



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 28 January 2013**

**5770/13**

**PE 36  
BUDGET 5  
INST 42  
JAI 51**

**NOTE**

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from: General Secretariat of the Council  
to: Delegations  
Subject: Summary record of the meeting of the European Parliament **Committee on Budgetary Control (CONT)**, held in Brussels on 21 and 22 January 2013

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The meeting was chaired by Mr THEURER (ALDE, DE) and Mr STAES (Greens, BE).

***Items 1 and 2 on the agenda***

The Chair announced the postponement of the vote on Item 5.

***Item 3 on the agenda***

The minutes were approved.

***Item 4 on the agenda***

**Election of CONT Vice-Chair**

Mr DEUTSCH (EPP, HU) was appointed as Vice-Chair by unanimity, replacing Ms IVANOVA (EPP, BG), who took up her duties as Member of the European Court of Auditors.

## ***Voting time***

### ***Item 5 on the agenda***

**Special Report No 9/2012 (Discharge 2011) – 'Audit of the control system governing the production, processing, distribution and imports of organic products'**

CONT/7/10024

Rapporteur: Ms HERCZOG (S&D, HU)

- Adoption of draft report

The vote on this item was postponed.

### ***Item 6 on the agenda***

**Special Report No 16/2011 (discharge 2011) - 'EU Financial assistance for the decommissioning of nuclear plants in Bulgaria, Lithuania and Slovakia: Achievements and Future Challenges'**

CONT/7/08851

Rapporteur: Mr MARINESCU (PPE)

- Adoption of draft report (to be confirmed)

The report was adopted, as amended, by 14 votes in favour, 8 against and 1 abstention.

## ***End of voting time***

### ***Item 7 on the agenda***

**2011 discharge: EU general budget, Section III, Commission**

CONT/7/10295

Rapporteur: Mr GEIER (S&D)

- Exchange of views

Mr SEMETA delivered the speech summarised in Annex I.

Mr KELJULAID delivered the speech in Annex II.

The rapporteur Mr GEIER pointed out that the revenue part was never a main subject of a discharge procedure but in his opinion, this issue should not be overlooked, in particular under the new MFF. He recalled that the members of CONT carried out a fact-finding mission to the harbours of Antwerp and Rotterdam with a view to monitoring the functioning of the customs systems and the collection of customs duties. He asked the Commissioner to present the current state of play of legislative work on the new VAT and customs resources. Secondly he regretted that different methodologies used by the Court and CION in measuring the error rate were blurring the picture of EU expenditure at risk. He also criticised the Court for changing its methodology from one year to another, making it very difficult to compare results. While noting that the DAS (Statement of Assurance) results for the policy area "Employment and social affairs" were improving, he asked

about the level of recoveries for this policy area. In his view, the achievement of a lower error rate might be based either on stricter controls or on more efficient recoveries. He asked the Commissioner whether the comparison between the error rate and the rate of recoveries would be possible and useful. Finally, he said that "retrospective programmes" under structural funds and net corrections would be important issues to look at in the discharge debates in May.

Mr PEIPER (EPP, DE) was not pleased with this year's Court results and urged the Commission to strengthen its audit systems in order to improve the results in the future; he also expressed his "irritation" with the Court's unstable methodology, which undermined the EP's confidence in the Court's results, and led to difficulties in making comparisons between years. Then he asked about the best-performing DGs and about best practices that might be shared among CION services. Finally, he asked questions related to the fight against fraud: the EP's access to information in the DALLI case and the tobacco agreement.

Mr MULDER (ALDE, NL) criticised the fact that for the 18th time in a row CION had not received a positive DAS and warned that if further efforts were not made, the discharge could not be granted. He reiterated his support for political responsibility for the spending of EU funds, in line with a voluntary political declaration introduced by the new FR. In that context, he asked whether any incentives had been put in place by the CION to obtain such declarations from Member States. He also criticised the usefulness of some EU projects, giving the example of Poland, where sound screens were installed along the highways on a massive scale and without any reasonable justification.

Mr GERBRANDY also raised the issue of performance of EU expenditure. He criticised CION for not achieving objectives and the Member States for not caring about the efficiency of funds received from the EU. He strongly supported the introduction of conditionality under the new MFF.

Mr STAES (Greens, BE) agreed with the previous speaker and urged the Commission to provide information on the results achieved in a more transparent way, including examples of bad expenditure. As for the Council discharge, he considered that since the Commission was responsible for EU expenditure according to the Treaties, the Commission should intervene in the Council discharge. Mr THEURER agreed with Mr STAES that on the question of Council discharge, CION needed to be more proactive.

Finally Mr STAES asked for clarifications in handling the DALI case and with regard to the signing of the tobacco agreements.

Mr SKYLAKAKIS (ALDE, EL) asked about OLAF's capacities to conduct "own initiative" investigations and Mr AUDY (EPP, FR) again questioned the usefulness of shared management.

Ms ANDREASEN (EFD, UK) criticised the Commission for not making enough effort in eradicating irregularities within Member States' control systems, claiming that recoveries would never replace efficient controls. In addition recoveries were paid by the Member States' Governments, shifting an additional burden onto beneficiaries. She also pointed out the poor results of research policy area in this year Court's report.

Mr SEMETA responded to Mr GEIER that the new VAT strategy and the legislative proposals related to it were being prepared, a new regulation on Union customs code was currently in negotiation between EP and the Council. It should enter into force immediately upon its adoption. With regard to the methodology for measurement of the error rate, he agreed that differences existed, but said that the Commission and the Court were in agreement on the overall approach and on the way forward i.e. continuation of discussions on the multiannual aspects of controls and the residual level of error. He told Ms ANDREASEN that as from next year it would be possible to obtain a breakdown of amounts recovered per year. With regard to a question concerning "retrospective programmes", net corrections and conditionality, he recalled that all those elements were included in the CION proposals and regretted that the legislative authority, in the negotiation process, was putting all those concepts at risk. He pleaded for a more horizontal approach during negotiations, involving various EP committees, that would ensure a broader understanding of those concepts. He told Mr MULDER that no incentives were envisaged for voluntary declarations, but CION was preparing guidelines for harmonised treatment of the obligatory management declarations introduced by the new FR.

On the question of the Council discharge, he referred to the CION position presented in a letter last year explaining that, given the existing legal provisions, discharge for both institutions was possible and the process established over the last ten years should continue. Finally, on the tobacco agreements, he informed CONT that the information requested was provided in full transparency, and with regard to the DALLI case, he asked members of the CONT to respect the independence of OLAF's investigative functions and to preserve the Office from any political influences.

