



**EUROPEAN COMMISSION**

Budget

Deputy Director-General  
**Accounting Officer**

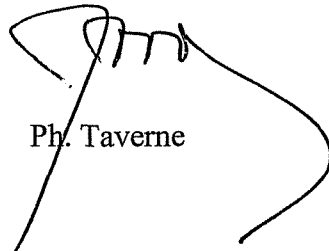
Brussels,  
Budg.C2/MRAB/VD/jve

**NOTE TO THE ATTENTION OF MR BRAWN  
SECRETARIAT COCOBU**

**Subject: Quarterly report on financial corrections at 30th September 2009  
Cohesion policy**

As requested by the Budget Authority during the 2006 discharge exercise, please find the report on the financial corrections made in 2009 to programmes under the Cohesion policy at 30<sup>th</sup> September 2009.

Financial corrections and withdrawals per fund and per Member State will be provided shortly, following request by Mrs Grässle in Cocobu meeting of 10 November.



Ph. Taverne

Copy: Mrs Vitrey, Director Budgetary Affairs



**EUROPEAN COMMISSION**  
Budget

**The Accounting Officer**

**FINANCIAL CORRECTIONS UNDER THE  
COHESION POLICY 2009  
REPORT AT 30TH SEPTEMBER 2009**

## INDEX

1. INTRODUCTION.....	4
2. RECOVERY OF EXPENDITURE UNDER COHESION POLICY .....	4
3. ANALYSIS OF 2009 FINANCIAL CORRECTIONS .....	5

## **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 has been reflected in its action plan to strengthen the Commission's supervisory role under shared management of the Cohesion policy (action 7.2)<sup>1</sup> where the Commission takes the commitment to transmit to the Budget Authority a quarterly report on the financial corrections made under the Cohesion policy. This report covers the situation of 2009 financial corrections at the end of September 2009.

## **2. RECOVERY OF EXPENDITURE UNDER COHESION POLICY**

In this domain, the mechanism of recovery of errors, irregularity and fraud mainly consist of financial corrections.

Expenditure not meeting the conditions of funding, because of irregularity, must be excluded from co-financing by the EU budget. This exclusion is called a "financial correction". The purpose of such corrections is to restore a situation where 100% of the expenditure declared for co-financing from Cohesion policy is in line with the applicable national and Community 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 EC 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 and re-use the EC 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 reduction of the EC funding of the programme concerned.

The corrections effected by Member States following their own or EC audits are not registered in the Commission's accounting system, and the information is reported by Member States once a year. Only the financial corrections implemented by a recovery order or by a reduction in a final payment are included in the accounting system.

A financial correction does not release the Member State from its general obligation to recover irregularities. Instead of withdrawing irregular expenditure, it may declare the recovered amount.

---

<sup>1</sup> Communication from the Commission to the European Parliament, the Council and the Court of Auditors (COM(2008) 97 final)

### 3. ANALYSIS OF 2009 FINANCIAL CORRECTIONS

The financial corrections given below result from audit work performed by the Commission and the Court of Auditors for the programming period 2000-2006 and the closure process for the 1994-1999 programming period. These corrections were either decided by formal financial correction decision by the Commission in 2009 or the Member State has given its agreement in 2009 for implementing the financial corrections by deducting the amount concerned in the following declaration of expenditure.

The financial corrections are shown per Structural fund, per programming period and per classification of financial correction.

#### FINANCIAL CORRECTIONS FOR COHESION POLICY IN 2009 AT 30TH SEPTEMBER 2009 ACCRUAL BASIS

EUR millions

	ERDF	CF	ESF	FIFG	EAGGF_G	TOTAL
<b>Financial Corrections 1994-99 period:</b>	<b>83.3</b>	<b>9.7</b>	<b>18.4</b>	<b>40.5</b>	<b>0.8</b>	<b>152.7</b>
- With recovery orders	32.3	5.4	18.4	32.4	0.8	<b>89.3</b>
- Deduction by Member States						
- Decommitment/Deduction at closure	1.9	3.0		8.1		<b>13.0</b>
- Not yet implemented	49.1	1.3				<b>50.4</b>
<b>Financial Corrections 2000-06 period:</b>	<b>398.7</b>	<b>59.5</b>	<b>59.3</b>	<b>5.1</b>	<b>14.4</b>	<b>537.0</b>
- With recovery orders		1.7			14.4	<b>16.1</b>
- Deduction by Member States	18.4	45.6	24.4	0.9		<b>89.3</b>
- Decommitment/Deduction at closure		1.5				<b>1.5</b>
- Not yet implemented	380.3	10.7	34.9	4.2		<b>430.1</b>
<b>Total financial corrections</b>	<b>482.0</b>	<b>69.2</b>	<b>77.7</b>	<b>45.6</b>	<b>15.2</b>	<b>689.7</b>

The above table is a consolidation of submissions received from the responsible Directorates General on the basis of the information at their disposal and the figures are presented on an accrual basis.

For the period 2007-2013, the EAFRD and the EFF are not included in the cohesion policy. They appear under the Natural resources heading of the new financial framework.

At this stage, there are no financial corrections for the period 2007-2013

The table does not include the results of the Member States' own checks of Structural fund expenditure. They are only required to submit annual reports to the Commission on withdrawals, cancellations or recovery of Community contributions. The information for 2009 will be received by 31 March 2010 at the latest and following analysis by Commission services will be included in the 2009 final annual accounts.