to be programmed, afterwards individual projects planned and implemented before the first results can be measured. This means that it was still too early to properly assess the effectiveness and efficiency of the programmes.

Consequently, the information available through the monitoring and evaluation system, while incomplete and possibly not always fully reliable, was the best available at that stage, taking into account financial and practical limitations faced by the Commission and Member States. More exhaustive information on the effectiveness of the programmes will be available in the ex-post evaluations of the RDPs. However, the Commission, Member States and various stakeholders have devoted much effort to continuously improving the system and this experience is being used for the development of an improved monitoring and evaluation system for the new programming period.

64. What are the measures taken by the Commission against Member States concerning the information deficit in 2011-2012?

Commission's answer :

In the context of the yearly approval of the Rural Development Annual Progress Reports submitted by the Member States, the Commission services have requested corrected versions to Member States when missing data or inconsistencies were identified. For a very limited number of 2011 Annual Progress Reports (5 out of 88), revised versions were still outstanding at the time of the audit.

65. Which solutions does the Commissioner have for this structural problem to stimulate and obligate Member States in providing solid and reliable information?

Commission's answer :

The Commission, Member States and various stakeholders have devoted much effort to continuously improving the existing system and this experience is used for the development of an improved monitoring and evaluation system for the new programming period.

As part of the new Monitoring and Evaluation framework a number of indicators needed for assessing the performance of the policy were identified, and the corresponding reporting obligations are included in the legislation. Moreover, the Commission provides guidance on how to collect the information and assess the progress towards targets.

It should be noted however that while it is relatively easy to identify and measure the output of a policy, it takes time for the result and impact of a policy to emerge. Moreover, the effects of the policy need to be separated from other intervening factors. Therefore, there always is a certain time gap before the information on results and impacts becomes available.

66. The error rate in agriculture rose in 2012 up to 3,8% from 2,9% in 2011. With the new reforms 30% of the budget for the European Agricultural Guarantee Funds (EAGF) will be spend on greening measures. How will the Commissioner prevent the error rate to rise again in the coming years with the new reforms on greening measure which are difficult to control? Could the Commissioner provide an overview on what kind of control measures can be taken? Can the Commissioner guarantee that the error rate will not rise further under the new cap?

Commission's answer :

First of all let me bring to your attention that greening is one of Pillar I measures (not under Pillar II which is subject of this section in the list of questions).

In order to avoid that the error rate for pillar 1 will rise again due to the newly introduced greening measures, the Commission has taken several actions.

Firstly, during the drafting of the delegated and implementing acts on the greening and control provisions special attention is paid to the controllability of the greening measures and their potential risk for errors. Secondly, the provisions under the Integrated Administration and Control System (IACS) will foresee modifications to the IACS in relation to greening, for example 100% administrative cross-checks of Ecological Focus Areas (EFA) with the LPIS and in view of an improved management and control of certain greening obligations, the introduction of a geospatial aid applications. Thirdly, DG AGRI decided to set up, as from 1 January 2014, a unit dedicated to the implementation of the direct payments, including greening, which will support the Member States with reinforced means in their preparative activities for a smooth implementation of the CAP reform in 2015, including the dissemination of best practices. Last but not least, the Commission will carry out regular audits within the context of the Clearance of Accounts to assess the correct implementation of the IACS in the Member States. In an effort to contain the error rates for agriculture, the Commission, together with the Member States, has and is in the process of taking actions in the framework of comprehensive action plans where audit revealed weaknesses in the IACS implementation or inadequate control procedures.

67. In response to findings in the Annual Report 2011 of the European Court of Auditors and in an effort to contain the error rate in this policy area, the Commission has further stepped up its controls in rural development. However, there is also a point where further increasing the level of controls is no longer cost-effective and has an adverse effect on the attractiveness of rural development programmes. Indeed, farmers already consider the control burden in rural development excessive. What is the Commission's view on this question?

Commission's answer :

The Commission is also concerned by the fact that Member States and beneficiaries could be reluctant to get involved in rural development projects, because of the increasing administrative and control burden. The Commission has also already expressed the view in its Communication to the European Parliament, the Council and the Court of auditors "Towards a common understanding of the concept of tolerable risk of error" of 16 Dec 2008 [COM(2008) 866], that for rural development, on the basis of available data, the Budgetary Authority could consider that any further controls to reduce errors would not be cost effective and that the *tolerable risk level for rural development measures is clearly above 2% and may lie above 5%.*

The Commission agrees with the opinion of the Discharge authority in its Discharge Resolution of 2011 that in addition to a European regulatory framework with necessarily increasing constraints in terms of audit and control framework, Member States authorities at all levels are often adding additional unnecessary requirements ("gold-plating") on the beneficiaries, notably in terms of eligibility criteria, administrative authorizations or proofs of expenses. Moreover investment measures are subject to the respect of public procurement procedures, which bring additional complexity to the management of projects, especially where designed at a micro-local level.

In response to the need of additional assurance in the rural development area, the Commission is increasing its audit efforts and will develop a multi-annual audit strategy aimed at increasing the audit coverage on the expenditure incurred. The Commission also intends to take full benefit from the new missions of the Certifying bodies in terms of legality and regularity of underlying transactions, brought in by the

2014-2020 regulatory framework: based on the re-performance of a representative sample of transactions this will allow the Certifying bodies to provide the Commission with an opinion on the legality and regularity of underlying transactions together with a representative residual error rate which will feed into the Commission's building of assurance.

