Procedure file

Basic information

INI - Own-initiative procedure 2012/2291(INI)	Procedure completed
Integrated internal control framework Subject 8.70.03 Budgetary control and discharge, implementation of the budget	

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	CONT Budgetary Control		03/12/2012
		ECR ČEŠKOVÁ Andrea	
		Shadow rapporteur	
		ALDE SKYLAKAKIS Theodoros	
		Verts/ALE STAES Bart	
		EFD ANDREASEN Marta	
		NI EHRENHAUSER Martin	
	Committee for opinion	Rapporteur for opinion	Appointed
	REGI Regional Development	The committee decided not to give an opinion.	
European Commission	Commission DG	Commissioner	
	Budget	ŠEMETA Algirdas	

Key events

22/11/2012	Committee referral announced in Parliament		
28/05/2013	Vote in committee		
03/06/2013	Committee report tabled for plenary	A7-0189/2013	Summary
02/07/2013	Debate in Parliament		
03/07/2013	Results of vote in Parliament		
03/07/2013	Decision by Parliament	T7-0319/2013	Summary
03/07/2013	End of procedure in Parliament		

Technical information

Procedure reference	2012/2291(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	CONT/7/11227

Documentation gateway

Committee draft report		PE510.574	30/04/2013	EP	
Committee report tabled for plenary, single reading		A7-0189/2013	03/06/2013	EP	Summary
Text adopted by Parliament, single reading		T7-0319/2013	03/07/2013	EP	Summary
Commission response to text adopted in plenary		SP(2013)627	28/11/2013	EC	

Integrated internal control framework

The Committee on Budgetary Control unanimously adopted the own-initiative report by Andrea ?EKOVÁ (ECR, CZ) on the Integrated Internal Control Framework. Members consider that the most effective means for the Commission to demonstrate that it is genuinely committed to ensuring transparency and sound financial management is to do all it can to support measures seeking to enhance the quality of financial management, with a view to obtaining a positive statement of assurance (DAS) from the European Court of Auditors. They call, accordingly, for the effective implementation of the Commission action plan towards an integrated internal control framework. Members note that the Commission itself stated that the Action Plan was fully completed at the beginning of 2009, although 3 of the 16 original actions could not be implemented.

Tolerable level of risk: Members discuss the concept of tolerable level of risk, noting that the Commission chose to complete this action by defining the concept of residual risk of errors. They recall that the overall rate of error in underlying transactions increased from 3.3 % to 3.7 % in 2010, reaching 3.9 % in 2011. The report deplores the reversal of the positive trend that has occurred in recent years, and fears that the rate of error will grow in the years to come. It also deplores the fact that the commitment made by the Commission to reach a fully positive DAS has not been fulfilled, and calls on the Commission to take the necessary steps to achieve a trend of a consistent decrease in the error rate.

What is wrong?: broadly speaking, Members share the views of the Court of Auditors and the Commission as regards the fact that the single audit scheme does not work and that the control systems set up by the Member States are not functioning to their full potential.

In this regard, the report recalls that in 2011, in the area of regional policy, for over 60 % of the errors identified by the Court of Auditors, Member State authorities had sufficient information to identify and correct some of the errors before asking for reimbursement from the Commission. Members note that there is a fundamental discrepancy between the Court of Auditors, which believes that errors can be prevented, and the Commission, which relies on making subsequent financial corrections and on recovering funds. They urge the Member States to step up their monitoring of the implementation of programmes at grassroots level.

What is to be done?: the committee calls on the Commission to identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action in terms of simplification, improvement of control systems and redesign of programmes or delivery systems. Member States are asked to strengthen their supervisory and control systems and, in particular, to ensure the reliability of their indicators and statistics.

The Commission is called upon to:

- motivate the Member States to cooperate with a view to ensuring that taxpayers funds are used in accordance with the principles of sound financial management, either through appropriate benefits or through strict sanctions or the suspension of the flow of funds;
- harmonise procedures within its departments;
- be more rigorous when certifying the national management and audit authorities and to put in place the right incentives and an effective system of sanctions.

Members call on the appropriate EU institutions to assess whether setting the error rate at 2 % is appropriate and attainable for all areas of EU policy.

Follow up on 2011 discharge to the Commission: once again, the committee calls on Member States to issue national management declarations at the appropriate political level and asks the Commission to establish a template for such declarations.

It considers that the principle of a compulsory national management declaration should be incorporated into the interinstitutional agreement accompanying the decision on the Multiannual Financial Framework.

Members particularly remind the Commission that it should annually adopt, for the first time in September 2013, a communication to the European Parliament, the Council and the Court of Auditors with a view to making public all the amounts in nominal terms recovered in the course of the preceding year through financial corrections and recoveries.

They also point out that all the actions taken in order to reduce the error rates should be complemented by a new culture of performance. Thus, performance indicators should be fully integrated in all proposals for new policies and programmes. At the same time, Members call for the establishment of a performance-based public budgeting model in which each budget line is accompanied by objectives and outputs to be measured by performance indicators.

Lastly, the committee calls on all the parties involved in the decision-making process concerning the post-2013 legislation and programmes to bear in mind the need to respect the categorical imperative of simplification by reducing the number of programmes and defining proportionate and cost-effective controls and simplified eligibility rules and cost methods.

