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from: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 29 February 2012

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European  
Union

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Subject: Commission Staff Working Document accompanying the document Report  
from the Commission: Member States' replies to the Court of Auditors' 2010  
Annual Report

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Delegations will find attached Commission document SWD(2012) 24 final.

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EUROPEAN COMMISSION

Brussels, 27.2.2012  
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**COMMISSION STAFF WORKING DOCUMENT**

*Accompanying the document*

**REPORT FROM THE COMMISSION**

**Member States' replies to the Court of Auditors' 2010 Annual Report**

{COM(2012) 80 final}

The Financial Regulation applicable to the General Budget of the European Union states in article 143(6) that as soon as the Court of Auditors (the Court) has transmitted the Annual Report, the Commission shall inform the Member States concerned immediately of the details of that report which relate to management of the funds for which they are responsible, under the rules applicable. Member States should reply to the Commission within sixty days and the Commission transmits a summary of the replies to the Court of Auditors, the European Parliament and the Council before 28 February<sup>1</sup> of the following year.

Following publication on 10 November 2011, the Commission duly informed Member States of details of the report. This information was presented in the form of a letter and three questionnaires (presented as annexes) which Member States were required to complete- Annex I was a questionnaire on the paragraphs in the report referring to the individual Member States; Annex II was a questionnaire on the audit findings which refer to the individual Member State and Annex III was a questionnaire on general findings related to shared management for DAS 2010.

This report is an analysis of the Member States' replies and is accompanied by a Staff Working Document (SWD) which comprises the Member States' replies to Annex I and Annex III.

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<sup>1</sup> OJ L 390, 30/12/2006 - Financial Régulation Article 143.6

| ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country |   |   |
|--|---|---|
| Paragraph  | Observation in the 2010 Annual Report   | Member State reply  |
| <b>CHAPTER 2 – REVENUE</b>   |   |   |
| 2.3  | <p>TOR are established and collected by the Member States. Three quarters of these amounts are paid to the Union budget, the remaining quarter being retained to cover collection costs. Each Member State sends the Commission a monthly statement of established duties (the 'A accounts') and a quarterly statement of those established duties which are not included therein (the 'B accounts')<sup>(3)</sup>.</p> <p><sup>3</sup> <i>When duties or levies remain unpaid and no security has been provided, or they are covered by securities but have been challenged, Member States may suspend making these resources available by entering them in these separate accounts.</i></p> |   |
| 2.4  | <p>The VAT-and GNI-based own resources are contributions resulting from the application of uniform rates to Member States' notionally harmonized VAT assessment bases or to the Member States' GNI respectively.</p>  | <p><b>Finland:</b> According to the report, Finland did not give advance notice of revisions affecting the GNI form. This non-compliance concerned a time series revision published in January 2010.</p> <p>Statistics Finland did not notify Eurostat in advance of this revision, because overall the changes to the time series (GDP and GNI) were fairly small, even though some big changes were made to subsets of calculations. As indicated in the Commission's reply, Statistics Finland had informed Eurostat in advance of the time series revisions at the meetings of the GNI Committee and during the inspection carried out in Finland in January 2009. At Eurostat's request, Statistics Finland sent a letter concerning the scope of the time series revisions to Eurostat's Director-General only subsequently, on 21.4.2010.</p> <p>In the future, Statistics Finland will notify Eurostat in advance of any time series revisions. Statistics Finland followed this practice on 21.6.2011, when it notified Eurostat of a small change to the 1975-2007 time series connected with a change in the classification of</p> |

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| 2.5  | <p>Certain Member States benefit from a reduced call rate for VAT<sup>(4)</sup> and a gross reduction in their annual GNI contribution<sup>(5)</sup> for the period 2007-2013. In addition, the United Kingdom is granted a correction in respect of budgetary imbalances (“the UK correction”) which involves a reduction in its payments of GNI-based own resources.</p> <p><sup>4</sup> <i>Germany, the Netherlands, Austria and Sweden</i><br/> <sup>5</sup> <i>The Netherlands and Sweden.</i></p>   | <p>industries.</p> <p><b>Austria:</b> The legal basis is the last sentence of Article 2(4) of Decision 2007/436/EC, Euratom (OJ L 163, 23.6.2007, pp. 17-21) and is confined to the period 2007-2013.</p> <p><b>Germany:</b> Not applicable since the reference body does not contain any objection by the Court.</p> <p><b>Sweden:</b> The Court of Auditors has made no observations giving rise to comments from Sweden.</p> <p><b>UK: HMT:</b> This is just a factual statement which includes reference to the fact that the UK receives abatement and requires no response.</p> |
| 2.7  | <p><u>Annex 1.1, Part 2</u>, describes the Court’s overall audit approach and methodology. For the audit of Revenue, the following specific points should be noted:</p> <p>The audit involved examination at the Commission level of a representative statistical sample of 55 recovery orders covering all types of Revenue (see Annex 2.1).</p> <p>(b) The assessment of systems covered the</p> <p>(i) systems for TOR, VAT-based and GNI-based own resources;</p> <p>(ii) commission systems underlying the calculation of the UK correction (including an examination of the calculation of the definitive amount for 2006);</p> <p>(iii) systems for waivers of the amounts which are the subject of recovery orders, based on a sample of 19 waivers (amounting to a total of 11 million euro) authorized by the</p> | <p><b>UK: HMT:</b> This simply states that the Commission undertook an examination of a representative sample of recovery orders and again requires no response.</p>  |

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| 2.9  | <p>Commission in 2010 out of a total of 22 million euro;</p> <p>(iv) Commission's management of fines and penalties.</p> <p>(v) The review on Commission management representations covered the annual activity report of DG BUDG. The review on Commission management representations covered the annual activity report of DG BUDG.</p> <p>The Court carried out an assessment of supervisory and control systems in Italy, the Netherlands and the United Kingdom which contribute around 38 % of the total of TOR. It reviewed their accounting systems and examined the flow of TOR from establishment to declaration to the Commission in order to obtain reasonable assurance that the amounts recorded were accurate and complete. The auditors carried out testing of key controls relating to the application of preferential duty rates, the granting of the "super simplification" for users of Local Clearance Procedures (notification waiver) and the treatment of freight and insurance costs in these Member States.</p> | <p><b>UK: <u>HMT</u>:</b> Again no response is required as the ECA merely states that it carried out assessments of control systems in three Member States including the UK.</p>   |
| 2.10   | <p>In addition, for the six TOR recovery orders included in the sample referred to in paragraph 2.7 the Court reconciled the selected monthly statement with the underlying accounting records of the Member State concerned<sup>(6)</sup>.</p> <p><sup>6</sup> <i>Belgium, Czech Republic, Germany, France, the Netherlands and Sweden.</i></p>  | <p><b>Belgium:</b> SPF Budget : aucune erreur n'a été relevée</p> <p><b>Germany:</b> Not applicable since the reference body does not contain any objection by the Court.</p> <p><b>France:</b> Aucune anomalie n'ayant été constatée par la Cour sur les documents transmis par la France, aucune mesure n'a dû être prise.</p> <p><b>Sweden:</b> The Court of Auditors has made no observations giving rise to comments from Sweden.</p> |