Considering the opinion of the Court in its Annual Report that in a majority of cases the errors detected in the DAS process could have already been detected and corrected by the paying agencies, the creation of a full second level control layer on the work of the paying agencies will undoubtedly bring additional assurance on the expenditure submitted for reimbursement to the Commission.

68. In its resolution of 3 July 2013 on the Integrated Internal Control Framework, the European Parliament "calls on the appropriate EU institutions to assess whether setting the error rate at 2 % is appropriate and attainable for all areas of EU policy". In the Commission's view, is a materiality threshold of 2 % compatible with an ambitious orientation of the rural development policy?

Commission's answer :

In its Communication to the European Parliament, the Council and the Court of auditors "Towards a common understanding of the concept of tolerable risk of error" of 16 Dec 2008 [COM(2008) 866], the Commission already estimated that for rural development, on the basis of available data, the Budgetary Authority could consider that any further controls to reduce errors would not be cost effective and that the tolerable risk level for rural development measures is clearly above 2%. Moreover, in its Communication to the European Parliament, the Council and the Court of auditors "More or less controls? Striking the right balance between the administrative costs of control and the risk of error" of 26 May 2010, the Commission proposes, for EAFRD expenditure, a TRE level in the yellow range (2%-5%). A DAS error rate around the middle of this range would be acceptable and justified. Above this level, additional action would be taken to reduce the error rate through increased controls and addressing the major causes of error.

The inherent risk to this area of expenditure is indeed higher than for other areas, notably due to more complex eligibility criteria, often coming from the national / regional / local levels, which can only be checked on the spot, and commitments put on the beneficiaries linked to more ambitious objectives:

- For area linked aids in rural development, compared to the first pillar additional requirements increase the inherent risk: the farmer must not only ensure that the declared area is real and the respect of eco-environmental conditions but also of additional commitments such as reducing the use of fertilizers or the respect of certain agricultural practices etc.

- Investment projects in rural development are complex measures often submitted to public procurement procedures and over-regulated by the Member States in terms of eligibility criteria, administrative authorizations or proofs of expenses.

69. How will more rigour be applied in setting clear and measurable objectives for rural development programmes to overcome weaknesses observed by the ECA in its special reports covering this area?

Commission's answer :

For the new programming period, the Commission and Member States have developed clear target indicators at result level for each of the focus areas.

Findings of the conformity audits in 2012

70. The conformity audits in 2012 found that Sicily (Italy), Denmark as regards recognition of producer organisations; Romania, Bulgaria, France and Portugal with regard to direct aid as well as Romania and Bulgaria with respect to certain rural development measures are ineffective in determining the eligibility of claims or preventing irregularities.

a Why has Romania not be included in the reservation made by the DG AGRI in regard to the direct aid disbursed in Romania, although Romania was found to be in non-conformity in 2012?

Commission's answer : AGI

Annex 7.I.B of DG AGRI's 2012 AAR (Audit coverage for paying agencies dealing with area aids – page 94 of the Annex) does not indicate that the system for direct aids is ineffective for RO (see also the reply to question 11).

For rural development expenditure, the 2012 AAR maintains the reservation on rural development expenditure (2nd pillar), therefore also covering RO.

b What are the steps in order to remedy the situation of non-conformity in these cases?

Commission's answer :

Regarding rural development (2nd pillar), serious deficiencies (creation of artificial conditions) in the implementation of measure 312 (creation and development of micro-enterprises) were discovered during the audits carried out in 2012-2013 in Romania. To address these findings RO took a number of initiatives in the context of a specific action plan for the M312: revision of selection criteria and the risk factors in the internal procedure of the Paying Agency, audit of projects already paid by the Paying Agency itself and audit of a private audit firm.

However, a recent Commission audit showed that the action taken by RO hadn't yet yielded the sought effect, and thus there are still concerns about the control system applied by RO.

A bilateral clearance procedure with RO is ongoing and will continue. Appropriate financial corrections will be applied.

DG AGRI will also continue working with the RO authorities, who should implement a reinforced specific action plan which should include in addition clear progress indicators, and its implementation should be subject of close monitoring by DG AGRI. This closer follow up will continue until reception of a new audit report (drawn up by the Certifying Body or any other independent audit authority), which confirms that the controls operated on M312 offer reasonable assurance of the legality and regularity of the expenditure.

As regards Bulgaria, the 2012 mission covered expenditure on measure 312 'Support for the creation and development of microenterprises'. It concluded that there were concerns in regard to a major part of the expenditure on investments in solar power plants. The clearance procedure is ongoing; the Bulgarian authorities are invited to a bilateral meeting in January 2014 to present their defence as well as the remedies envisaged. Furthermore, also audits in previous years for other measures have found significant weaknesses which affected expenditure for financial year 2012. In this regard, the Commission has transmitted proposals of financial corrections to the Bulgarian authorities. These proposals are presently in conciliation.