The Court of Auditors representative, responded to CONT requests for the stabilisation of the methodology, arguing that it needed adaptation in view of a changing profile of payments (or sample population). The evolving reality required adaptation of the methodology. The Court also reported that from that perspective the advance would no longer be included in the sample. On the comparability of the error rate between Court and CION, the representative of the Court explained that cooperation was established in order to align approaches, notably with DG REGI in the field of public procurement. Finally, on the question of declarations, she ensured the members of CONT that the accuracy, transparency and reliability of the data used for the establishment of those declarations were most important and invited the Commission to work in that direction.

***Item 8 on the agenda***

**2011 Discharge: 8th, 9th and 10th European Development Funds (EDF)**

CONT/7/10315

Rapporteur: Mr SØNDERGAARD (GUE/NGL)

Rapporteur for the responsible committee (DEVE): Mr BERMAN (S&D, NL)

- Exchange of views

The rapporteur considered that EDF should be part of the discharge procedure and looked forward to the expiry of the Cotonou agreement in 2020 to have the fund within the EU budget. He also thanked Ms BARTON, EIB Director General for Operations outside the European Union, for her answers to 24 questions and asked some details. He inquired why the EIB was at the 37 place out of 58 in the list of transparency, well below the World Bank. He also asked about the EIB action to prevent beneficiaries to evade tax or put money in tax havens. He wondered about the reasons of the increase in number of cases of corruption for the 2009-2011 period about mainstreaming Human Rights and asked for more detailed figures on bonuses granted to staff by the EIB.

Ms BURTON regretted that not all details could be given immediately and promised a written answer, in particular as for bonuses and bank supervision. She stated that the EIB was willing to be accountable, despite the fact that the money it managed was not part of the EU Budget. She considered that the only technical issue she could see for the EIB to be part of the EU budget was the administration of reflows. Concerning the transparency issue, she considered that this was due to the business with the private sector and she recalled that the action of the EU Data Protection Supervisor also contributed to reduce transparency. As for tax issues, she pointed out that lending of the EIB for the activities she was responsible were submitted to OECD provisions for non cooperative jurisdictions and were more stringent than the ones carried out within the EU. She considered the increase number of cases of corruption as a result of the awareness policy within the

EIB: corruption had not increased, it was only better detected. She also agreed with Mr BERMAN (S&D, NL) that a stricter conditionality would help reducing misuse of money (referring to a Mozambic aluminium plant) and told Mr MULDER (ALDE, NL) that guarantees were submitted to the same reporting obligations as other financial instruments.

***Item 9 on the agenda***

**Coordinators' meeting (*in camera*)**

This item was not covered.

***Item 10 on the agenda***

**2011 discharge: EU general budget, European Parliament**

CONT/7/10318

Rapporteur for the opinion: Ms ORTIZ VILELLA (PPE, ES)

- Exchange of views.

Mr TOMÉ MUGURUZA, Member of the European Court of Auditors, delivered the short speech in Annex III.

The rapporteur pointed out the importance of achieving a wide-ranging consensus on the discharge to support the spending review, and recalled that savings already adopted for the language services and for the daily allowances would free resources for other institutional activities. She mentioned in particular the EP visitors' centre, which she considered a success story, given that 250,000 visitors had been attracted during its first year. She also underlined that efficiency and clarity were gained thanks to in-house security services. She then raised some issues which she considered should be looked at by Mr WELLE, EP Secretary-General, such as the badge check for MEPs, catering services, the house of European history, internal audit of the EP departments, the roof problems of the EP buildings in Strasbourg and Brussels. Finally she put three specific questions to Mr WELLE on the EP travel agency, the implementation of the assistants' statute and the cost of EP intergroups.

Mr PITTELLA (S&D, IT), Vice-President of the European Parliament with primary responsibility for the budget, after recalling the importance of sound and efficient budget management, considered that the discharge procedure concerned the way political decisions had been implemented and should not contradict such political decisions.

Mr WELLE also underlined the success of the EP visitors' centre; as for the administrative side, he stressed the important role played by the management unit that had been created in all large and medium-sized EP departments, which allowed the exchange of good practices.

He also mentioned the partnership with Luxembourg for the Konrad Adenauer building, the wi-fi installed in EP buildings, the optimisation of the language services that had allowed savings of up to EUR 24 million in 2011 and recalled that the visitors' centre had been staffed through redeployments, without new posts being published. Concerning the obligatory tests of entering MEPs, he stated that a new technology was being tested, whereby the identity could be checked without slowing down entry. He also announced that five security zones had been identified in the EP buildings and that the new system would be up and running after the summer break. He acknowledged that a problem was represented by the size of the canteen, since it was now far beyond the capacity it had been planned for - the 1.4 million users ten years ago had risen to 3.7 million in 2011. As for MEPs' offices, he considered that space was too narrow, given that six people shared 70 m<sup>2</sup>. He also announced the opening of the House of European History in autumn 2015 and assured CONT that the Commission would contribute to its funding. Given the work being done on the roof, no mini-plenaries would be held in Brussels in 2013. A special department had been created for EP buildings maintenance. He acknowledged problems with the email system, that needed to be adapted, but also called on users not to store too many emails. As for the EP travel agency, he stated that it had been invited to look more intensively for cheaper tickets. He acknowledged that assistants now had a greater administrative burden, but recalled that this had improved their statute.

Mr GALVIN, Internal Auditor of the European Parliament, recalled that all the eight priority actions in the public procurement sector that had been raised in 2008 had now been closed. Nevertheless, he raised the issue of the financial benefits of the multiplier effect for staff recruited before 1 May 2004 and considered that that effect should be limited and rectified. He stated that progress had been made, as with MEP allowances, and 33 actions of 36 were now closed. He concluded by saying that much progress had been made in the EP regulatory and management systems.

Mr WELLE agreed with Mr VAUGHAN (S&D, UK) that interinstitutional cooperation, in particular for language services, would allow further savings in the EU budget. He reminded Ms AYALA SENDER (S&D, ES) that the two EP buildings hosting a hemicycle had not been built by the EP and that in any case building guarantees (roof) were no longer valid 20 years after completion. He told Mr de JONG (GUE, NL) that his proposal to carry out full checks on MEPs on the basis of the use of the allocation would lead to extra costs and agreed that vouchers received for official missions should not be used for private purposes. He also agreed with Mr van DALEN (ECR, NL) that transporting of documents to Strasbourg could be further reduced given that electronic appliances reduced dependence on paper. He also endorsed the proposal of Mr SONIK (EPP, PL) to introduce a system of passive interpreting for missions, but underlined the need for a new building in Luxembourg. He explained to Mr DAVIES (ALDE, UK) that journalists' visits can be financed both in Strasbourg and in Brussels and recalled that the use of the infrastructure was mainly free of charge. He also told Ms ANDREASEN (ECR, UK) that a code of conduct regulated the transparency of MEPs' spending, so national provisions were not the only rules applicable to them. As for the visitors' centre, he reminded Mr EPPINK (ECR, BE) that the building was meant for citizens and not for EP staff. Concerning its staffing, he considered that redeployment would be the solution, apart from some specialised museum staff, who should be seconded from Member States.