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| Paragraph | Observation in the 2010 Annual Report   | Member State reply  |
|-----------|---|---|
| 2.15      | <p>The Court found that overall the Member States' A accounts' statements sent to the Commission were free from material error. However, for one transaction <sup>(7)</sup> out of the six audited, it was not possible to reconcile the amount of TOR declared with the underlying accounting records.</p> <p><sup>7</sup> A monthly statement of Belgium. This Member State accounted for 9,5 % of total TOR in 2010.</p>   | <p><b>Belgium:</b> On 25/06/2011 a new version (5.3) of the electronic clearing system PLDA (paperless douane and tax) was installed. With this new version it's possible to retrieve detailed data for a specific period directly from the system. This way correctness in the monthly statements is ensured.</p> <p>These detailed data are :</p> <ul style="list-style-type: none"> <li>- Date</li> <li>- Number of the reporting into the PLDA or the debt in PLDA</li> <li>- Amount of the debt</li> </ul> <p>With its letter of 19/07/2011 (see annex) the Minister of Finance has informed the European Court of auditors of the measures taken. The European court of auditors has reacted positively on the measures taken, specifically what the overview of preliminary finding n° 2 is concerned (see letter of CoA of 28/09/2011 in annex)</p> |
| 2.16      | <p>The Court's audit found the calculation of Member States' contributions and their payment to be free from material error. However, the Court detected an error in the Commission's calculation of the 2006 definitive amount <sup>(8)</sup> of the UK correction entered in the 2010 budget, resulting in an excessive correction granted to the United Kingdom of 189 million euro (3,5 % of UK correction 2006) (See <i>Annex 2.5</i>, in particular its paragraphs 6 and 7). In order to correct the error the Commission has exceptionally proposed to amend the 2011 budget, in agreement with all Member States.</p> <p><sup>8</sup> The definitive calculation of the UK correction of year n is entered in the budget of year n+4.</p> | <p><b>UK: HMT:</b> This relates to a Commission error in the calculation of the UK abatement which requires no response from the UK.</p>  |

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| 2.19      | <p>As in previous years, the Court detected problems in the procedures and systems which affect the amounts included in the B accounts' statements. These concern in particular: unjustified entries (guaranteed and unchallenged cases) and write-offs <sup>(9)</sup>, delays in the establishment of TOR, in the entry into the accounts and/or in the notification of the customs debts <sup>(10)</sup>, belated starting of recovery actions to collect the amounts receivable <sup>(11)</sup>.</p> <p><sup>9</sup> <i>The United Kingdom.</i><br/> <sup>10</sup> <i>Italy, the Netherlands and the United Kingdom.</i><br/> <sup>11</sup> <i>The United Kingdom.</i></p> | <p><b>UK: <i>Her Majesty's Revenue &amp; Customs (HMRC)</i>:</b> The UK authorities submitted a detailed reply by letter dated 12/07/2011 and specific details can be found therein. We anticipate that the Commission will follow-up this matter.</p> <p>a) <u>Unjustified entry of guaranteed and unchallenged debts in the B Account (PF2702)</u></p> <p>The UK complies with EC legislation by including all guaranteed and unchallenged post clearance debts in the A Account. However, this particular issue involved 2 specific debts that the ECA maintained should have been entered in the A Account and not the B. The UK authorities replied by letter dated 12/07/2011 in which they contested the ECA findings and outlined their reasoning.</p> <p>b) <u>Delays in establishment and entry in the accounts and/or notification of the debt (PF2702)</u></p> <p>The UK authorities accepted the ECA findings. However, these were isolated examples of specific debts and each one has been addressed individually in our reply dated 12/07/2011.</p> <p>c) <u>Belated starting of recovery action</u></p> <p>All debts are now referred to HMRC's Debt Management Unit (DMU) on a timely basis as both the International Accounts team in Southend and the C18 team in Grimsby have introduced checks to identify and action debts for timely referral to DMU for recovery action.</p> |

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| 2.20      | <p>The national authorities of Italy, the Netherlands and the United Kingdom were not able to fully justify the amounts reported in the B accounts' statements, because they did not match the underlying documents.</p>  | <p><b>UK: HMRC:</b> The UK authorities submitted a detailed reply by letter dated 12/07/2011 and specific details can be found therein. In our letter we stated that;</p> <p>“The UK authorities agree with the ECA findings and we have rectified the B Account balance and established new procedures and guidance to prevent a recurrence. All live C18s were analysed and summed by duty type and compared with the opening balances.</p> <p>As a result, an adjustment of £3,273,131.54 has been included within the ‘Corrections to establishments’ column in the Q1 2011 B Statement to ensure the differences are now reflected in the closing balance.</p> <p>The team that manages the C18 demands have been instructed not to make retrospective amendments to B Account closed quarters.</p> <p>Preparation of future B Statements will include an analysis of the actual balance outstanding. If retrospective amendments have been made they will be verified and an appropriate adjustment will be made.</p> |
| 2.26      | <p>General reservations <sup>(12)</sup> existed at the end of 2010 on GNI data of EU-15 Member States for the period 2002 to 2006, and on EU-10 Member States for the period 2004 to 2006, pending the completion of the analysis of the updated or new GNI inventories <sup>(13)</sup>.</p> <p><i><sup>12</sup> Article 10(7) of Regulation (EC, Euratom) No 1150/2000, as amended, states that, after 30 September of the fourth year following a given financial year, any changes to GNP/GNI shall no longer be taken into account, except on points notified within this time limit either by the Commission or by the Member State. These points are known as reservations. A general reservation covers all the data of a Member State. All GNI data of Bulgaria and Romania are open in accordance with the four-year rule.</i></p> | <p><b>Bulgaria:</b> Council Regulation No 2223/1996 of 25 June 1996 requires the Member States to submit data regarding GNI and its components to the European Commission by 22 September of each year. All Member States must submit a report describing the sources and methods used to calculate GNP and GNI to Eurostat. Bulgaria submitted its report to Eurostat in March 2010. In December 2010 Eurostat sent a mission in connection with the report. The second mission will take place from 13 to 16 December 2011.</p> <p>At present Bulgaria has no reservations in respect of its GNI data.</p> <p><b>Romania:</b> In 2010 and 2011 Eurostat carried out two visits to</p>   |