Regarding recognition of producer organisations (first pillar – market measures): In the case of Sicily, an audit mission carried out in October 2013 confirmed that the deficiencies identified for producer organisations as well as the detailed recommendations for improvement that had been made by DG AGRI, had been and continued to be addressed by the Italian authorities. In the case of Denmark, a meeting has been organised for early 2014 during which the Danish authorities will present the actions and corrective measures taken to remedy the deficiencies. For both cases, conformity clearance procedures are underway and financial corrections will be imposed inorder to protect the EU budget from any loss resulting from the deficiencies detected.

Regarding Bulgaria, Portugal and France (direct aids) reference is made to the replies to questions 8, 9, 11 and 20 which set out in some detail the extent to which the deficiencies identified have been addressed.

Guarantee Funds

71. Guarantee funds had been partially audited by the DG AGRI within the scope of three audit missions to Italy and two to Romania. In one case a large part of the guarantees have been not delivered in conformity with the approved regional development programme, as they were irregularly covering the bank guarantees given in order to allow the beneficiaries benefiting from an advance payment from the Paying Agency. Could the Commission provide more information on the case?

Commission's answer :

The advance payments to beneficiaries must be covered by a bank (or equivalent) guarantee in order to waive the risk from the EU budget. If this guarantee is given (or if the bank guarantee is backed) by the Guarantee Fund, the risk remains at the EU budget.

The Member State accepted the remark of DG AGRI and transferred all these guarantees, the paid (lost) ones and the committed (still running) ones, to a National Guarantee Fund, so that the EU budget does not support these risks and losses any longer.

72. How does the Commission address the risk of over financing and front-loading found in the audits of the Guarantee funds?

Commission's answer :

For 2014-2020 period there will be phased applications for interim payments for programme contributions paid to the financial instrument (e.g. Guarantee Fund). Payments will be subject to performance, enforcing at least 4 tranches (i.e. 25% of the financial commitments), each of which will be delivered only if a certain percentage of the fund have been paid to the final recipients. This provision is provided for under Art. 35 of the CPR. Therefore, there won't be risk of "parking" of unused resources under financial instruments in the 2014-2020.

OLAF's recent enquiries

73. In June 2012, OLAF informed DG AGRI of evidence of serious fraud uncovered in a Sapard project in Croatia, and that four projects showed serious signs of fraudulent manipulation. OLAF feared that the number of cases involving Sapard funding in Croatia could increase. In October 2012, DG AGRI carried out an audit mainly examining the projects not investigated by OLAF. As a result one of the files was sent to OLAF for further investigation.

a Have the cases transmitted to OLAF been closed?

Commission's answer :

One investigation concerning a SAPARD project in Croatia was closed by OLAF on 11/12/12 with a recommendation for financial recovery of 352,641 euro. Currently, OLAF also has an ongoing case concerning a SAPARD project in Croatia.

b Have the funds regarding the 5 projects investigated by or submitted to OLAF been recovered?

Commission's answer : OLAF, AGRI

OLAF has completed its investigation concerning one of the SAPARD projects in December 2012 and recommends recovery of the entire contribution to the project (EU share: 352.461 €). It is now up to the competent paying agency to initiate recovery which will be monitored by DG AGRI.

Concerning the still on-going investigations, no recoveries have been initiated as yet.

c Have the projects been discontinued?

Commission's answer :

According to the information available the projects have not been discontinued as they were formally accomplished after final payment. Whether recoveries are to be initiated depends on the outcome of the OLAF investigations.

d What was the percentage amount of each project affected by fraud?

Commission's answer :

See also the reply to 73a. As the use and the presence of false and incorrect documentation during the procurement procedure was established, OLAF recommended the recovery of the whole amount. OLAF identified a total financial impact of 470,188 euro of which 75% came from the EU budget (352,641 euro), which represents the totality of the project.

Reduced staffing

74. What effects could be observed in 2012 from the financial crisis resulting in reduced staffing for management of the various agricultural funds? Are there continuing effects from 2012 and into 2013 which could impact on the need for Member States to improve administrative checks?

Commission's answer :

The financial crisis entailed reductions in human and financial resources of national administrations resulting from austerity plans. This may weaken Member States capacity to deliver the necessary results/outputs - notably regarding the rural development programmes - and to properly manage and control agricultural expenditure.

In order to achieve efficiency gains, Member States, initiated restructuring or reorganisation processes, including the reinforcing of IT technologies. None of the Member States has indicated that paying agencies and bodies could not continue to fulfil their functions in compliance with the EU requirements. However, there are indications that in certain paying agencies the bottom line has been reached and further cuts in budget and/or staff would have a significant impact on their proper functioning.

Mitigating actions and controls include notably:

- the amendment of the rural development programmes of the Member States experiencing or threatened with serious difficulties in respect to their financial stability and that requested changes in EU co-financing rates;

- compulsory administrative structures at Member State level, with paying agencies and an authority responsible for their accreditation, and with the annual statement of assurance on proper management of funds by the head of the agency, subject annually to audit by an independent body, together with the agency's accounts and internal control procedures.

- the clearance of accounts process which excludes expenditure not compliant with EU rules (including shortcomings in MS' management and control systems).