***Item 11 on the agenda***

**2011 Discharge to other Institutions**

CONT/7/11447

co-Rapporteurs: Mr CZARNECKI (ECR, PL)  
Ms ČEŠKOVÁ (ECR, CZ)

- Exchange of views.

Mr TOMÉ MUGURUZA, Member of the European Court of Auditors, delivered the short speech in Annex IV.

A presentation by the Secretaries-General of the institutions followed.

Mr CALOT, from the Court of Justice, emphasised that no observations concerning his institution had been made by the CoA. As for the remarks that had been made by the EP, in particular regarding the duration of the procedures, he recalled that an historical level of 15.7 months had been reached in 2011, compared with a duration of 27 months in 2003. He stressed the importance of reorganisation within the CoJ in achieving this positive result. Nevertheless, he complained that the

CoJ proposal to appoint additional judges was still being blocked by the Council, which, while agreeing on the principle, could not find a compromise on a procedure for appointing them. He also mentioned the new system of e-mail for notifications.

Mr RUIZ GARCIA, Secretary-General of the CoA, underlined the increased number of special reports in 2011, the revision and update of the Court's control strategy, the adoption of the code of conduct, the positive assessment of the quality of reports, the professional development of staff and the improvement of the budget execution rate.

Mr WESTLAKE, Secretary-General of the EESC, stressed the battery of internal controls that had been put in place to guarantee efficient and transparent management of the Committee.

He recalled the significant savings made possible thanks to the cooperation agreement with the Committee of the Regions (CoR). Concerning the remarks of the CoA, he acknowledged a modest but real weakness concerning staff. He stated that the weakness had been addressed to redress the Committee's policy on staff and to ensure equitable treatment of statutory and contractual staff.

Mr STAHL, Secretary-General of the CoR, recalled that no remarks had been made by the CoA for the 2011 discharge procedure. As for those of 2010, he stated that the Recommendations were followed up and recalled that members were now obliged to make declarations of financial interests. He also recalled that monthly monitoring of the budget ensured a very good implementation of the budget.

Mr HARDEN, Secretary-General of the Ombudsman, explained that a programme of visits to EU agencies had been organised with the aim of achieving better results in Office activities. Moreover, the complaints handling process had been streamlined so as to get results faster. He also stated that the budget execution rate had improved and was 92.4%.

Mr DOCKSEY, Secretary-General of the Data Protection Supervisor, referred to a steady increase in the workload of the Supervisor, because of an increasing call for advice from the institutions and increased interaction with national data protection bodies. In his view, this explained the Supervisor's policy of moderate growth in staff, which had been endorsed by the EP. He also recalled that a 15% increase in staff only accounted for a 7.8% increase in the budget. He also drew attention to the improvement in the budget execution rate.

Mr AUDY (EPP, FR) welcomed the appearance of the Chair of the CoR's Commission for Financial and Administrative Affairs, as it enhanced contacts between the Committee and the EP and could help in addressing the error rate in Member States.

As for the Council discharge, Mr MUGURUZA identified weaknesses in two Council procurement procedures out of five audited. He considered that in those two cases, the tender specifications enabled the Council to estimate a price for a certain item if the tenders did not propose one and that doing so could result in a modification of the value of the tender in a way which is not laid down in the Financial Regulation.

Ms CESKOVA (ECR, CZ) rapporteur for the Council discharge, stated that since the Secretary-General of the Council had not been invited, she would omit it from the questions.

No other MEP who took the floor referred to the Council discharge.

It should be mentioned that the hearing of the SGs of the other institutions was confined to the end of the morning meeting at CONT, so they had no time to provide answers to the questions raised by Ms CESKOVA and Mr KALFIN (S&D, BG).

Mr THEURER (ALDE, DE), chair, suggested that they could reply in writing, which they accepted.

***Item 12 on the agenda***

**2011 discharge: EU general budget, Section III, Commission**

CONT/7/10295

Rapporteur: Mr GEIER (S&D, DE)

- Exchange of views.

Mr Tomé Muguruza, Member of the European Court of Auditors, delivered the short speech in Annex V.

The rapporteur pointed out that the Lisbon Treaty had introduced provisions that made it possible to move towards a performance audit rather than an audit based on compliance. He recalled that performance auditing was the dominant approach in the United States.

He acknowledged that the Commission might encounter problems in drafting a short and meaningful document on performance, given on the one hand the fact that most of the budget was managed through the Member States and on the other the absence of clear benchmarks. In his view, the EP could identify a list of expectations that the Commission could use as benchmarks for the performance audit.

Mr OTBO, Member of the European Court of Auditors, recalled that two reports on performance had been drafted by the Commission. Although the second one showed improvements, he considered that it did not give sufficient reliable evidence on what EU policies had achieved. In his view, a reliable system for collecting data and results had to be set up during the preparation of the next programming period.

Ms DAY, Secretary-General of the Commission, considered that a more comprehensive approach was taken by the Commission in its second report on performance, dated November 2012. In her view, the EU added value, and the effectiveness and efficiency of the EU action had been covered. Nevertheless, she pointed out that a comprehensive assessment was not possible until the end of the current MFF. Although the next MFF should make improved performance feasible, given the simplification of the designed actions, Ms DAY warned that complexity was creeping back into the MFF legislative files because of the amendments suggested by the Council: she called on the EP to support the Commission in keeping them simple.

Ms DAY told Ms GRÄBLE (EPP, DE) that the Commission had received some 12,000 written questions, and that in the light of that figure a character limit was needed for replies. She added that much of the information that was requested by MEPs was already available. As for her involvement with the tobacco lobbies in the DALLI case, Ms DAY repeated that her sole involvement was sending a mail to the Swedish company stating that the case was being handled by OLAF. She explained to Mr STAES that she had not prevented inter-service consultation on the tobacco dossier, but only changed the scheduling of the consultation, which had indeed taken place. She explained that leaks at this stage of the procedure were frequent and the draft proposal was usually presented in the press as a position of the Commission. Mr STAES considered that the Commission should act to avoid leaks, rather than delaying consultations. She also told Mr STAES that she was not in a position to comment on the negotiation of the tobacco agreement, since she was not present at such negotiations.