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|  | Romania to analyse the GNI inventory. Following the visits, a number of action points to be implemented by September 2014 were drawn up and a timetable for their implementation.  |
| 2.27   | <p><i><sup>13</sup> In accordance with Article 3 of the Council Regulation (EC, Euratom) No 1287/2003 (OJ L 181, 19.7.2003, p. 1), Member States shall provide the Commission (Eurostat) with an inventory of the procedures and statistics used to calculate GNI and its components according to ESA 95.</i></p> <p>At the beginning of 2010, there were four <sup>(14)</sup> open specific GNP reservations relating to the period 1995 to 2001. During 2010, the Commission did not lift any of these. As no additional specific reservations were set, the number of outstanding specific reservations at the year-end is unchanged.</p> <p><i><sup>14</sup> These open reservations concern Greece (1) and the United Kingdom (3) and mainly relate to methodological and compilation aspects.</i></p>  |
|  | <p><b>Greece:</b> The European Commission (Eurostat) expressed seven reservations about Greece, following examination of the Greek inventory relating to implementation of the ESA95 system. Of those reservations, six have been lifted since July 2009 while the seventh was partially lifted. That part of the reservation which remains outstanding relates to one aspect of transition from GDP(ESA95) to GNP(ESA79), and in particular the manner in which amortisation and depreciation for infrastructure works was calculated. ELSTAT made new calculations regarding this reservation and sent them to Eurostat on 22 September 2011 with the GNI questionnaire and comments on the quality report. ELSTAT is collaborating with Eurostat on these data.</p> <p><b>UK:</b> <u>Office of National Statistics:</u> There is currently only one open reservation relating to GNP for the UK for the period 1995 to 2001, and it is anticipated that this will be lifted with publication of the UK National Accounts (Blue Book) 2012 in July 2012.</p> |
| 2.31   | <p>In its calculation of the UK correction for reference years from 2007 to 2009 the Commission did not include around 2 % of total payments of EU funds in the figure for total allocated expenditure, a basic element in the calculation of the correction. The Commission excluded these sums because information on where the expenditure was made was not available. The Commission did not check whether this expenditure could have been allocated for the purposes of the calculation (see <u>Annex 2.5</u>, in particular its paragraphs</p>  |
|  | <p><b>UK: HMT:</b> This paragraph concerns the Commission's calculations of the UK abatement for the years 2007 to 2009. It questions the accuracy of the Commission's calculations, but no response is required from the UK.</p>  |

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| 2.33   | <p>3 to 5 and 10 to 11).</p> <p>The omissions noted in the previous two paragraphs reduce the precision of the calculation of the UK correction. It is not possible to say in which direction they affect the result of the calculation.</p>  | <p><b>UK: HMT:</b> This paragraph concerns the Commission’s calculations of the UK abatement for the years 2007 to 2009. It questions the accuracy of the Commission’s calculations, but no response is required from the UK.</p> |
| 2.38   | <p>The error which the Court detected in the Commission’s calculation of the 2006 definitive amount of the UK correction (see paragraph 2.16) is described in the annual activity report of DG BUDG, which sets out the additional control measures put in place subsequently. However, taking into account the Commission’s own materiality criteria, in the Court’s view a reservation should have been made in the declaration of assurance of the director-general of DG BUDG.</p>  | <p><b>UK: HMT:</b> As for paragraph 2.16 and no UK response needed.</p>   |
| 2.40   | <p>Based on its audit work, the Court concludes that the supervisory and control systems were effective in ensuring the regularity of Revenue. However, the Court draws attention to the weaknesses set out below:</p> <p>(a) The Court’s audits continue to reveal problems with the use of the B accounts (paragraph 2.19) and with the reliability of the A and B accounts’ statements (paragraphs 2.15 and 2.20). Weaknesses were also found in national customs supervision (paragraph 2.21). The Court concludes that supervisory and control systems of Member States audited are only partially effective at ensuring that TOR recorded are complete and correct.</p> <p>(b) Long-outstanding reservations still exist (paragraph 2.23). The Court also found weaknesses in the</p> | <p><b>UK: HMT:</b> This paragraph seems to be a summary of earlier paragraphs, e.g. “the B accounts (paragraphs 2.15 and 2.20), and no specific response is required</p>  |

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|  | <p>Commission's monitoring of the Member States' application of the VAT directives examined (paragraph 2.25).</p> <p>(c) The Commission has not yet completed its verification of GNI inventories covering GNI data of Member States for the period 2002 onwards (paragraph 2.29), and has not yet lifted the remaining four open specific GNP reservations on the period 1995-2001 (paragraph 2.27).</p> <p>(d) There was an error in the definitive calculation of the 2006 UK correction <sup>(15)</sup> (see paragraph 2.16). There were weaknesses in the calculation of the correction for subsequent years (see paragraphs 2.31 to 2.33). The Court concludes that supervisory and control systems of the Commission are partially effective at ensuring that the UK correction is correctly calculated.</p> <p>(e) The losses suffered by the budget relating to the waiver of amounts receivable might have been avoided or at least reduced if the Commission had been more proactive (paragraph 2.35).</p> <p><sup>13</sup> Moreover, in December 2009, the Commission detected an error in its calculation of provisional estimates of the UK correction for years 2008 and 2009, representing an overestimation of 138 million euro (2,6 %) and 458 million euro (13 %) respectively. See paragraph 2.17 of the 2009 Annual Report. The corrected amounts have been taken into account in the framework of the calculation of updated estimates of the UK correction, carried out in 2010 (before the definitive amounts will be calculated in 2012 and 2013).</p> |  |
| 2.44   | <p><b>Recommendation:</b> The Commission should evaluate the full financial impact of incorrect BTI and update the European Binding Tariff Information (EBTI-3) database (paragraphs 45 and 46 of Special Report</p>  | <p><b>Ireland:</b> Statement of fact no action required.</p> |