Integrated internal control framework

The European Parliament adopted by 309 votes to 264, with 4 abstentions, an alternative motion for a resolution, tabled by the S&D group, on the integrated internal control framework.

Parliament considers that the most effective means for the Commission to demonstrate that it is genuinely committed to ensuring transparency and sound financial management is to do all it can to support measures seeking to enhance the quality of financial management, with a view to obtaining a positive statement of assurance (DAS) from the European Court of Auditors. It calls, accordingly, for the effective implementation of the Commission action plan towards an integrated internal control framework. Parliament notes that the Commission itself stated that the Action Plan was fully completed at the beginning of 2009, although 3 of the 16 original actions could not be implemented.

Tolerable level of risk and DAS: Parliament returns to the concept of tolerable level of risk, noting that the Commission chose to complete this action by defining the concept of residual risk of errors. They recall that the overall rate of error in underlying transactions increased from 3.3% to 3.7% in 2010, reaching 3.9% in 2011.

As far as the DAS is concerned, Parliament deplores the fact that the commitment made by the Commission to reach a fully positive DAS has not been fulfilled, and points out in particular that, in its 2011 statement of assurance report, the Court of Auditors concluded that overall payments were materially affected by error and assessed that the supervisory and control systems were in general partially effective. The plenary notes that the Commission has maintained its objective of obtaining a positive DAS, whilst Parliament deeply deplored, in its resolution on discharge for 2011, the fact that payments remain materially affected by error. Parliament therefore calls on the Commission to take the necessary steps to achieve a trend of a consistent decrease in the error rate.

What is wrong?: broadly speaking, Parliament shares the views of the Court of Auditors and the Commission as regards the fact that the single audit scheme does not work and that the control systems set up by the Member States are not functioning to their full potential. In this regard, it recalls that in 2011, in the area of regional policy, for over 60% of the errors identified by the Court of Auditors, Member State authorities had sufficient information to identify and correct some of the errors before asking for reimbursement from the Commission.

Parliament underlines that the first-level checks, namely the management and control systems in Member States, are insufficient; resulting in a considerably high burden to lower the error rate. It is also concerned that an increasing complexity of rules at national or regional level (gold plating) results in further problems for the legal implementation of the Union budget and in an unnecessary increase in the error rate. On the whole, Parliament is of the view that the Commission cannot fully rely on the findings of the national audit bodies of the Member States.

Moreover, the alternative resolution notes that there is a fundamental discrepancy between the Court of Auditors, which, in the DAS audits, applies an annual approach, and the Commission, which, in the implementation of the budget, applies a multiannual approach.

What is to be done?: Parliament considers that it is up to the Commission to identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action in terms of simplification, improvement of control systems and redesign of programmes or delivery systems. Member States are asked to strengthen their supervisory and control systems and, more particularly, to ensure the reliability of their indicators and statistics.

Member States are called upon to:

- assume full responsibility for their accounts and to submit reliable data to the Commission using national management declarations signed at the appropriate political level;
- cooperate with a view to ensuring that taxpayers' funds are used in accordance with the principles of sound financial management, either through appropriate benefits or through strict sanctions or the suspension of the flow of funds.

The Commission is urged to:

- harmonise all control procedures within its departments;
- be more rigorous when certifying the national management and audit authorities and to put in place the right incentives and an effective system of sanctions.

Parliament asks therefore, in accordance with Article 287(3) TFEU, that, in relation to the auditing of shared management, cooperation between national audit bodies and the European Court of Auditors be stepped up.

It also 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 this regard, the alternative resolution raises serious doubts about the usefulness of the statement of assurance, as, due to the complexity of the budget implementation in the area of shared management, there is also a shared responsibility for the legality and regularity of the budget administration between the Commission and the Member States, and between the Commission and regional administrations, whereas the political responsibility still lies only with the Commission. Parliament is, therefore, of the opinion that, in the context of the future revision of the EU Treaty, the concept of the statement of assurance should be reconsidered.

Follow up on 2011 discharge to the Commission: once again, Parliament calls on Member States to issue national management declarations at the appropriate political level and asks the Commission to establish a template for such declarations. It considers that the principle of a compulsory national management declaration should be incorporated into the interinstitutional agreement accompanying the decision on the Multiannual Financial Framework.

Parliament calls on the Commission to adopt annually, and, for the first time in September 2013, a communication to the European Parliament, the Council and the Court of Auditors with a view to making public all the amounts in nominal terms recovered in the course of the preceding year through financial corrections and recoveries.

It urges that all the actions taken in order to reduce the error rates should be complemented by a new culture of performance. The Commission services should thus define in their management plan a number of targets and indicators meeting the requirements of the Court of Auditors in terms of relevance, comparability and reliability so as to measure departmental performance. This would be complemented by a global evaluation of the performance of the Commission in the evaluation report provided for by Article 318 TFEU. The performance indicators should be fully integrated in all proposals for new policies and programmes.

Likewise, Parliament calls for the establishment of a performance-based public budgeting model in which each budget line is accompanied by objectives and outputs to be measured by performance indicators.

Lastly, Parliament calls on all the parties involved in the decision-making process concerning the post-2013 legislation and programmes to bear in mind the need to respect the categorical imperative of simplification by reducing the number of programmes and defining proportionate and cost-effective controls and simplified eligibility rules and cost methods.

It should be noted that another alternative motion for resolution, tabled by the ECR group, was rejected in plenary.