In her reply to Mr PIEPER (EPP, DE) on senior official promotions, she quoted the staff regulations, which provided for rotation as a general rule, but recalled that the College of Commissioners could decide otherwise. As for agencies, Ms DAY told Mr LIBERADZKI (S&D, PL) and Mr BALCYTIS (S&D, LT), who inquired about conflict of interests in the agencies, that an agreement had been concluded between the EP and the Council, and that the Commission had published a road map. The Commission had suggested some principles that would apply to all agencies, such as the presence of representatives of the Commission in their boards. Nevertheless, Ms DAY made it clear that a full harmonisation approach had been ruled out. Ms DAY told Mr THEURER, who wondered whether stricter rules should be introduced to prevent corruption of the Commissioners, that the code of conduct in place for Commissioners was very strict and strictly implemented. She explained to Ms GRÄBLE that officials leaving the Commission had to comply with the rules applicable to former officials and stated that this had been the case for Mr PETITE.

***Item 13 on the agenda***

**Special Report No 4/2012 (Discharge 2011): 'Using Structural and Cohesion Funds to co-finance transport infrastructures in seaports: an effective investment?'**

CONT/7/09439

Rapporteur: Mr LIBERADZKI (S&D, PL)

- Consideration of draft report.

Mr ISPIR, Member of the European Court of Auditors, delivered the speech in Annex VI.

The rapporteur welcomed the report of the CoA and announced that his report would not only blame and shame, but also praise good projects.

The representative of the Commission recalled that the 2000-2006 MFF rules were still applicable to the actions examined by the CoA. He also observed that interventions were under shared management, so that Member States were responsible for implementation. As for the final deadline for finalising projects financed under the relevant period, he recalled this was September 2012. He ensured CONT that several tools had been developed with Member States to check the quality of administrative procedures and mentioned the suspension of financing.

Ms ORTIZ VILELLA considered that rules should be simplified, in view of the strategic importance of port investments. Mr STAVRAKAKIS (S&D, EL) and Mr SKYLAKAKIS (ALDE, EL) called for more flexible rules in assessing the eligibility of port projects, so that economic development at large should be targeted, rather than transport development alone.

Deadline for tabling amendments: 25 January 2013, 12.00

***Item 14 on the agenda***

**Special Report No 12/2012 (2011 discharge): 'Did the Commission and Eurostat improve the process for producing reliable and credible European statistics?'**

CONT/7/10810

Rapporteur: Mr DEUTSCH (PPE, DE)

- Consideration of draft report.

Mr GALEA, Member of the European Court of Auditors, delivered the speech in Annex VII.

The rapporteur, after recalling the importance of statistics for EU policies, wondered whether the Commission proposal was sufficiently ambitious and whether the independence of Eurostat was ensured in financial and regulatory terms.

The representative of the Commission underlined the fact that the code of practice that had been developed since 2007 was applicable both to national statistical bodies and to national governments. In this sense, he told Ms ANDREASEN that peer review was no longer the only monitoring method, since under the new code, national governments had to put their signature to the quality of statistics produced at national level. He added that further instruments had been developed to avoid fraud in statistics (to Ms GRÄBЛЕ).

The rapporteur concluded that in his view more resources were needed to make the system work properly, together with uniform and binding rules.

Deadline for tabling amendments: **25 January 2013, 12.00**

***Item 15 on the agenda***

**Special Report No 19/2012: 2011 report on the follow-up of the European Court of Auditors' special reports**

CONT/7/11574

Rapporteur: Mr GEIER (S&D, DE)

- Presentation of the Special Report.

The rapporteur considered that the follow-up on follow-ups should be taken into account in the discharge procedure and that therefore the report should be part of the discharge procedure.

Mr OTBO, member of the CoA, stated that EP future requests would be inserted in follow up reports.

The representative of the Commission welcomed this new type of CoA special reports and recalled that the Commission provides a report on the follow-up given to recommendations adopted in the discharge procedure.

***Item 16 on the agenda***

**Any other business**

No other business was debated.

***Item 17 on the agenda***

**Next meeting(s)**

- 24 January 2013, 9.00 – 12.30 (Brussels)

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Dear Chairman,  
 Mr Rapporteur,  
 Honourable Members of this Committee and of the Court of Auditors,

[Introduction]

I would like to thank Kersti Kaljulaid for her inspiring speech at this point of the discharge process. I share her views that although further actions are needed, and are being implemented without delay, a radical change in the budget execution under the existing legal framework is not realistic.

**Where the design of the programmes** proved to be inappropriate, too complex or too vague, the Commission used the opportunity of the next Multiannual financial framework to address a number of weaknesses. This concerns the structure of the programmes, the rules themselves, but also the accountability chain and the responsibilities of the financial actors. So far we cooperated very effectively with the European Parliament as demonstrated by the results achieved with the amended Financial Regulation.

But our work is not finished. You know that the simplification proposals are put into question by both co-legislators. For the future Agriculture Policy, about 4000 amendments have been tabled by this Parliament. I am therefore concerned that our common objective to modernise the programmes, make them more effective and more simple is threatened.

We do need your support to preserve the substance of what the Commission has proposed, based on the lessons drawn from the Court's audit reports and on your discharge recommendations.

**If, on the contrary, the design is adequate but the performance of the financial actors is unsatisfactory**, then the Commission acts to prevent errors to occur or correct them systematically once identified. The results of this pro-active approach are substantial as I will demonstrate later on.

That said, the fact that the Commission remains responsible for the execution of the whole Budget should not relax the other financial actors, in particular the Member States authorities, from assuming their responsibilities and obligations as stated in Article 317 of the Treaty.

In a number of cases identified by the Court the national managing and audit authorities did not apply their controls properly and let reimbursement claims reaching the Commission for ineligible expenditure. This situation under shared management is not acceptable nor sustainable; not the least because we speak about 80% of the EU Budget.

As the Court, I consider that simplifying eligibility rules can contribute to reduce globally the error rate. However, as I said, this process is very slow as regards the proposals for the new regulations.

Today, where simplifications are available under the existing EU legal framework, they are not really used by the Member States. An on-going parallel audit conducted by 13 Supreme Audit Institutions demonstrates that the national authorities have little appetite for using those simplifications on the spot; depriving beneficiaries of their potential benefits in terms of easier access to financial support and reduction of errors.

Moreover, as you know, the eligibility rules in cohesion are in majority defined at national level. For 2011, 86% of the error rate for the Social Fund were related to national eligibility rules. So far, despite repeated call from the Commission, there is no signal that the Member States are envisaging any substantial simplification at their level.

Although I do agree that changing rules too often is not desirable, the new MFF gives the Union the opportunity to do that for a 7 years period. The Commission would appreciate your support in this respect as well.

Under shared management, the performance of the national authorities and the design of the eligibility rules defined by the Member States are instrumental to reduce the error rate.

Therefore, let me stress here that, where appropriate, the involvement of the national authorities during the contradictory procedure with the Court is crucial for different reasons. First, it enables the first line actors to provide the necessary explanation the auditors need to assess adequately the situation.

Moreover, the national authorities involved are obliged to check carefully the audit findings and to clarify the source of the errors found. It is thus a two-way process that can only improve the situation, also on the spot. This is valid for all programmes under shared-management, including agriculture and rural development.