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|---|---|------------------------|-----------------|-----------------|--|------|------------|----------------|------------------------|------------------------|--------------------|------|------------|
| Paragraph   | Member State reply  |                        |                 |                 |  |      |            |                |                        |                        |                    |      |            |
| <p>Observation in the 2010 Annual Report</p> <p>No 2/2008).</p> <p>Progress made: The Commission was able to demonstrate that it was seeking to hold Member States accountable for losses resulting from the issue of incorrect BTI.</p> <p>New functions were introduced in the EBTI-3 database to better respect the legal provisions. The user interface of the public EBTI-3 database is now translated into all EU official languages (except Maltese and Irish) and the Thesaurus is being progressively updated.</p> | <p><i>Austria:</i> In Austria's opinion, at present five reservations for 31 December 2010 can be confirmed (see Table 1). Following the Commission's control visit in September 2011, the Commission is now drafting a new control report in which the reservations will again be entered. After informal contact with the Commission, it is to be assumed that the Austrian reservation regarding compensation for small firms (the sixth reservation in the Commission table, which has since been withdrawn) will now no longer appear in the report currently being drawn up.</p> <p>Table 1: Austria - reservations at 31 December 2010:</p> <table border="1"> <thead> <tr> <th>Subject</th> <th>years concerned</th> <th>reservations of</th> </tr> </thead> <tbody> <tr> <td>Weighted average rate (concealed activities)</td> <td>2002</td> <td>Commission</td> </tr> <tr> <td><b>Subject</b></td> <td><b>years concerned</b></td> <td><b>reservations of</b></td> </tr> <tr> <td>Restriction of the</td> <td>2003</td> <td>Commission</td> </tr> </tbody> </table> | Subject                | years concerned | reservations of | Weighted average rate (concealed activities) | 2002 | Commission | <b>Subject</b> | <b>years concerned</b> | <b>reservations of</b> | Restriction of the | 2003 | Commission |
| Subject   | years concerned   | reservations of        |                 |                 |  |      |            |                |                        |                        |                    |      |            |
| Weighted average rate (concealed activities)  | 2002  | Commission             |                 |                 |  |      |            |                |                        |                        |                    |      |            |
| <b>Subject</b>  | <b>years concerned</b>  | <b>reservations of</b> |                 |                 |  |      |            |                |                        |                        |                    |      |            |
| Restriction of the  | 2003  | Commission             |                 |                 |  |      |            |                |                        |                        |                    |      |            |
| Table 2.2   |   |                        |                 |                 |  |      |            |                |                        |                        |                    |      |            |

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| Paragraph | Observation in the 2010 Annual Report   | Member State reply   |                               |
|-----------|---|--|-------------------------------|
|           | right to deduct input tax for cars (calculation method, private-use proportion) | Infringement procedure No 2007/2453 – Application of the Sixth VAT Directive (VAT exemptions)                    | 2004<br><br>Commission        |
|           |   | Infringement procedure No 2007/2176 – Application of the Sixth VAT Directive (compensation for cars)             | 2004<br><br>Commission        |
|           |   | Infringement procedure No 2010/2055 – Application of the Sixth VAT Directive (VAT exemption for postal services) | 2006 - 2009<br><br>Commission |
|           | Compensation for SMEs (withdrawn on 31 July 2010)                               |  | 2007<br><br>Austria           |

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| Paragraph | Observation in the 2010 Annual Report | Member State reply  |
|-----------|---------------------------------------|---|
|           |                                       | <p><b>Belgium:</b> SPF Budget : au 31 décembre 2010, la Belgique ne fait plus l'objet de réserves de la part des services de la Commission</p> <p><b>Bulgaria:</b> As soon as reservations were expressed, Bulgaria instructed the National Statistical Institute to correct the formula used to calculate the weighted average rate of VAT. The methodology and reporting of the weighted average rate were discussed in more detail during the visit to Bulgaria by European Commission officials in 2011.</p> <p><b>Cyprus:</b> The European Commission had three reservations concerning the VAT own resources base for the year 2004. After the audit of 10 to 14 November 2008 on the VAT own resources bases for the years 2005-2007, a further three reservations were added. Therefore, at 31 December 2010 there were six reservations in total.</p> <p>The Cyprus authorities (VAT Service) took a number of measures to remove the reservations. The VAT Service drew up observations on the Commission's reservations and recommendations and sent them to the Commission on 30 October 2009.</p> <p>The VAT Service took further action to remove the reservations in 2010. On 30 April 2010 it sent a report to the European Commission containing clarifications and comments (along with revised VAT bases) concerning the observations/comments made by the Commission in the draft summary report. The report with the observations/comments of the VAT Service describes in detail the measures taken to remove the reservations. On 16 September 2010 the VAT Service sent a supplementary report to the Commission with details and comments on additional action taken (e.g. ad hoc research for calculation of the VAT on the sale of new buildings and those not taxed because a duly completed application had been lodged with the</p> |

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| Paragraph  | Observation in the 2010 Annual Report   |
|  | <p>Member State reply</p> <p>competent government authority before 1 May 2004, application of a new method for calculating the compensation granted to farmers under the special scheme for farmers).</p> <p>The results with respect to the two clarification reports were outlined at the meeting of the Advisory Committee on Own Resources - VAT held in Brussels on 26 October 2010, at which two reservations were lifted. The conclusions of the meeting with the amendments that arose were incorporated in the final summary report.</p> <p>The summary report on the findings and observations arising from the Commission inspection in Cyprus concerning the VAT bases for 2005-2007 was sent to the Cypriot authorities on 31 January 2011. Of the six reservations two were lifted by the Commission and four are pending.</p> <p>To summarise the above, we would point out that action to remove the Commission's reservations was taken immediately after the visit by EU inspectors in November 2008. Additional measures were taken in 2010 and the Commission was sent the clarification report on 30 April 2010 and additional clarifications on 16 September 2010. The Cyprus authorities are continuing their efforts to remove the remaining reservations.</p> <p><b>Czech Republic:</b> The reservations raised by DG Budget representatives concern intermediate stages in the calculation of the basis for the EC's VAT-based own resources. All reservations are being resolved.</p> <p><b>Denmark:</b> <u>Nine reservations</u> were registered for Danish VAT compensation as at 31 December 2010.</p> <p><u>Three of these reservations concern passenger transport.</u> The</p> |

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| Paragraph | Observation in the 2010 Annual Report | Member State reply  |
|-----------|---------------------------------------|---|
|           |                                       | <p>Commission had one reservation regarding the subsidies granted to public transport, taking the view that these must be included in the VAT base. Denmark had a reservation concerning the inclusion of subsidies, which have been taken into consideration since 2006. The Commission has lifted its reservation as it now agrees with Denmark that the subsidies in question should not be included in the base.</p> <p>Denmark can lift its reservation on condition that the statements since 2006 are adjusted. The second reservation relates to a few minor aspects concerning long-distance coaches which do not have a ticket office or which are not registered in Denmark. Given the nature of the matter, there are no statistics throwing light on this, but it is reckoned to be of marginal significance. Similarly, the third open point – the scale of the use of Swedish taxis from the airport to Sweden (to halfway across the bridge) – must also be reckoned to be of marginal significance. The treatment will be discussed with the Commission during the next control visit.</p> <p>There was <u>one reservation</u> concerning the compensation for business use of cars. The Commission lifted its reservation in autumn 2011 after Denmark reviewed a number of the conditions on which the compensation was based.</p> <p><u>One reservation</u> concerned the compensation for travel agents. This reservation was lifted in autumn 2011.</p> <p><u>One reservation</u> concerns an exemption for the repair and maintenance of aircraft which was declared illegal following the Cimber Air judgment on domestic flights (ECJ ruling C-382). The Commission appears to have misunderstood the extent of the calculation of compensation as this should have been taken into account in the objections it raised. The case will be discussed during</p> |