Direct Aids

75. Direct Aids in 2012 amounted to roughly €36.9 bn, according to the 2012 DG AGRI Annual Activity Report. Was all of this paid to natural persons? If not, what proportion was paid to legal persons?

Commission's answer :

The volume of Direct Aids distributed in 2012 amounted to 40,880 Billion EUR (Source: Annual Activity Report 2012, Annex, table 1a: Outturn on Commitment Appropriations in 2012, p.13). These aids benefited to more than 7 Million farmers which are both natural persons and legal persons.

The Transparency website (http://ec.europa.eu/agriculture/cap-funding/beneficiaries/shared/index_en.htm) gives for the year 2012 only the amounts received by beneficiaries who are legal persons, natural persons being excluded following the judgement of the Court in November 2010 and Regulation (EU) 410/2011. These amounts are accessible through a search tool allowing the users to search for beneficiaries by name, municipality, amounts received as referred to Direct Payments, other Payments under EAGF and Payments under EAFRD, or a combination thereof and to extract all the corresponding information as a single set of data.

76. How will the Commission ensure that advice on management and control is given to Member States, especially concerning the new aspects of the next programming period e.g. greening issues?

<u>Commission's answer</u> :

DG AGRI decided to set up, as from 1 January 2014, a unit dedicated to the implementation of the direct payments, including greening, which will support the Member States with reinforced means in their preparative activities for a smooth implementation of the CAP reform in 2015, including the dissemination of best practices.

77. In Pillar I, over declarations is still a major source of error. What measures are the Commission taking to address this problem?

<u>Commission's answer</u> :

In order to avoid over-declarations by farmers under Pillar I, it is of importance that the Integrated Administration and Control System (IACS) put in place by the Member States functions efficiently and correctly. The Commission undertakes follow-u^p actions to ensure that MS remedy the weaknesses in the IACS which were revealed during regular Commission audits.

Firstly, following DG AGRI audits, MS are informed immediately of the weaknesses identified and requested to take remedial actions in order to improve the quality of the IACS. Particular attention is paid to findings as regards the Land Parcel Identification System (LPIS), the key element of the IACS. The LPIS contains information on the total eligible agricultural area in the Member State. Aid claims are based on this information. Therefore, poor quality of this system and/or inefficient updates inevitably cause errors in claims and later in payments.

Secondly, DG AGRI has introduced a legal requirement for Member States to assess annually the quality of the LPIS in order to identify pro-actively possible weaknesses in the system and to take remedial action when required. The assessment performed by the Member States will be actively followed-up to ensure that they do take the remedial actions required to meet the quality standards which DG AGRI considers appropriate.

Finally, DG AGRI decided to set up, as from 1 January 2014, a unit dedicated to the implementation of the direct payments, which will support the Member States with reinforced means in their preparative activities for a smooth implementation of the CAP reform in 2015, including the dissemination of best practices.

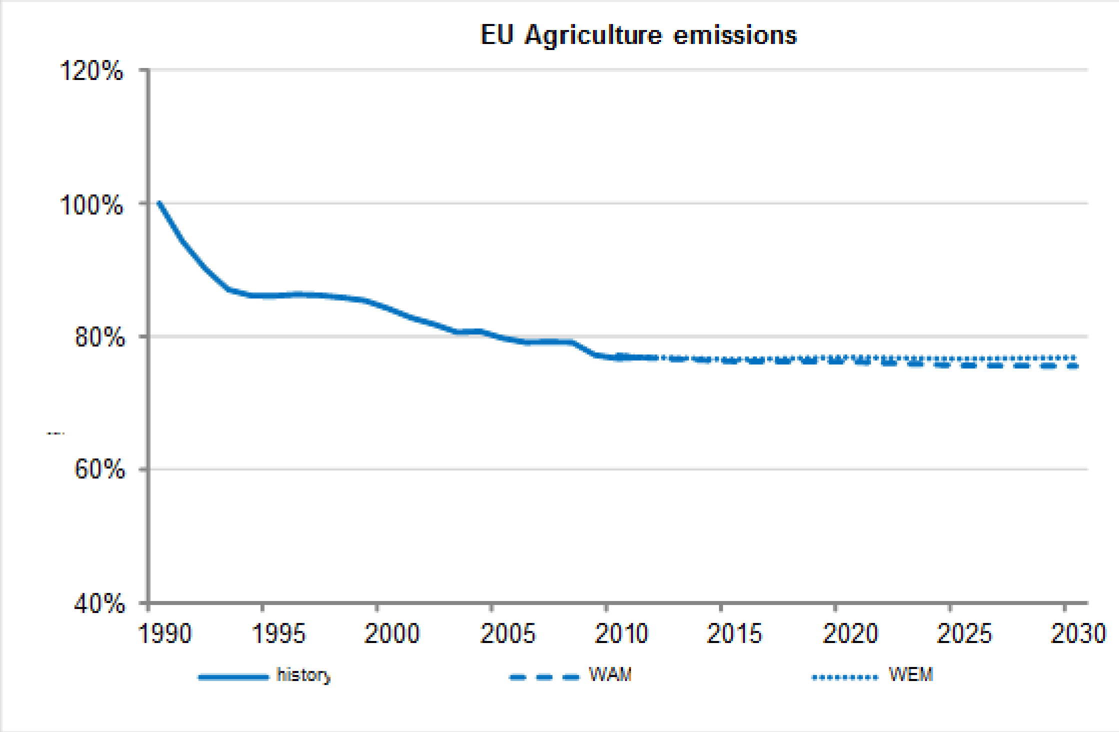
Annual activity report

78. In Table 1.2 of the DG AGRI Annual Activity Report, one of the indicators given is "share of greenhouse gas emissions from agriculture". The target given is "reduce" and the current position is given as "9% (2009) and 11% (1990)". Are these increases or reductions?