Now, I would like to briefly comment the main subjects and questions that were raised by this committee in the previous hearings and discharge discussions so far.

**Firstly, the corrective capacity of the existing supervisory and control systems.**

In November last year, I explained to you that our control systems resulted in the recovery and correction of 1,84 billion euros in 2011. This is a significant amount, which represents 1,4% of all payments made in 2011.

Even if this amount refers also to payments made in previous years, from the perspective of protecting the EU Budget in 2011, it is worth considering it in the broader picture.

Those corrections and recoveries are recorded in the EU annual accounts which received – for the fifth year in a row - a clean bill of health from the Court.

However, they don't include data on financial corrections and recoveries made by Member States themselves because they were so far not reliable and the risk of double counting was too important.

For the next exercise, the accounting officer will ensure that the quality and reliability of those data will be improved so that he will be able to report on them together with the accounts. Moreover the reporting on preventive and corrective measures presented in note 6 to the accounts will be made more user friendly for the 2012 exercise.

## **Secondly, I would like to come to the policy areas under shared management.**

### **[Rural Development]**

As regards Rural Development, the Commission has set up an action plan to adequately address the situation found by the Court, to identify the main weaknesses and to take immediately corrective action.

In particular, the Commission has already informed all Member States' administrations in different events about the root causes of the errors found and possible corrective actions. The European Network for rural development will be used to raise further awareness on these issues.

Training and enhanced information has been provided to beneficiaries and administrations. DG AGRI has adapted its audit plan to focus on the main error rates identified in 2011 and on the Member States and regions presenting the highest risk for the implementation of the rural development measures. Finally, the staff of the rural development audit teams in DG AGRI will be reinforced.

For the future, and on the top of simplified payment schemes, other measures are taken already now in view of the next programming period, such as the obligation to submit future rural development programmes to the prior Commission's approval of the measures in place in the Member States to ensure they don't create undue risk of error.

### **[Cohesion]**

As regards the Cohesion policy, the situation significantly improved last year and I expect further improvements to come as soon as the new Financial Regulation impacts on the budget implementation.

Under the current programming period, the Commission monitors carefully actions taken by national authorities and requests financial corrections in all cases it is justified. Member States are now obliged to report on their actions to identify shortcomings and correct weaknesses. In case progress is not deemed sufficient, preventive measures are taken such as pre-suspension procedure.

The aim is indeed not to limit or slow down payments but to make pressure on the national authorities to ensure they do respect the sound financial management principles. Moreover, the audit plan of DG REGIO and EMPLOYMENT is adapted to focus on the most risky programmes and financial actors. Risk-based thematic audits on the effectiveness of first level controls are organised for the Social Fund.

To support the Member States authorities improving their own training programmes and ensuring their national rules are well understood and implemented, DG REGIO has set up a special competence centre for administrative capacity building.

For the next programming period, the introduction of a management declaration for all expenditure under shared management will help to have a clearer picture of the situation in the Member States.

It will therefore really contribute to the Commission's assurance process. Once fully implemented and after having assessed the impact of the new reporting instrument on the assurance process, I can confirm that the Commission will move ahead towards the second step and strongly advocate the political endorsement of this new accountability process by the Member States authorities.

[Research]

**Let's turn to Research**, a policy area where this committee highlighted its concerns to see a significant increase of the error rate.

The increase of error rate last year could call for more controls, reporting obligations and verification procedures at beneficiary level. But more supervisory activities would generate administrative burden with the risk to compromise the attractiveness of funding Research and Innovation projects in Europe.

Therefore, a fair balance between trust and controls must be found, as requested by this House in the Merkies Report on Innovation Union adopted in May 2011;

In this respect the Commission is revising its control environment to better focus on the risky transactions and by providing additional support and advice to the beneficiaries.

Very important elements towards simplification and better spending were included in the Commission's proposal for the next Multiannual Financial Framework. Horizon 2020 aims to reduce complexity and better achieve the policy objectives with a cost-effective control environment.

It is therefore crucial that the Commission proposal is supported by the Parliament as it is our common interest to move towards sounder financial management. I have to recall that some amendments made by this House might put at risk some of the efforts to achieve a positive impact on Research and Innovation funding.

[Budget Support]

Let me now come to Budget Support in external aid, a funding area which operates in a complex context where core governmental systems of our partner countries can have major weaknesses.

As foreseen under the new budget support approach, the Commission is continuously striving to achieve improvements in the control of this expenditure area so that the aid can be used most efficient and effectively.

By 2013, further improvements will be implemented, based on the recommendations made by the Court of Auditors. These concern in particular the risk management framework, the budget support steering committee to strengthen continuous political and policy steering at senior management level and a tighter assessments of eligibility criteria.

[Evaluation Report/EU added value/performance]

The evaluation of EU programmes to assess their performance and to ensure their effectiveness is another element on which we are focusing our efforts on.

The EU citizens expect a real benefit and real EU added value from our activities.

Therefore we are reinforcing our system to regularly look at this aspect of budget implementation. With the latest Evaluation Report, more insight in Commission's various evaluation activities has been given. The Commission considers, as the Court, that to guarantee a proper evaluation reporting, we need to agree with the discharge authority how this report should be elaborated and what information is expected.

Like Kertsi Kaljulaid, I believe we should move toward result-oriented programmes which would be assessed on their merit in delivering the expected added-value, in a cost-effective way. I know this is a fundamental shift from purely input to impact but at the same time, it contributes to the simplification efforts I referred to earlier. The success of this forward-looking approach will indeed mainly depend on the will of the co-legislators to make it possible, and on the courage of the financial actors to make it happen.

Honourable Members,

Let me close my brief intervention by confirming that the Commission has already taken lessons from this discharge procedure and will strive, together with the other financial actors, to achieve the results you - as the discharge authority - are expecting from us.

I can ensure you that the Commission is open to your initiatives which would lead to an improved EU financial management and certain actions have already been taken in the light of the Court of Auditors' observations and recommendations issued in its Annual Report.

But the sustainable improvement of the budget management and control is an objective that the Commission alone cannot achieve. It is a team work where the co-legislators, the budget and discharge authorities, the auditors and all financial actors have their role to play.

Thank you for your attention!

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Mr. Chairman, Honourable Members, Commissioner

Thank you for the opportunity to present to your committee today additional information on the Court's Annual Report on the implementation of the budget for the financial year 2011.

My intention here today is to summarise the audit results and conclusions already presented to you during previous hearings. But I would also like to put results into perspective and try to reflect with you on some possible opportunities for the future.

The Court's 2011 Statement of Assurance contains four audit opinions.

