



EUROPEAN COMMISSION
Budget

The Accounting Officer of the Commission

FINANCIAL CORRECTIONS UNDER THE COHESION POLICY 2012

REPORT AT 31st MARCH 2012

PROVISIONAL FIGURES

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1. INTRODUCTION

During the 2006 discharge exercise the Commission was asked to provide the Budget Authority with regular information on the financial corrections made to programmes under the Cohesion policy. This report covers the situation of 2012 financial corrections at the end of March 2012.

2. RECOVERY OF EXPENDITURE UNDER COHESION POLICY

Financial corrections are the main tool used for the correction of errors and irregularities in the context of shared management.

Financial corrections are made by the European Commission so as to exclude from EU funding expenditure that is not in accordance with applicable rules and regulations.

Financial corrections can result from controls and audits at any level of the control system in the Member States or from audits by the Commission or the European Court of Auditors or OLAF investigations.

Member States are primarily responsible for making financial corrections in relation to irregularities committed by beneficiaries. Where the Member State agrees to make a correction as a result of its own or EU control and audit activity, so as to implement the financial correction, it may withdraw the amount of irregular expenditure in the following declaration of expenditure or deduct the irregular amount from a next payment claim as soon as it has recovered it from the concerned beneficiaries, and thus re-use the EU funding released for other expenditure under the programme concerned (but not related to the operation or operations that were the subject of the correction).

The European Commission may take a formal decision to apply financial corrections to the Member State where the Member State has failed to make the required corrections or where there are *serious failings in the management and control systems* which could lead to systemic irregularities. A financial correction applied by Commission decision involves a net reduction of EU funding to the programme concerned.

The corrections initiated by Member States and resulting from their own controls are not registered in the Commission's accounting system.

3. ANALYSIS OF 2012 FINANCIAL CORRECTIONS

The financial corrections reported below result from audit work performed at EU level (i.e. by the Commission, the Court of Auditors and OLAF) for:

- the programming period 2007-2013. These financial corrections were either decided or accepted in the period from 1st January 2012 to 31st March 2012;
- the programming period 2000-2006, for which the closure process is on-going;
- and for the last phase of the closure of the programming period 1994-1999.

The following tables ¹ do not include the results of the Member States' own checks of Structural Funds expenditure.

The financial corrections are shown per Structural Fund, per programming period and per classification of financial correction. The tables below are a consolidation of submissions received from the responsible Directorates General on the basis of the information at their disposal.

¹ All figures are rounded two digits after the decimal. It should be noted that due to rounding of figures, some figures in the tables may not add up.

**COHESION POLICY
FINANCIAL CORRECTIONS CONFIRMED/DECIDED
AT 31ST MARCH 2012
ACCRUAL BASIS**

<i>EUR millions</i>						
	ERDF	CF	ESF	FIFG	EAGGF Guidance	TOTAL
Financial Corrections 1994-99 period:						
With recovery order	0,00	0,00	0,00	0,00	0,00	0,00
Decommitment/deduction at closure	0,00	0,00	0,00	0,00	0,00	0,00
Not yet implemented	0,00	0,00	0,00	0,01	0,03	0,05
Sub-total 1994-99 period	0,00	0,00	0,00	0,01	0,03	0,05
Financial Corrections 2000-2006:						
With recovery order	0,00	1,97	0,00	0,00	0,00	1,97
Deduction by Member States	0,00	0,00	0,00	0,00	0,00	0,00
Decommitment/deduction at closure	0,00	6,62	0,00	0,00	0,00	6,62
Not yet implemented	2,20	2,00	0,02	0,00	0,00	4,23
Sub-total 2000-2006 period	2,20	10,60	0,03	0,00	0,00	12,83
Financial Corrections 2007-2013:						
With recovery order	0,00	0,00	0,00	0,00	0,00	0,00
Deduction by Member States	0,00	0,00	0,02	0,00	0,00	0,02
Decommitment/deduction at closure	0,00	0,00	0,00	0,00	0,00	0,00
Not yet implemented	0,00	0,00	43,33	0,00	0,00	43,33
Sub-total 2007-2013 period	0,00	0,00	43,35	0,00	0,00	43,35
Total financial corrections confirmed/decided Q1 2012	2,20	10,60	43,38	0,01	0,03	56,22

The figures are presented on an accrual basis, which means that financial corrections decided or accepted during the reporting period from 1st January 2012 to 31st March 2012 are included, even if those corrections have not been implemented during that period. In the reporting period, out of a total of EUR 56,22 million of financial corrections decided/accepted, EUR 1,97 million were implemented by the issuance of a recovery order.