<u>Commission's answer</u> :

The share of greenhouse gas emissions from agriculture has decreased from 11 % in 1990 to 9 % in 2009.

EU-28 Green House Gas (GHG) emissions from the agricultural sector have shown a steady decrease over the past years. Changes in agricultural policy and farming subsidies have driven increased productivity, reduced livestock, reduced emissions from agricultural soils, reduced nitrogen fertiliser production and use and improved manure management. EU-28 GHG emissions from the agricultural sector are expected to decrease slowly up to 2020 with existing measures (WEM) and with additional measures projections (WAM), then EU-28 GHG emissions stabilize at this level until 2030.



79. In the 2012 DG AGRI Annual Activity Report, it states that "In recent years however, while the European Court of Auditors has found that foundation of the IACS is solid, the error rate has increased as a consequence of weak implementation in some Member States. DG AGRI's own audits also indicate that the level of error reported by some Member States is not exhaustive or completely reliable." Would it be possible to have a league table of Member States in this respect?

<u>Commission's answer</u> :

Based on the information already disclosed in DG AGRI 2012 AAR (table 3.10 the Commission is able to provide the Committee with the following table for the 27 Member States which ranks Member States in diminishing order of residual error rate.

The error rate presented here includes an adjustment by DG AGRI which reflects *inter alia* the assessment of its own auditors on the management and control systems for direct aids.

Table 3.10: Residual error rate calculation for direct decoupled aids – adjusted by DG AGRI

MS	Expenditure 2012	Residual amount at risk	Residual error rate
BG	371.488.993,01	26.155.304,95	7,04%
PT	393.879.692,06	21.802.371,76	5,54%
FR	6.883.957.200,62	349.830.182,03	5,08%
RO	872.691.788,72	37.344.959,79	4,28%
LV	110.818.620,73	3.748.924,13	3,38%
HU	955.053.470,13	27.853.735,45	2,92%
IE	1.237.368.493,34	32.641.874,65	2,64%
GR	2.039.726.952,53	52.956.816,99	2,60%
DK	888.003.636,87	22.689.847,67	2,56%
FI	486.598.154,29	11.882.877,03	2,44%
AT	633.941.764,17	15.438.120,98	2,44%
NL	781.154.746,01	16.916.955,22	2,17%
SI	100.327.369,47	2.158.030,11	2,15%
IT	3.643.347.863,79	76.885.085,59	2,11%
ES	4.329.003.540,22	91.332.829,79	2,11%
SK	288.499.661,38	5.755.482,52	1,99%
UK	3.259.405.943,10	49.668.061,83	1,52%
MT	4.282.160,74	46.835,99	1,09%
EE	80.574.730,89	816.310,74	1,01%
CY	35.853.081,26	359.243,17	1,00%
PL	2.242.799.687,89	21.559.432,14	0,96%
LU	34.276.199,67	169.438,78	0,49%
DE	5.244.399.670,26	18.185.073,02	0,35%
CZ	666.798.856,36	1.508.923,03	0,23%
SE	648.667.688,20	1.428.499,23	0,22%
BE	470.833.094,03	380.902,25	0,08%
LT	288.751.795,04	123.247,99	0,04%
Total DDA	36.992.504.854,78	889.639.366,85	2,40%

80. In the 2012 DG AGRI Annual Activity Report, reference is made to a new anti-fraud post. How many staff does it have? What links does it have with

OLAF? What links does it have with the investigative bodies in the Member States?

Commission's answer :

The post of the anti-fraud adviser in DG AGRI is occupied by one official without supporting staff. The anti-fraud adviser has no links with OLAF, but is the central contact point for the office in all operational matters. The anti-fraud adviser has in principle no links with investigative bodies in the Member States as these are the domain of OLAF, but it is not excluded that the anti-fraud adviser may entertain operational contacts with such bodies as the need arises.

Getting results from EU budget

81. Annex 6 to the annual activity report of DG AGRI gives additional information on *overall impact of the policy and main results achieved by ABB activity.*

    This annex could be the basis of the contribution of DG AGRI to the article 318 TFUE annual evaluation report.
    To which extend the achievement of the general objectives[2] of DG AGRI contribute to the main objectives of the EU 2020 Strategy? Why DG AGRI has not inserted the number of farmers as indicator for the general objective 1? Can Dg AGRI provide statistical data in this regard since 2003?