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|           |                                       | <p>the next control visit.</p> <p><u>One reservation</u> concerns the calculation of compensation in connection with the VAT exemption for small traders (artists). The compensation has been recalculated, as the Commission will see in greater detail during the next control visit.</p> <p>Finally, there are <u>two reservations</u> concerning two cases of infringements against the Treaty relating to VAT grouping schemes and VAT exemption for charities. No ruling has yet been reached in these cases.</p> <p><b>Finland:</b> The Commission carried out an inspection in Finland to examine VAT-based own resources calculations most recently on 22-26.3.2010. The next inspection is planned for 2012.</p> <p>During the previous visit the Commission examined Finland's VAT-based own resources statements for 2006 to 2008. The outstanding VAT reservations were also discussed during the visit and some of them were lifted. Before the visit there were ten VAT reservations, but in the course of the 2010 inspection two were lifted and two combined, leaving seven outstanding. Finland provided the Commission with information on the VAT reservations for the 2009 summary report in December 2010.</p> <p>Since then the following changes have occurred in the VAT reservations. Prior to completing the summary of its inspection in June 2011, the Commission lifted one reservation and Finland entered another one. The reservation lifted by the Commission concerned the 2001-2009 VAT exemption for the supply of services on board ships sailing through the Åland Islands to another EU Member State. The 2001-2009 VAT exemption for the supply of services on board ships sailing through the Åland Islands to another EU Member State. The VAT own resources base statement for 2009 was incomplete in this respect, but Finland remedied this satisfactorily shortly after giving its</p> |

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|           |                                       | <p>reply concerning the statement in December 2010. The new reservation entered by Finland concerned the effects of car tax and of the VAT paid on car tax (ELV) on Finland's VAT own resources base. The reservation entered (ref. Ares (2010) 481036) covers the different effects of the car tax issue on Finland's VAT own resources base.</p> <p>In the summary of the inspection the Commission had added a new reservation, which was not discussed during the visit. The reservation concerned the fuel calculation included in the car compensation related to the VAT own resources base (§ 5.3.7 of the summary) in 2007 and 2008. When examining the calculation the Commission inspectors found it unusual that the average fuel consumption per 100 kilometres of cars running on diesel was higher than that of cars using petrol. Finland revised the fuel calculation satisfactorily in autumn 2011, but as the reform was approved in 2011 it did not yet have an effect on the VAT reservations of 2010.</p> <p>In its replies contained in the 2009 audit report Finland also mentioned that it will examine the Commission's reservation related to the pro-rata of non-deductibility of exempted industries for the years 2004 to 2008. The calculation was revised during 2011 and the changes were notified to the Commission's inspectors in July 2011 in connection with Finland's VAT-based own resources statement for 2010. The tables with the new weighted average rate for 2004-2008 were delivered to the Commission in September 2011. In the annual meeting of the Advisory Committee on Own Resources (ACOR meeting of 22.10.2011), the Commission inspectors stated that they will still review the calculation changes but that they were satisfied with them at this stage. The reservation is expected to be lifted by the time the next audit report is prepared.</p> |

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| Observation in the 2010 Annual Report  | <p>Following the above-mentioned changes, there were eight reservations outstanding on 31.12.2010. The most long-standing of these is Finland's reservation concerning the Åland Islands, which dates from 1995. Three reservations concern infringement procedures.</p> <p><b>France:</b> La réserve la plus ancienne a été émise en 2004 lors du contrôle des relevés de 2001 à 2003. La Commission a demandé la mise en place de nouvelles modalités de calcul de la compensation « Véhicules Particuliers ». Cette méthodologie a fait l'objet de discussions lors des contrôles sur place suivants et est en passe d'être définitivement acceptée moyennant la production par l'Etat français de quelques pièces justificatives complémentaires qui sont soumises à la Commission à l'issue du contrôle sur place du 28 novembre au 2 décembre 2011.</p> <p>Les autres réserves sont essentiellement des réserves émises en lien avec une procédure d'infraction engagée par la DG TAXUD.</p> <p><b>Germany:</b> Not applicable since the reference body does not contain any objection by the Court.</p> <p><b>Greece:</b> Regarding the seven outstanding reservations (inspection of VAT own resources - 9/2010), Greece has already sent its comments to the European Commission auditors and awaits their response for the future withdrawal of reservations</p> <p><b>Hungary:</b></p> <p>1. The Commission itself did not express its definitive point of view on this matter (which also concerns other states) before the ACOR meeting of 26 October 2010, at which it was debated. At the meeting, the majority of Member States supported the Commission position that 'invisible' items should be included in WAR at the appropriate</p> |

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|           |                                       | <p>VAT key, even though in practice these items do not generate any revenue. We will draw up the amended declarations to be submitted by the end of 2010 in accordance with this position. We have asked the Central Statistical Office to adjust the WAR accordingly. The Central Statistical Office sent the amended calculations on 8 December 2011.</p> <p>2. At the Commission's request, we asked MAHART for data on water transport for 2005-2007, which will be included in our amended declarations to be submitted by the end of 2010.</p> <p>3. The Central Statistical Office has sent the new calculations for the compensation for new passenger cars, so these calculations can now be included in the amended declarations to be submitted by the end of 2010. In agreement with the Commission, the Hungarian authorities will not calculate a positive item for used passenger cars for 2004-2007. In agreement with the Commission, the negative compensation item for used passenger cars will be calculated for 2004-2007 at the rate for private use (30%). On the possibility of and method for taking into consideration the open-end leasing of passenger cars, expert consultation is still required with the Hungarian Leasing Association. In the case of the fuel compensation, the drawing up of a new methodology and database should be considered.</p> <p>4. The preliminary estimate for 2007 was submitted to the Commission on 5 July 2009. The report does not take into account the amounts included in the compensatory levy for intermediate consumption, investments and emissions relating to activities in the areas of forestry and fisheries, indicating that their effect is insignificant. However, in the control report the Commission requested that the numbers be included in the declarations. In our remarks on the control report, we indicated that the amounts</p> |

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|  |                                       | <p>concerning the final year and the other years would be included in the declarations in accordance with the methodological reconciliation carried out together with the Central Statistical Office. The methodological reconciliation has not been concluded yet.</p> <p><b>Italy:</b> The action taken takes the form of a document containing Italy's proposals for resolving the reservations still outstanding. At the beginning of 2010, in the light of the results of the Commission inspection in November 2009, there were eight reservations still outstanding for Italy. The measures taken as a result of that inspection resolved five more reservations during 2010 and led to five new ones being formulated, bringing the total number of reservations to eight.</p> <p>In 2011 Italy replied to further comments sent by the Commission on 24 May 2011 with a document sent on 5 August 2011. In the course of the year three more reservations were lifted and two new ones were made, with the result that there are currently seven reservations still outstanding for Italy. The outstanding reservations will be discussed with the Commission at the next inspection, due to take place in April 2012.</p> <p><b>Latvia:</b> Following the European Commission's inspection visit, which lasted from 7 to 11 June 2010, Latvia updated the calculation of its VAT resource base and sent the updated calculations to the European Commission on 28 January 2011. On 11 November 2011 the European Commission sent a Summary Report 'Results and observations arising from the Commission control in Latvia' to Latvia pursuant to Article 6 of Council Regulation No 1026/1999. Following on from this Report, one reservation was cancelled for Latvia and 5 reservations continued, with 2004 being the earliest year the reservations refer to. Thus, in 2011, Latvia has 5 VAT reservations</p> |