I am pleased to tell you that for the fifth consecutive year the accounts received a clean opinion from the Court – something that the press don't always report. I would like to congratulate the Commission. There really has been quite remarkable progress since the first DAS was issued back in 1994.

As regards the regularity of transactions underlying the accounts the Court concluded that – as in previous years - revenue and commitment transactions were free from material error. Payment transactions remain affected by material error at a similar level to 2010.

The Court's 2011 audit shows that the errors are not merely concentrated in one or two specific area of the budget. The Court concluded that except for policy groups "External relations, aid and enlargement" and "Administrative and other expenditure" all other policy groups were affected by material error.

The types of errors identified by the Court in 2011 remain similar to previous years – non-compliance with public procurement rules, ineligible projects and costs, over- declaration of costs and claiming for costs which did not occur are the most frequent problems. This should not come as a surprise to you. It would be an unrealistic expectation to see a radical change - the arrangements for what and how to spend EU money are fixed for multi-annual periods.

The Court found – again, as in years before - that control systems do not function to their full potential. In the areas with the highest level of estimated error rate – rural development and regional policy – Member State authorities should act as the first line of defence in identifying and correcting claims to be reimbursed by the EU budget. In these areas the Court identified many cases of control failure.

A good example is the area of regional policy – here in over 60% of the audited transactions affected by error the Member State authorities had sufficient information available to have detected and corrected at least some of the errors before asking for reimbursement from the Commission.

This is also corroborated by the Court's 2011 audit on the early phases of the 2000-2006 closure process. The audit showed that - in order to avoid financial corrections at closure - Member State authorities submitted declarations with final error rates which underestimated the level of error in the closure claim without any valid justification.

However, the audit results from the area managed directly by the Commission - such as "Research and other internal policies" – showed similar deficiencies to those under shared management. Here the rules require that cost declarations can only be reimbursed if there is a positive audit certificate

from an independent audit firm attached. In over 80% of the projects examined by the Court which had a positive audit certificate the Court identified one or more errors. In around 50% of these cases the errors identified had a material impact.

All these examples show that there is a potential for Member State authorities and the Commission to improve the quality of spending by simply applying the current control framework to its full potential.

However there is probably greater scope for reducing the number of errors by simplifying rules. Within the current 2007-2013 programming period the main rules for spending EU money are decided by the Member States – the legislator has delegated the set-up of eligibility rules to those who are closest to managing EU expenditure programmes. So Member States again have an important role to play in reducing the complexity of these rules and targeting better the use of EU funds.

The Commission has to ensure effective supervision of the management of EU money and has to report on the state of financial management in its management declarations – the Annual Activity Reports of the directors-general and the Synthesis report. If in a given policy area or expenditure scheme the Commission has no assurance that EU money is spent in line with the rules it has to reduce the risk of irregular payments, stop reimbursements at the earliest date, correct the errors identified and issue reservations.

In year 2011, the Commission increased the number and amount of its reservations. This reflects the Commission's recognition of a high risk - it is a major step forward. The Commission should continue to focus its supervision on the risky areas and ensure that it gets reliable information in order to provide accurate indicators for the state of EU financial management – the so-called residual risk of error. This is not yet the case. In its 2011 Annual Report, the Court considered that the residual risk of error was not yet a reliable indicator for the risk of error in the EU budget after all control procedures have been applied.

The majority of the problems identified by the Court have been present for some time although the Court has noted improvements in the previous years. But there certainly is a limit to the potential improvements that can be made within the current input based regulatory framework. And it is worth reflecting whether this framework can really deliver the desired result of all interested Stakeholders – a positive DAS - without excessive additional costs.

The Court in its opinion 6/2010 on the Commission's proposal for the recast Financial Regulation highlighted that “*where it is impractical to obtain a high level of compliance with scheme rules, a number of options appear to be possible*”. *These could include simplifying scheme rules, redesigning the programme, tightening control, tolerating a high level of non-compliance or, if necessary, terminating the activity*”.

The current ongoing discussions on the 2014-2020 multi-annual financial framework and the relating sectoral legislations is an important opportunity.

The Commission's proposal for the 2014-2020 framework for Cohesion spending opens the door for linking payments to outputs. Member States have the possibility – but not the obligation – to link funding for a basket of projects in an Operational Programme (OP) to the achievement of specific objectives - through so-called Joint Action Plans. However, - as also highlighted by the Court in its opinion 07/2011 – this initiative could only represent performance based funding as long as it replaces rather than complements the traditional input based management.

The situation in the area of Research FPs shows a similar pattern. During FP7, the Commission introduced the option to use simplified cost options for a part of research projects in order to reduce administrative burdens and complexity. The proposal for the next FP – Horizon 2020 – takes a step towards an output-based funding by introducing the possibility to use lump sums for whole projects in specific areas. Will this attractive proposal be taken up by beneficiaries? We cannot be sure if we look at the experience gained with the use of simplified cost options in FP7 projects.

These examples indicate that there are some attempts on the part of the Commission to move away from the current system. But the question remains – will Member States take the risk of moving away from the well known reimbursement of costs based on invoices if the new models remain voluntary and the cost of making an error remains rather low?

Honourable members, it is for the Parliament and Council to decide on the rules which will determine how the EU budget is spent over the rest of this decade. But it is the Court's responsibility to point out the context in which those decisions will be taken; and we shall continue to provide you with our assessments of the extent to which spending from the EU budget takes place in conformity with the rules which you set.

Thank you for your kind attention.

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**Presentation of Chapter 9 of the Annual Report 2011 of the ECA,  
to the Budgetary Control Committee of the European Parliament**

**22 January 2013**

**Speaking note of Mr Tomé Muguruza, reporting Member for Administrative Expenditure**

**Subject: Agenda item 10: Discharge to the Parliament**

Dear Chairman and dear Members of the Budgetary Control Committee of the European Parliament,

Chapter 9 of the Court's Annual Report presents the results of the specific assessment of administrative expenditure of the Institutions and other bodies of the European Union.

The policy group "Administrative and other expenditure" represents 7,6 percent of the total payments made in 2011 and mainly comprises:

- expenditure for human resources like salaries, allowances and pensions;
- and expenditure for buildings, equipment, energy, communications, and information technology.

For the purpose of this assessment, the Court i) tested a representative random sample of transactions covering the administrative and other expenditure of all institutions and bodies, and; ii) assessed the compliance of the supervisory and control systems applied by each Institution with the requirements of the Financial Regulation.

The Court also audited selected topics, which included the calculation and payment of social allowances paid to staff in all Institutions, the procedures for extending and modifying the contracts of temporary and contract staff and procurement contracts in most Institutions.

Similar to previous years, the result of this assessment is positive. The Court concludes that transactions underlying administrative and other expenditure in 2011 were, in all material respects, legal and regular.