Commission's answer :

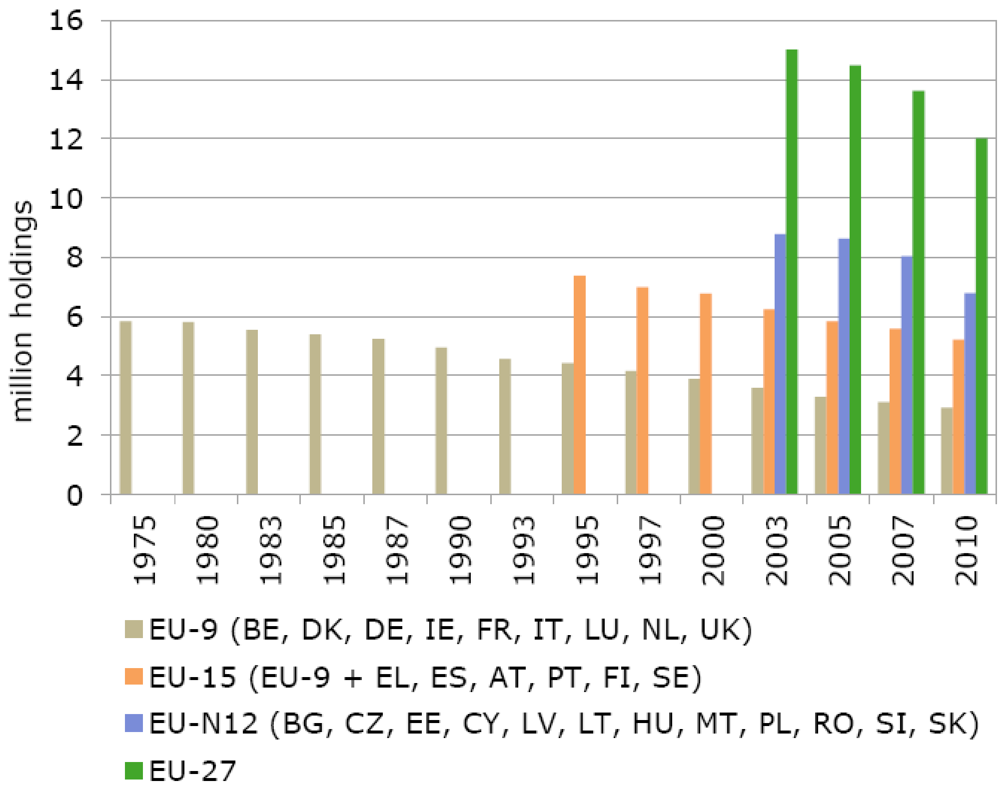
The information from the AAR, including annex 6, together with other information, e.g. from studies and ex-post evaluations indeed can serve as input for the Art. 318 TFEU report as well as the Synthesis report.

The general objectives of the CAP fit into the EU 2020 main priorities of smart, sustainable and inclusive growth. This fit between the EU 2020 strategy and the CAP is further enhanced in the new CAP 2014-2020, e.g. via the greening measures.

The Commission published detailed information on the number and structure of farms in the report "Rural Development in the EU – statistical and economic information. Report 2012". However, in the context of the DG Agri Annual Activity Report only a limited number of indicators can be reported.

[2] General objective 1:To promote a viable and competitive agricultural sector which respects high environmental and production standards, ensuring at the same time a fair standard of living for the agricultural community
General objective 2: To contribute to sustainable development of rural areas
General objective 3: To promote the European agricultural sector in the world trade

Statistical data regarding the evolution of the number of farmers since 1975 is presented in the following tables:



Source: Eurostat

82. As the flagship initiative resource-efficient Europe is interlinked with other flagships initiatives, in particular with the Union innovation and an agenda for new skills and jobs, how DG AGRI has been involved in 2012 in the achievement of those other flagship initiatives?
By which mechanism(s) is the consistency between all the different flagships initiatives assured?

Commission's answer :

The European Innovation Partnership "Agricultural Productivity and Sustainability" (EIP-AGRI), which was launched by a communication in February 2012[1], will contribute to the "Europe 2020" flagship initiative "Innovation Union" by better linking agricultural research and farming, thereby helping to shape an agricultural sector that produces more with less.

In 2013, the Commission has been preparing the use of this partnership in the period 2014-2020 by setting up an EIP network facility with a facility team.

[1] COM(2012) 79 final

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Annex: Questionnaire Ciolos annex action plans.d

EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate J. Audit of agricultural expenditure
J.3. Audit of direct aids

OVERVIEW OF ACTION PLANS WITH MS ON EAGF

Summary

- Persistent weaknesses established during DG AGRI's audits led to action plans being instigated with 6 Member States. The plans instigated as of 2006 have all been finalised and were generally successful (cf. point 1 in the Annex).
  For those cases where the situation is not handled satisfactory or for new cases action plans have been instigated (cf. point 2 in the Annex).

- Independently of these specific action plans, as part of normal procedure, when audit findings show weaknesses Member States are to take actions as to address the situation. Hence, in the period 2005-2010 the following Member States instigated "on their own initiative" plans to remedy the weaknesses, mainly in respect of the LPIS. Examples of relevance are reported in point 3 of the Annex.

- In all cases, for the periods prior to the finalisation of the plan, the risk for the Fund was/is being covered via the application of financial corrections which, however, can only be finally imposed after completion of the sometimes time consuming conformity clearance procedure.
  In some cases the financial correction has been "achieved" by retro-active recovery from the farmer and crediting of amounts by the paying agency to the EU budget.