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|  | <p>Member State reply</p> <p>from previous years.</p> <p><b>Lithuania:</b> In view of the report on a VAT-based own resources monitoring visit of the European Commission to Lithuania in 2009, Lithuania presented its observations including updated calculations for the purpose of correcting errors and lifting reservations established during the monitoring visit on 5 March 2010. At the request of the Commission, additional adjustments were submitted on 10 May 2010 and 22 June 2010. At a meeting of the Commission's Advisory Committee on Own Resources (ACOR) on 26 October 2010, the Commission's representatives presented the monitoring visit report and a summary document on the observations and clarifications of Lithuania lifting five of seven remaining reservations. Two reservations were left until the Commission's representatives reviewed the documents justifying the corrections, although the calculation methodology presented by Lithuania was acceptable. The results regarding the remaining two VAT reservations should be presented by the Commission after a monitoring visit to Lithuania scheduled for June 2012.</p> <p><b>Luxembourg:</b> Date fin = date de diffusion du rapport de la Commission sur les résultats de la visite de contrôle du 24 au 26 novembre 2010, confirmant la levée des réserves + voir correctif dans le tableau pour la ligne concernant le Luxembourg</p> <p><b>Malta:</b> Following the control visit in November 2011, VAT department and NSO have address all action points and are now waiting for the lifting of reservations.</p> <p><b>Poland:</b> The actions aimed at lifting the Commission's reservations regarding the Polish reports on the calculation of a uniform basis for VAT own resources commenced soon after the end of the first audit</p> |

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|  | <p>Member State reply</p> <p>by the Commission (the audit visit took place between 17 and 20 April 2007).</p> <p>However, it is difficult to determine the date of lifting of the Commission's reservations and, consequently, the completion date of the actions in this respect. As part of the on-going, periodical audit of the statements by the authorised Commission inspectors, new comments are often made as regards the calculations that have already been the subject of a reservation, thus making the work on correcting/lifting them much more difficult. During the current year, Poland has prepared the corrected calculations of those parts of the statements that were subject to the reservations (taking into account, above all, the findings of the last audit, which took place between 14 and 18 September 2009). It is therefore possible that the reservations in question will be lifted in 2012 in full (or in part). In addition, at the beginning of 2011, the Commission, as part of a report summarising the audit of statements for 2006-2007, withdrew the reservation regarding the calculation of compensation in respect of scientific research services. Therefore, the number of reservations has now decreased from 6 to 5.</p> <p>In connection with the reservations regarding VAT-exempt farmers and the weighted average VAT rate, the relevant corrections had already been taken into account in the statements for 2008 – 2010 and in the audited statements for 2004 – 2007. The corrections require EU approval.</p> <p><b>Romania:</b> (UCRBUE) [Unit for coordination of budgetary relations with the European Union]</p> <p>The first inspection by the European Commission concerning the control of own resources from VAT – Annual Declarations for 2007</p> |

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|  | <p>Member State reply</p> <p>and 2008 took place between 11 and 15 October 2010. However, the Inspection Report (English language version) was sent by the Commission to the Romanian authorities on 11 January 2011, with the official version in Romanian following on 22 February 2011.</p> <p><b>Slovakia:</b> The three outstanding reservations to the calculation of the Slovak Republic's harmonised VAT base registered as at 31 December 2009 were lifted by the Commission following the replies and explanations received from the Slovak Republic in 2009 and 2010.</p> <p><b>Spain:</b> Table 2.2 of the Court of Auditors' Report contains an outstanding reservation as of 31 December 2010 concerning VAT in Spain. The reservation arises from a proceeding brought against Spanish regulations for infringement of Community law on the special VAT scheme for travel agencies (Articles 306-310 of the VAT Directive). The Spanish authorities have stated that with the information currently available, no negative impact can be identified in the calculation of the VAT base, since the special scheme establishes an alternative mechanism for calculating the tax payable. The aim of this mechanism is neutrality, i.e. the tax ultimately payable on transactions is the same as the tax that would be payable under the normal scheme. This reservation has not yet been resolved because the Commission has maintained it while awaiting legal certainty through the demonstration of the likely outcome of a compensation calculation.</p> <p><b>Sweden:</b> The Court of Auditors has made no observations giving rise to comments from Sweden.</p> <p><b>Finland:</b> According to the report, Finland did not give advance notice of revisions affecting the GNI form. This non-compliance concerned</p> |
| Annex 2.4  | Recommendation follow-up table for revenue.   |

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|  |  | <p>a time series revision published in January 2010.</p> <p>Statistics Finland did not notify Eurostat in advance of this revision, because overall the changes to the time series (GDP and GNI) were fairly small, even though some big changes were made to subsets of calculations. As indicated in the Commission's reply, Statistics Finland had informed Eurostat in advance of the time series revisions at the meetings of the GNI Committee and during the inspection carried out in Finland in January 2009. At Eurostat's request, Statistics Finland sent a letter concerning the scope of the time series revisions to Eurostat's Director-General only subsequently, on 21.4.2010.</p> <p>In the future, Statistics Finland will notify Eurostat in advance of any time series revisions. Statistics Finland followed this practice on 21.6.2011, when it notified Eurostat of a small change to the 1975-2007 time series connected with a change in the classification of industries.</p> |
| <b>CHAPTER 3 – AGRICULTURE AND RURAL DEVELOPMENT</b> |  |   |
| 3.2  | <p>The objectives<sup>(16)</sup> of the common agricultural policy as set out in the Treaty are to increase agricultural productivity, thus to ensure a fair standard of living for the agricultural community, to stabilise markets, to assure the availability of supplies and to ensure that supplies reach consumers at reasonable prices.</p> <p><sup>16</sup> Article 39 of the Treaty on the Functioning of the European Union.</p> |   |
| 3.3  | <p>The EU budget finances the common agricultural policy expenditure mainly through two Funds<sup>(17)</sup>: the European Agricultural Guarantee Fund ('EAGF'), which fully finances EU direct aid and market measures<sup>(18)</sup>, and the</p>  |   |