More concretely, the Court found that 7 percent of the 56 transactions tested were affected by error and the most likely error estimated by the Court is 0,1 percent.

The Court also concludes that the supervisory and control systems for the Institutions' administrative expenditure comply with the requirements of the Financial Regulation.

Dear Chairman and Members of the Parliament,

It is very important to have in mind that, the Court provides an opinion for all institutions and other bodies together, and does not issue a separate opinion for each of them.

However, the Court performs specific additional work on each institution and body and presents a number of observations on each one of them. These findings do not call into question the specific assessment of the Court.

The recommendations to a number of institutions and bodies made by the Court were three:

- First, staff should be requested to deliver, at appropriate intervals, documents confirming their personal situation and the Institutions and bodies should implement a system for the timely monitoring of these documents.
- Second, the Institutions and bodies should fully comply with the rules when concluding, extending or modifying employment contracts with non-permanent staff.
- And third, the Institutions and bodies concerned should ensure that authorising officers improve the design, coordination and performance of procurement procedures through appropriate checks and better guidance.

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As far as the European Parliament is concerned, the Court found weaknesses in the payment of social allowances and benefits to staff members. In two cases out of five audited, the personal and family situation of staff was not up-to-date or not properly processed. In one of these cases, it led to overpayments.

Weaknesses were also found in employment of accredited parliamentary assistants. In five cases out of ten audited, the medical certificates were presented too late and, in none of these ten cases were there documents on the file evidencing that the checks of the knowledge of languages has been performed.

Furthermore, there were limitations in the effectiveness of the ex-ante verification relative to recruitment of nine out of ten accredited parliamentary assistants audited.

Finally, the Court detected shortcomings in two procurement procedures out of ten audited. These cases concern the application of selection and award criteria relating to the maintenance of buildings and to printing services.

In its Annual Report, the Court also comments on developments relative to recommendations made in its previous reports. One of these follow-ups concerns the European Parliament.

With reference to the payment of social allowances to staff members, the Court's audit shows that the risk of making incorrect or undue payments still remains.

Dear Chairman and Members of the Parliament,

This has been a summary of the Court's findings as concerns the European Parliament.

Of course, I am at your disposal for any question or clarification you might have.

I thank you for your attention.

Baudilio TOMÉ MUGURUZA  
Member of the Court

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**Presentation of Chapter 9 of the Annual Report 2011 of the ECA,  
to the Budgetary Control Committee of the European Parliament**

**22 January 2013**

**Speaking note of Mr Tomé Muguruza, reporting Member for Administrative Expenditure**

**Subject: Agenda item 11: Discharge to the Other Institutions**

Dear Chairman and dear Members of the Budgetary Control Committee of the European Parliament,

As I told you in my previous introduction of point 10 of the Agenda, in Chapter 9 of its Annual Report, the Court concludes that Administrative expenditure of all Institutions and bodies of the European Union:

- were affected by an overall error rate of 0,1 percent, and;
- the supervisory and control systems comply with the requirements of the Financial Regulation.

These two conclusions are also applicable to “Other Institutions and Bodies”.

I already had the opportunity to present to this committee the overall results and recommendations of the Chapter and the specific observations on the European Parliament. Last 10th January, this committee already discussed the Administrative Expenditure of the External Action Service and this afternoon it will discuss the Commission’s.

I would like now to dedicate few words to the findings of the Court on “Other Institutions and Bodies”, which are: the Council, the Court of Justice, the Economic and Social Committee, the Committee of the Regions, the European Ombudsman and the Data Protection Supervisor.

As it is mentioned in our report, the accounts of the Court of Auditors were audited by an external audit firm which issued a separate report with its conclusions and opinion.

Chapter nine includes comments on systems weaknesses in two Institutions and Bodies: the Council and the Economic and Social Committee. In the other Institutions and Bodies no significant weaknesses were detected.

As far as the Council is concerned, the Court identified weaknesses in two procurement procedures out of five audited. In these cases, the tender specifications enabled the Council to estimate a price for a certain item if the tenderers did not propose one. This practice could result in a modification of the value of the tender in a way which is not laid down in the Financial Regulation.

For the Economic and Social Committee, the Court found errors in the conclusion of contracts with temporary and contract staff. Notably, in one case out of four audited, the staff member recruited as a temporary agent was re-graded to the basic salary six months later because of lack of available posts for promotion of permanent staff.

Dear Chairman and Members of the Parliament,

This has been a summary of the Court's findings as concerns the Other Institutions and Bodies.

Of course, I am at your disposal for any question or clarification you might have.

I thank you for your attention.

Baudilio TOMÉ MUGURUZA

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**Presentation of Chapter 9 of the Annual Report 2011 of the ECA,  
to the Budgetary Control Committee of the European Parliament**

**22 January 2013**

**Speaking note of Mr Tomé Muguruza, reporting Member for Administrative Expenditure**

**Subject: Agenda item 12: Discharge to the Commission**

Dear Chairman and dear Members of the Budgetary Control Committee of the European Parliament,

As I told you in my previous introduction of point 10 of the Agenda, in Chapter 9 of its Annual Report, the Court concludes that Administrative expenditure of all Institutions and bodies of the European Union:

- were affected by an overall error rate of 0,1 percent, and;
- the supervisory and control systems comply with the requirements of the Financial Regulation.

This Committee already discussed the Administrative Expenditure of the other Institutions and Bodies and now it is time to talk about the findings of the Court on the Administrative Expenditure of the Commission.

The Court detected weaknesses in two areas:

- one, relates to the calculation and payment of social allowances to staff members, and
- the second one in relation to procurement procedures.

In fifteen cases out of twenty-eight audited, the personal and family situation of the staff members was not up-to-date, leading to incorrect payments in six of them.

In relation to the four procurement procedures audited, the court identified weaknesses in three of them, notably:

- in the application of award criteria at the selection stage ;
- use of similar criteria several times during the evaluation process, and;
- inconsistencies in the definition and evaluation of the selection criteria.

Moreover, in the conclusion of a multiple framework contract one of the tenderers was not eliminated in the selection phase despite the fact that it did not fulfil the requirement of experience.

Dear Chairman and Members of the Parliament,

The recommendations made by the Court to all Institutions and Bodies are also applicable to the Commission.

I welcome any question or clarification you might have.

I thank you for your attention.

Baudilio TOMÉ MUGURUZA  
Member of the Court

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**Court of Auditor's Special Report No.4/2012 :Using Structural and Cohesion Funds to co-finance transport infrastructures in seaports: an effective investment?"**

I am pleased to be here today to assist in your discussion of this Draft Report which has for its subject matter the Court's Special Report No.4/2012, entitled 'Using Structural and Cohesion Funds to co-finance transport infrastructures in seaports: an effective investment ?' Let me say from the outset that I am pleased to find that the Reporting Member, Mr Liberadzki welcomes the Court's report and is supportive of its conclusions and recommendations.