Annex

1. FINALISED ACTION PLANS

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation
Greece	With the reputational risk stemming from the numerous years Greece did not have an adequate LPIS, <u>a new LPIS was to be developed</u>.	Mid-2006 / 31.12.2008	This plan was closely monitored and actively guided by DG AGRI. It permitted to arrive to a satisfactory situation. Errors by farmers in their claim decreased materially. The issue of the permanent pasture was however not addressed adequately (cf. infra).	– Claim year 2006: 194 Mio – Claim year 2007: 110 Mio – Claim year 2008: clearance procedure on-going - finalisation by end-2014.
Bulgaria	Considering the high error rate(*), <u>update of the LPIS information</u> on the basis of new imagery was requested.	2009-end 2011	This plan was guided and closely monitored by DG AGRI. The plan was finalised 1 year later than anticipated, but this was mainly due to conditions not fully attributable to the authorities. It permitted to arrive at an acceptable situation. The level of residual error is reducing. However, considering the eligibility rules for BG/RO, the LPIS cannot be as reliable as in the EU-25 **.	– Claim year 2007: 16.6 Mio – Claim year 2008: 20.8 Mio – Claim year 2009 and onwards: clearance procedure on-going - finalisation by end-2014.
Romania	Considering the high error rate (*), <u>update of the LPIS information</u> on the basis of new	2009- end 2010	This plan was guided and closely monitored by DG AGRI. The plan was finalised in time. It permitted to arrive to an acceptable situation. The level of residual error reduced. However,	– Claim year 2007: 42 Mio – Claim year 2008: 38.8 Mio – Claim year 2009 and onwards: clearance

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation
	imagery was requested.		considering the eligibility rules for BG/RO, the LPIS cannot be as reliable as in the EU-25.	procedure on-going - finalisation end-2014.
Portugal	Following audit findings Portugal was requested to address the situation of late on-the-spot checks and to update and streamline its LPIS.	2010- start 2013	This plan was closely monitored by DG AGRI. It was finalised in time. The results in respect of the error rate will be measurable by mid-2014 i.e. final payments for claim year 2013.	– Claim year 2007: 28.5 Mio – Claim year 2008: 29.8Mio – Claim year 2009 onwards: clearance procedure on-going - finalisation for claim years 2009-2011 by end-2014; claim year 2012 by mid-2015.
Greece	Cross-compliance.	2012-2013	As part of the moratorium Greece had to address the situation for the controls in respect of cross-compliance. This was done satisfactorily.	

(*) The error rate referred to is the one detected by the Member States following its on-the-spot checks and which is used by DG AGRI to determine the residual error rate reported in DG AGRI's Annual Activity Report.

(**) Contrary to the EU-10 for BG and RO the eligibility of the land is not fixed by a specific date i.e. 30.6.2003, land is eligible if in Good Agricultural Conditions in the year it is claimed. Combined with the fact that (conversion of) land is in "evolution" in these MS, their LPIS is quicker "outdated" than in the other MS.

2. ON-GOING ACTION PLANS

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation
Greece	Adapt the LPIS maximum eligible area for permanent pasture.	2012- March 2013	In the LPIS created in 2008, there are areas which are recorded as eligible for payment for their full area, but are not due to their inherent situation (e.g. forest, high presence of shrub, bushes etc.) As part of the moratorium, Greece had to address this situation. Missions in 2013 showed that work by Greece was not to standard. Consequently the moratorium was lifted proportionally for part of the amounts at stake (i.e. only the part linked to permanent pasture was "revoked") and financial corrections will be applied.	Claim year 2009 and onwards: clearance procedure on-going - finalisation for claim years 2009- 2012 by end-2014.
Spain	Adapt the LPIS maximum eligible area for permanent pasture.	2011-2013	This plan was instigated by Spain without "explicit" action plan request from DG AGRI albeit that audit established recurrent problems in this area. The remedial actions were audited mid-2013 and found not to address the situation in full. As a consequence a more hands-on approach will be adopted vis-à-vis Spain and financial corrections will continue.	Claim year 2009 and onwards: clearance procedure on-going finalisation for claim years 2009-2011 by end-2014; claim years 2012-2013 by end-2015.
France	Following audit findings France was requested to address	2013 onwards	France's draft action plan has been discussed at multiple bilateral meetings before France submitted a "final" version of the action plan on	Claim year 2008 and onwards: clearance procedure on-going - finalisation for claim years 2008-2010 by mid-2014; claim years

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation
	the situation of weaknesses in the LPIS.		15.11.2013.	2011-2012 by end-2014; claim year 2013 end-2015.
France	Following audit findings France was requested to address the situation of weaknesses in the controls of Cross-Compliance and Non-Area Coupled Aids.	2013 onwards	France has stated it would address situation, but results will only be visible in 2014 or 2015.	Claim years 2010 and onwards: clearance procedure on-going - finalisation for claim years incl. 2012 by mid-2015.