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| 3.4       | <p>European Agricultural Fund for Rural Development ('EAFRD'), which co-finances at varying rates rural development programmes.</p> <p><sup>17</sup> Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy (OJ L 209, 11.8.2005, p. 1).</p> <p><sup>18</sup> With the exception of certain measures such as promotion measures and the school fruit scheme which are co-financed.</p> <p>The main measures financed by EAGF (43 990 million euro) are:</p> <ul style="list-style-type: none"> <li>— the <i>direct aid 'Single Payment Scheme' (SPS)</i>. SPS payments are based on 'entitlements'<sup>(19)</sup> each of which is activated with one hectare of eligible land declared by the farmer. SPS represented in 2010 29 070 million euro of expenditure (73 % of direct aids),</li> <li>— the <i>direct aid 'Single Area Payment Scheme' (SAPS)</i> which provides for the payment of uniform amounts per eligible hectare of agricultural land and is currently applied in ten of the new Member States<sup>(20)</sup> and in 2010 accounted for 4 460 million euro of expenditure (11 % of direct aids),</li> <li>— other <i>direct aid</i> schemes 'coupled payments' linked to specific types of agricultural production. In 2010 those schemes accounted for 6 146 million euro of expenditure (16 % of direct aids),</li> </ul> | <p><b>Czech Republic:</b> This is only information about the system of direct aid applied in the Czech Republic (SAPS). It is not a finding; no action can be taken.</p> <p><b>Hungary:</b> Intervention storage and export refunds have been declining in importance in recent years. In 2010, EUR 64.417 million was paid from the EAGF for intervention relating to cereals, sugar and alcohol, which also included storage expenses and settlements caused by quantitative changes in intervention stocks. In addition, EUR 14.77 million was settled under the EU's 2010 food aid programme. Thus, the total amount was EUR 79.187 million.</p> <p><b>Latvia:</b> See comments in Annex II, Part A, Paragraph 1 and Annex II</p> <p><b>Poland:</b> In the budget year 2010, above all: payments were commenced under the "Single Area Payment Scheme" and under other direct aid schemes (direct payments linked to production volume) for the 2010 campaign (from 1 December 2010); payments were continued to be made under the "Single Area Payment Scheme" and under other direct aid schemes (direct payments linked to production volume) for the 2009 campaign, which commenced on 1 December 2009; payments were continued to be made under the "Single Area Payment</p> |

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| <p>Observation in the 2010 Annual Report</p> <p>— <i>interventions in agricultural markets</i>: the principal measures are intervention storage and export refunds, both of which have been declining in importance in recent years, and other measures such as specific support for the wine, fruit and vegetable and food programmes (in total amounting to 4 314 million euro in 2010).</p> <p><sup>19</sup> <i>The number and value of each farmer's entitlement was calculated by the national authorities according to one of the models provided for under EU legislation. Under the historical model each farmer is granted entitlements based on the average amount of aid received and area farmed during the reference period 2000 to 2002. Under the regional model all entitlements of a region have the same flat-rate value and the farmer is allocated an entitlement for every eligible hectare declared in the first year of application. The hybrid model combines the historical element with a flat rate amount and, if it is dynamic, the historical component decreases each year until it becomes a predominantly flat rate-system.</i></p> <p><sup>20</sup> <i>Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia.</i></p> | <p>Scheme' for the remaining campaigns (2004-2008) and under other direct aid schemes (direct payments linked to production volume) for the remaining campaigns (2007-2008).</p> <p><b>Romania: (APIA)</b></p> <p>As regards export refunds, the National Customs Authority (ANV) sent the annual attestation reports, concerning the checks performed, to the Paying and Intervention Agency for Agriculture (APIA). The annual attestation reports are sent each year on the basis of the Protocol for permanent inter-institutional collaboration between APIA and ANV over the management of the system of import and export licences for agricultural products and the implementation of Community regulations on the operation of export refund schemes for agricultural products (Protocol No 1602/33176/2010).</p> <p>Through the annual control report, the National Customs Authority attests to the fact that it has met its obligations under the Protocol (whose legal basis comprises EU and national legislation in the area of the common agricultural policy concerning exports of agricultural products for which refunds are granted from EAGF) and that the methods used to meet its responsibilities are those specific to ANV's area of competence and relate to goods that form the subject of exports for which export refunds have been claimed.</p> <p>APIA's Directorate for Foreign Trade and Promotion of Agricultural Products (DCEPPA) examined the export refund claim files and other available information, particularly export documents and remarks made by the customs services (allocations made on the back of certificates, setting the refund in advance) or all the evidence at its disposal (authorisations, certificates, control reports, T5 control documents, transport documents, third country import customs declarations and</p> |

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|  |                                       | <p>translations thereof, where appropriate), which provided justification, in accordance with the EU regulations and national legislation in force, for authorisation of the payment and the actual payment of the amounts in question.</p> <p>As regards the promotion of wines in third countries, which is a measure included in the National Support Programme for the wine sector, APIA - DCEPPA examined the following in connection with EAGF payments for the 2010 financial year: claims submitted by beneficiaries and the necessary supporting documents, reports on technical and accounting checks, and notes sent by the Ministry of Economic Affairs, Trade and Business Environment following participation in actions carried out in third countries targeted by information and promotion programmes.</p> <p>Protocol No P19 of 23 November 2010 on inter-institutional collaboration to monitor the performance of actions for the implementation of information and promotion programmes for agricultural products on the internal market and in third countries (whose legal basis comprises EU and national legislation covered by the common agricultural policy concerning the promotion of agricultural products and wines for which aid is granted from EAGF and from the state budget) was concluded between APIA (the Ministry of Agriculture and Rural Development) and the Ministry of Economic Affairs, Trade and Business Environment.</p> <p>The procedure used by DCEPPA to examine payment files is laid down in the procedural manuals (drawn up on the basis of EU and national legislation for the granting of export refunds and support for the</p> |