The European Union supports investments in seaports through its Structural and Cohesion Funds. These are important actions and during the 2000 – 2006 programming period , which was the focus of our audit, 2,8 billion euro from these funds was allocated to seaport infrastructures. A further 3,4 billion euro was earmarked for the 2007-2014 period..

The Court's audit was designed to find out how effective the transport infrastructure projects in seaports were, which we did by examining whether projects had achieved their objectives and delivered their planned outputs . The audit focused on 27 projects in France, Greece, Italy and Spain, countries receiving 85,5% of the money spent on seaports during the programming period.

**What did we find out ?**

First of all we asked whether projects had appropriate objectives and as the projects selected had been financed under the budgetary heading dealing with transport infrastructures in seaports, we expected them to support transport policy objectives. However, only two thirds of the projects clearly had transport policy objectives. Seven had other Structural and Cohesion Funds related objectives and two had objectives which the auditors found not to be in line with Operational Programme objectives.

We then looked at the effectiveness of projects and we found mixed results.

With regard to timeliness,41% of the projects were finished on time, but a further 44% experienced delays, with the average delay being 26 months. Four of the constructions had not been completed at the time of the audit.

The obvious next step was to see what use was being made of the 23 projects which had been completed. By mid-2010, when the audit visits took place, 19 of them were in use. However three were lying unused and one was only partially in operation. As regards the effectiveness of these constructions, the auditors were of the opinion that some will need considerable further investment before being fully effective. Of the 23 completed projects, whereas 11 effectively supported transport objectives , four were considered as being completely ineffective. – three unused ports and an unsuccessful rail project.

The situation as described in the report with long delays, uncompleted constructions, infrastructures not in use and ineffective projects must be viewed against what we found in the area of long term port planning. Not one of the audited regions had a long term port development plan in place and no needs assessments had been carried out. This is an area of fundamental importance and I am pleased to see that Mr.Liberadzki has emphasised the need for such planning in his report.

Regarding the question of management, our audit found that little consideration had been given to the monitoring and supervision of project results, with the Monitoring Committees and the Managing Authorities focusing on the rate of spending instead of use and effectiveness. Indicators were designed mainly to monitor the progress of absorption and construction rather than results and impacts. Indeed, there was little evidence that the Commission intervened in the Monitoring Committees to ensure effective spending for the 7 Major Projects and Cohesion Fund Projects audited or to ensure the setting or using of result or impact indicators.

The Court therefore makes a number of recommendations in this report to address the shortcomings highlighted. Such as the Commission reminding Member States of their obligation to use EU funds in accordance with sound financial management and in support of the intended programme objectives.

It should also make Cohesion Policy aid for the coming period conditional upon the existence of a comprehensive long term port development strategy and in more general terms, introduce the principle that EU funding should be conditional upon results. Furthermore, the Commission should more strongly encourage the use of result and impact indicators by Managing Authorities and strengthen its assessment procedures to improve the detection of serious weaknesses and the taking of appropriate corrective action.

I am heartened to see that the Reporting Member supports the recommendations of the Court and notes that he puts forward further recommendations aimed at using the found shortcomings to guard against ineffective spending in the future.

I am glad that he agrees that specific targets may be set and their achievement assessed even at project level and that results and impacts of infrastructures should be assessed, of course having allowed a sufficient period of time for their assessment.

This Report No.4 of 2012, has received much positive feedback since its publication and has been applauded for its clear conclusions and its forward looking and constructive recommendations. These recommendations which have been further underlined and expanded on by the Reporting Member in his draft document, will, I hope, result in improved financial management in this important area of policy in the future.

Thank You

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### Intervention by Mr Galea

Thank you for this opportunity to introduce this Special Report by the European Court of Auditors with different aspects of EUROSTAT as its subject.

As you are aware, the Court's audit covered two main aspects of Eurostat's operations:

1. the first being the **European Statistics Code of Practice**,
2. and the second being the performance of Eurostat in the **implementation of the European statistical programmes**.

Let me state already that the draft report of your Rapporteur, Mr Deutsch, summarises the Court's findings very well and points to the critical issues. Therefore, I can be brief in my intervention.

**The European Statistics Code of Practice** must be seen as an essential prerequisite for public trust in European Statistics. However, the main conclusion of the audit is that the Code is not as yet fully implemented.

In this context, the audit has two main findings:

1. **On adherence to the Code**: to date the system relies on mutual trust between Eurostat and National Statistical Authorities, and verification systems in place are weak;
2. **In terms of who is responsible to implement the Code**: the Court observes that part of the implementation of the Code depends not only on Eurostat and national Statistical Authorities but also depends on National Governments to implement certain reforms and adopt certain standards. As things stand now, national statistical authorities are often not in a position to ensure that, in their respective Member States, all other data providers involved in the process abide by the rules of the Code.

The overall conclusion of the Court in this respect is that most of this situation arises from a lingering ambiguity as to which parts of the Code are legally binding and which are not. It remains an open question as to why some principles of the Code are not legally binding.

**With regard to the implementation of the European statistical programme 2008 to 2012**, the audit found that Eurostat had not designed the 'Statistical Programme' as an effective planning, monitoring and accountability tool. Reprioritisation of statistical activities towards new challenges is behind schedule.

The new statistical programme for 2013-17 addresses the Court's findings in this respect and provides a clearer hierarchy of priorities and proposes new methods for producing European statistics. It remains to be seen how this will be used during the implementation of the programme.

## **The Court's recommendations**

The Court grouped its recommendations under three headings:

1. The first recommendation is a general recommendation: european reliable and credible statistics is a crucial SHARED RESPONSIBILITY . Serious and demonstrable action throughout the European Union by all – Eurostat, the Commission, Member States and statistical authorities is a prerequisite.
2. The second set of recommendations is focused on ensuring full implementation of the Code of Practice, including the need for:
  - Legal certainty on the obligations of all parties to adhere to allprinciples of the European Statistics Code of Practice.
  - Rules for review, verification and enforcement regarding the respect for quality standards; currently the excessive deficit procedure is the only domain where such rules are in place.
  - Independent supervision and hence the recommendation to strengthen the role of ESGAB, the European Statistical Governance Advisory Board which could be transformed in an independent supervisory body.
3. The third set of recommendations concerns the Statistical Programme. The Court raises seven points most of which have been positively welcomed by the Commission for the future.

In conclusion, I would like to add that the Commission and Eurostat have already taken positive action on our report and recent proposals and decisions go in the right direction. However, more needs to be done.

A case in point, would be for Eurostat to accept the Court's recommendation to put in place a systematic and consolidated annual reporting to the European Parliament and to the Council on the state of implementation of the new European statistical programme for the years 2013 to 2017.

I thank you for your attention

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