3. MEMBER STATES "OWN INITIATIVE" PLANS FOR REMEDIAL ACTION - MAIN ONES

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation for Pillar I
Italy	Weaknesses in the LPIS were established.	2007-2009	Following audits in 2006 and 2008, Italy instigated a plan to update the LPIS in 2007 over a period of 3 years. Since then Italy is in an "automated cycle of update".	– Claim year 2006: 26 Mio. – Claim year 2007: 43 Mio. – Claim year 2008 and 2009 are in clearance procedure - finalisation by end-2014. Note that as a result of the remedial action Italy started recovery from farmers, which would reduce the amount of the correction for these 2 years.
The Netherlands	Weaknesses in the LPIS were established.	2009-2010	Following audits in 2007 and 2009, The Netherlands instigated a plan to update the LPIS in 2009.	– Claim year 2005: 5.1 Mio – Claim year 2006: 5.5 Mio – Claim year 2007: 4.9 Mio – Claim year 2008: 20 Mio (incl. also other findings) – Claim year 2009: 5 Mio (some LPIS issues had already been addressed) – Claim year 2010: no correction required.

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation for Pillar I
Sweden	Weaknesses were established in the LPIS	2009-2010	Following audits in 2007 and Sweden instigated a plan to update the LPIS in 2009. Latest mission in 2013 showed that Sweden continuously updates its LPIS.	– Claim year 2005: 24 Mio (incl. also other findings) – Claim year 2006: 23.9 Mio (incl. also other findings) – Claim year 2007: 22.1 Mio (incl. also other findings) – Claim year 2008: 18.4 Mio (assessed using LPIS update info). – Claim year 2009-2010: corrections proposed but as recoveries had been instigated by SW no financial impact.
Poland	Weaknesses were established in the LPIS for claim year 2005 onwards.	*2009-2010*	Following audits in 2006, 2008 and 2009 Poland instigated a plan to improve the performance of its LPIS in 2009 and further-on in 2010 and 2011. This continued progress was confirmed in an audit in 2011.	– Claim year 2005: 100 Mio PLZ (incl. also other findings) – Claim year 2006: 25 Mio (incl. also other findings) – Claim year 2007: 17.5 Mio (financial impact is lower because recoveries instigated by PL) - clearance procedure in finalisation. – Claim year 2008: 14.5 Mio (financial impact is lower because recoveries

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation for Pillar I
				instigated by PL) - clearance procedure in finalisation. – For claim year 2009 onwards no corrections have been deemed appropriate as recoveries are being instigated by PL.
N-Ireland	Weaknesses in the LPIS were established.	*2010-2012*	Following audits in 2006, 2008 and 2009 N-Ireland instigated a plan to improve the performance of its LPIS in 2010. This was further developed in 2011 and 2012 and should yield full positive results for claim year 2013.	– Claim year 2005: 11 Mio (incl. other findings). – Claim year 2006: 17 Mio (incl. other findings). – Claim year 2007: 16 Mio (incl. other findings). – Claim year 2008: 15.7 Mio (incl. other findings) – Claim year 2009: 17.6 Mio (incl. other findings) – Claim year 2010 onwards: clearance procedure on-going - finalisation by end-2014.
Scotland	Weaknesses in the LPIS were	2009-2010	Following audit in 2007 Scotland took remedial action to improve the performance of its LPIS in	– Claim year 2007: 12 Mio. (incl. other

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation for Pillar I
	established.		2009. This was further developed in 2010.	findings) – Claim year 2008: 11.5 Mio (incl. other findings) – Claim year 2009: 11.5 Mio (incl. other findings) – Claim year 2010: clearance procedure on-going - finalisation by start-2014. Amounts were "calculated" by Scotland using there LPIS review.
Lithuania	Weaknesses were established in the LPIS	*2009-2011*	Following audits in 2006 and 2009 Lithuania took remedial action to improve the performance of its LPIS. First measures were taken in 2009 but a fully satisfactory situation was only achieved for 2011.	– Claim year 2005: 2 Mio (incl. other findings). – Claim year 2006: 2.5 Mio (incl. other findings). – Claim year 2007: 4.3 Mio (incl. other findings) - clearance procedure finalised early-2014. – Claim year 2008: 5.5 Mio (incl. other findings) - clearance procedure finalised early-2014. – Claim year 2009 onwards: clearance procedure is on-going - finalisation by

MS	Subject	Start / end date	Assessment	Financial corrections applied until finalisation for Pillar I
				end-2014.
Austria	Weaknesses were established in the LPIS particularly in respect of alpine parcels.	*2009-2011*	Following audits in 2008 and 2009 Austria took remedial action to improve the performance of its LPIS in 2010 and 2011.	– Claim year 2006: 2.6 Mio (incl. other findings). – Claim years 2007-2009: following updates in 2011, Austria recovered from farmers and credited to Fund. Hence no financial correction was deemed appropriate for this issue.
Ireland	Weaknesses were established in the LPIS and particularly in respect of the commonages.	*2010-2013*	Following audits in 2006, 2009 and 2010 Ireland took remedial action to improve the performance of its LPIS in 2010. This will only be fully finalised for claim year 2014.	– Claim year 2005: 3.3 Mio – Claim year 2006: 3.3 Mio. – Claim year 2007: 3.4 Mio. – Claim year 2009 and onwards: clearance procedure is on-going- finalisation by mid-2014. Amounts will be re-calculated by Ireland using their LPIS review.