

Procedure file

Basic information		
DEC - Discharge procedure	2012/2087(DEC)	Procedure lapsed or withdrawn
Special report 3/2012 (2011 discharge): Structural Funds: Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?		
Subject 4.70.01 Structural funds, investment funds in general, programmes 8.70.03 Budgetary control and discharge, implementation of the budget 8.70.03.07 Previous discharges		

Key players		
European Parliament		
European Commission		
	Commission DG Budget	Commissioner ŠEMETA Algirdas

Key events			
25/04/2012	Non-legislative basic document published	N7-0060/2012	Summary
10/05/2012	Committee referral announced in Parliament		
17/09/2012	Vote in committee		
20/09/2012	Committee report tabled for plenary	A7-0276/2012	Summary

Technical information	
Procedure reference	2012/2087(DEC)
Procedure type	DEC - Discharge procedure
Legal basis	Rules of Procedure EP 99
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure lapsed or withdrawn
Committee dossier	CONT/7/09095

Documentation gateway					
Non-legislative basic document		N7-0060/2012	26/04/2012	CofA	Summary
Committee draft report		PE489.450	14/06/2012	EP	
Committee report tabled for plenary, single		A7-0276/2012	20/09/2012	EP	Summary

Special report 3/2012 (2011 discharge): Structural Funds: Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?

PURPOSE : to present Special Report ([No 3/2012](#)) from the European Court of Auditors on improving Member States' management and control systems for Structural Funds.

CONTENT: the European Court of Auditors (ECA) audit was mainly carried out on the basis of a review of 40 programmes in which significant management and control deficiencies had been identified. It aimed at assessing whether the Commission dealt in a satisfactory way with deficiencies identified in the Member States' management and control systems.

To recall, the Structural Funds represent about one-third of the EU budget. During the 2000-2006 and 2007-2013 programming periods, EUR 475 billion were allocated to Structural Funds. Management of Structural Funds expenditure is shared between the Commission and the Member States. Member States prepare multi-annual programmes which are assessed and approved by the Commission and later implemented by the Member States.

The Commission has to ensure that Member States have smoothly functioning management and control systems so that EU funds are efficiently and correctly used. The Commission bears the ultimate responsibility for the implementation of the EU budget.

In its special report, the Court concludes that the Commission takes appropriate corrective actions when deficiencies in Member States' systems are identified, but the process to implementation is lengthy. The Commission had some success in ensuring that financial corrections were correctly applied, but was less successful in obtaining assurance that its actions led to improvements in Member States' management and control systems.

Court recommendations: the ECA makes a number of recommendations to the Commission:

- reducing the duration of the administrative procedure from identification of deficiencies until implementation of corrective actions;
- giving higher priority to its audit work on the audit authorities to ensure that they produce robust error rates so that the financial corrections can be applied on the basis of these error rates;
- disseminating checklists that serve as best practice to be followed by Member States authorities for their first level checks;
- ensuring that financial corrections cover all expenditure incurred under deficient management and control systems.

The ECA also recommends that the Commission, the Parliament and the Council reconsider, when discussing future plans for spending on Cohesion, whether any changes should be made to the arrangements regarding, on one hand, the reallocation of support from the Cohesion Fund and Structural Funds and, on the other, the possibilities for substitution of expenditure found to be ineligible.

Special report 3/2012 (2011 discharge): Structural Funds: Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?

The Committee on Budgetary Control adopted the report by Jens GEIER (S&D, DE) on Special Report No 3/2012 (Discharge 2011) - Structural Funds - Did the Commission successfully deal with deficiencies identified in the Member States' management and control systems?

Welcoming the Court of Auditors' report and its overall conclusion (please refer to the summary of the report dated 26/04/2012), Members are pleased that the Commission systematically initiated corrective actions and that the actions requested were an appropriate response for the deficiencies in 90% of cases.

Members are concerned, however, in particular about the following observations:

- corrective actions took 30 months on average and delays were mainly attributable to the Member States concerned;
- in only 67% of cases the Commission obtained a high degree of assurance that financial corrections were accurate,
- in only 28% of cases the Commission obtained a high degree of assurance that the Member States' management and control systems improved following corrective actions, which means that considerable effort will need to be undertaken in the closure process.

Members are also concerned about the Court of Auditors' finding that Commission's follow-up audits aiming to scrutinise the reliability of Member States statements required further corrective actions by the Member States in 78% of cases. They are therefore worried that the Commission sometimes relied on potentially unreliable information by not sufficiently questioning information submitted by Member States and that the Commission did not adequately scrutinise the reliability of the information.

Commission's action plan to strengthen its supervisory role under shared management of structural actions: Members remind the Commission that the error rate in the policy area Cohesion has increased in the Court of Auditors' Annual Report 2010, which reverses the positive trend observed in previous years and is contrary to an accelerated reduction of error rates, as called for by Parliament in the context of the 2008 discharge. They reiterate the importance of the supervisory role the Commission exercises in order to be able to bear the ultimate responsibility for the implementation of the budget including the areas of shared management of structural actions and the improved legal framework for the 2007-2013 programming period. The report notes that the action plan of 2008 came only into force at the end of the programming period 2000-2006 and could therefore cover the closure process of that period only. The Commission is called upon to fully enforce measures as stated in the action plan for the 2007-2013 programming period and beyond.

Members believe that improving the Commission's supervisory role is an ongoing process that can never be considered implemented. They consider enhancements of the action plan to be necessary if the expectations with regard to the improvement of the Commission's financial management are not met.

The Commission is also called upon to: (i) make efforts to ensure that Member States do not affect the continuity of programmes by changing entities, systems and personnel responsible for Structural Funds control; (ii) provide information on the impact of those corrections on the

overall error rate for the 2000-2006 programming period.

Single audit: Members reiterate the idea of a 'single audit' that was pronounced by the Court of Auditors in its Opinion No 2/2004 respecting the common principles and standards for the administration at all levels. They call on the Commission to continue to aim at implementing the single audit principle and to establish clear and transparent common standards for these audits.

Conclusion: Members conclude by calling on the Commission to finalise the closure of the 2000-2006 programming period duly taking into account the Court of Auditors' observations and to report to Parliament on how the Commission will ensure legality and regularity in the process. It is also called upon to monitor the implementation of structural actions for the 2007-2013 period and to bear in mind the Court of Auditors' observations in the discussions on the future structural actions for the period 2014-2020.

Lastly, Members believe strongly that the Commission should deepen its involvement in the Structural Funds scrutiny process by further assisting and supervising Member States' management and certifying authorities as well as the winding-up bodies, throughout all phases of implementation and verification, in order to ensure an even more efficient and less time and resource consuming process.