The total amount is lower compared to the corresponding quarter of 2011 (EUR 83,18 million). This is firstly explained by the limited amount of financial corrections accepted/decided related to the programming period 2000-06 as the programmes concerned are in a closure process. Secondly amounts reported for the programming period 2007-13 are limited due to the combination of two factors: the "single audit" approach embedded in the regulatory framework (Commission reliance on programmes' audit authorities), and the timely interruption of payment deadlines by the Commission, as a consequence of which Member States take early corrective measures at their level. For these reasons one can expect the reporting of less financial corrections by the Commission for the current programming period.

**COHESION POLICY
FINANCIAL CORRECTIONS IMPLEMENTED
AT 31st MARCH 2012
CASH BASIS**

<i>EUR millions</i>						
	ERDF	CF	ESF	FIFG	EAGGF Guidance	TOTAL
Financial Corrections 1994-99 period:						
With recovery order	0,00	0,00	0,00	0,00	0,00	0,00
Decommitment/deduction at closure	0,00	0,00	0,00	0,00	0,00	0,00
Sub-total 1994-99 period	0,00	0,00	0,00	0,00	0,00	0,00
Financial Corrections 2000-2006:						
With recovery order	0,00	1,97	0,00	0,00	0,00	1,97
Deduction by Member States	0,00	6,05	0,00	0,00	0,00	6,05
Decommitment/deduction at closure	22,65	23,79	0,00	0,00	0,00	46,44
Sub-total 2000-2006 period	22,65	31,81	0,00	0,00	0,00	54,46
Financial Corrections 2007-2013						
With recovery order	0,00	0,00	0,00	0,00	0,00	0,00
Deduction by Member States	0,18	0,00	35,92	0,00	0,00	36,10
Decommitment/deduction at closure	0,00	0,00	0,00	0,00	0,00	0,00
Sub-total 2007-2013 period	0,18	0,00	35,92	0,00	0,00	36,10
Total financial corrections implemented Q1 2012	22,83	31,81	35,92	0,00	0,00	90,56

The figures are presented on a cash basis, which means that financial corrections implemented during the reporting period from 1st January 2012 to 31st March 2012 are included, whether they were decided or accepted in that period, or in previous years. In the reporting period, out of a total of EUR 90,56 million of financial corrections implemented, EUR 1,97 million were implemented by the issuance of a recovery order.

The total amount of financial corrections implemented during the reporting period is higher compared to the corresponding quarter of 2011 (EUR 64,85 million). Most of the implementation in 2012 concerns the programming period 2000-06 and is related to financial corrections decided/accepted in previous years and deducted at programme closure. Additional amounts of this kind are expected to be reported in the coming quarters as and when closure documentation is reviewed and final payment claims authorised.

**COHESION POLICY
FINANCIAL CORRECTIONS CONFIRMED/DECIDED
CUMULATIVE FIGURES AT 31st MARCH 2012
ACCRUAL BASIS**

<i>EUR millions</i>					
	1994-1999 Period	2000-2006 Period	2007-2013 Period	Total as at 31/03/2012	Total as at 31/12/2011 (prov.)
ERDF	1.769	4.578	4	6.350	6.348
Cohesion Fund	273	518	0	792	781
ESF	397	1.182	262	1.841	1.798
FIFG	100	99	0	198	198
EAGGF Guidance	125	41	0	166	166
Total financial corrections confirmed at end Q1 2012	2.664	6.418	265	9.347	9.291

COHESION POLICY
CUMULATIVE FIGURES AT 31st MARCH 2012
SITUATION OF FINANCIAL CORRECTIONS CONFIRMED/DECIDED
NOT YET IMPLEMENTED

<i>EUR millions</i>						
	ERDF	CF	ESF	FIFG	EAGGF Guidance	TOTAL
1994-99 period	2,80	7,54	0,00	0,01	0,03	10
2000-2006 period	2.195,85	144,57	17,02	94,15	0,00	2.452
2007-2013 period	0,29	0,00	66,43	0,00	0,00	67
Total financial corrections not yet implemented at end Q1 2012	2.199	152	83	94	0	2.529
Total financial corrections not yet implemented as at end 2011 (provisional figures)	2.220	173	76	94	0	2.565

The figures presented report the cumulative financial corrections accepted/decided at 31st March 2012 since the first report in 2008, as well as the cumulative financial corrections not yet implemented at 31st March 2012, regardless of the year when the financial correction was decided or accepted. Out of EUR 9,347 million of corrections reported cumulatively at 31st March 2012, EUR 6,818 million (73%) have been implemented. EUR 2,529 million remain to be implemented. This includes financial corrections deducted from final expenditure claims received by the Commission services at the closure of 2000-2006 programmes but not yet validated by payments from the Commission, due the on-going closure process.