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|  | <p>promotion of wines) approved at APIA and Ministry level for the promotion of wines. For each payment claim, the Directorate draws up checklists, in compliance with the principle of double verification, for authorisation of the payment and payment authorisation documents.</p> <p><b>Slovakia:</b> Under the currently applicable Regulation (EC) No 73/2009, the direct aid system "single payment scheme (SPS)" will be applied in the new Member States after 2013. At the moment (and until 2013), the system applied also in Slovakia is the "single area payment scheme (SAPS)". The SPS scheme was introduced with a view to separating payments from production ("decoupling"). In order to become eligible for support under SPS, farmers must first acquire 'entitlements' which will be established for Slovakia in accordance with the currently applicable Regulation (EC) No 73/2009.</p> |
| 3.16   | <p>Annex 1.1, Part 2, describes the Court's overall audit approach and methodology. For the audit of policy group Agriculture and Natural Resources the following specific points should be noted:</p> <ul style="list-style-type: none"> <li>- the assessment of systems covered for EAGF IACS audits, selected using a combination of materiality, risk and random (MUS) criteria, in 5 paying agencies in three Member States applying the SPS - Germany (Sachsen and Niedersachsen), Spain (Castilla La Mancha and Extremadura) and United Kingdom (Wales) - and in one Member State (France) the control system relating to the measure "restructuring of the sugar industry". For Rural Development, the Court randomly selected and tested the supervisory and control systems in Germany</li> </ul>   |
|  | <p><b>Czech Republic:</b> In the Czech Republic, further to a Memorandum of Understanding of 14 July 2010 between SAO and the ECA, and as part of a project on a coordinated audit with the ECA, Check 10/29 was conducted on funds earmarked to improve the environment and the landscape under the Rural Development Programme (SAO Check Findings No 10/29 and the ECA's initial audit findings, filed under reference numbers 4393 and 4447, are available).</p> <p>The check comprised two modules:</p> <p>Module 1: assessment of the principal supervisory and control systems established to ensure legality and regularity, and</p> <p>Module 2: the testing of individual transactions carried out by the final beneficiary (30 payments).</p>  |

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| <p>Observation in the 2010 Annual Report</p> <p>(Mecklenburg-Vorpommern), United Kingdom (Scotland), Romania, Poland, Portugal, Italy (Toscana), Latvia and France. For Environment the Court tested the internal control system of DG ENV;</p> <p>- a follow-up of weaknesses related to Land Parcel Identification System (LPIS) and on-the-spot inspections reported under DAS 2008 and 2009 was carried out for three paying agencies: in Greece, Bulgaria and Romania,</p> <p>- in addition to the audits of payments and systems mentioned above, for the Netherlands and the Czech Republic co-ordinated audits were undertaken with the Dutch and Czech Supreme Audit Institutions. In the Netherlands, the audit involved the examination of an additional sample of 55 payments of which 53 were made under EAGF measures and two related to Rural Development expenditure and an assessment of the relevant supervisory and control systems. In the Czech Republic the audit involved the examination of 30 payments related to four measures of the Rural Development programme and an assessment of the relevant supervisory and control systems. The results of the examination of these additional samples are included in the error rate calculation;</p> <p>with respect to cross compliance, the Court limited its testing to GAEC obligations (minimum soil cover, avoiding the encroachment of unwanted vegetation) for which evidence can be obtained and a conclusion reached at the time of the audit visit. Certain statutory management requirements (animal identification and registration) were</p> | <p><b>France:</b> Voir réponse à la question suivante.</p> <p><b>Germany:</b> Not applicable since the reference body does not contain any objection by the Court.</p> <p><b>Latvia:</b> See comments in Annex II, Part A, Paragraph 1 and Annex II</p> <p><b>Poland:</b> The information set out above, regarding the actions taken and completed and the dates when such actions were taken and completed, relates to the financial audit carried out in 2010 by the European Agricultural Fund for Rural Development (EAFRD) as part of the Statement of Assurance for the budget year 2010 (DAS 2010). During the audit in question, certain primary management requirements (animal identification and registration) were examined in Poland.</p> <p><b>Romania:</b> (APIA)<br/>Romania has completed the action plan for improving the quality of LPIS. By means of the measures taken under the action plan and the updating of LPIS every three years on the basis of new ortho-photos, the annual updates on the basis of the results of on-the-spot checks and other sources providing information on changes in the field, APIA ensures that non-agricultural areas are not included in the LPIS reference area. Where payments are made unduly, they are recovered using the procedures in force.</p> <p><b>Spain:</b> There were no observations.</p> <p><b>UK:</b> RPA: The specific observations made during the assessment of systems are commented on in Annex II.</p> |

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|  | <p>tested in respect of EAFRD payments. Furthermore, in the context of its systems audits, the Court has examined the implementation (at national level) of the GAEC standards and the control systems implemented by Member States. When non-compliance is detected it is currently not included in the error rate calculation,</p> <ul style="list-style-type: none"> <li>- the review of the Commission's management representations covered the annual activity reports of DG AGRI, DG CLIMA, DG ENV, DG MARE and DG SANCO;</li> <li>- in addition, in order to assess the basis for the Commission's financial clearance decisions the Court reviewed 61 of the certification bodies' certificates and reports related to 56 paying agencies.</li> </ul> |  |
| Example 3.2  | <p>In Spain (Castilla-La-Mancha and Extremadura) the Court observed cases of permanent pasture reference parcels which were recorded in the LPIS as being fully eligible although they were only partly covered with grass and the remainder with ineligible elements such as rocks, bush land, dense forest, etc. In Greece, there were cases where entire forests were regarded as permanent pasture and were therefore considered eligible for SPS payments. As a result, the eligible area recorded in LPIS and used for the cross-checks was often overstated. This adversely affected the quality of such cross-checks.</p>   | <p><b>Greece:</b> Given that in Greece a reference parcel designated by physical boundaries (physical block) is used as a unit, the cross-check is therefore designed to 'run' by unit. As a consequence each common pasture is usually a reference parcel by itself, and as a result the cross-check affects the specific reference parcel and not all the reference parcels in the system.</p> <p>According to the Greek authorities there is no danger to the Fund because, regardless of the area of pasture declared by the producers, for the single payment scheme aid is based on the corrected area of pasture based on LU (livestock units) (0.2 LU/ha) and not the total declared and, for second pillar payments (compensatory allowance) aid is not based on the total area declared but a specific maximum area limit for pasture that is typically much smaller than the total pasture area declared.</p> |

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| 3.31      | <p>The <i>Land Parcel Identification System (LPIS)</i> is a database in which all the agricultural area (reference parcels) of the Member State is recorded including the optional use of ortho-photos (28). In three Member States (Greece, Romania and Spain), the Court found cases where ‘permanent pasture’ (29) reference parcels were recorded in the LPIS to be 100 % eligible despite the fact that they were partially covered with dense forest or other ineligible features and therefore only partially eligible (see example 3.2).</p> | <p><b>Spain:</b> The Action Plan to improve LPIS-GIS updating submitted to the Commission includes a methodology for calculating and assigning an eligibility coefficient in LPIS-GIS recintos used as pasture land. The results obtained in the different Autonomous Communities are being analysed with a view to adopting the final decision on introduction of the methodology.</p> <p><b>Greece:</b> Areas within the pasture land with shrubs and herbaceous plants that grow normally in the natural pastures of the Mediterranean basin, are food for the small ruminants which primarily use these pastures and make up the main animal population of the country. Therefore, these areas cannot be an exception to the eligible area of the pasture.</p> <p>Already in the year 2011 a new COVER ID was added, based on photo interpretation for woodland areas labelled ‘COVER ID 12 forage woodland’.</p> <p><b>Romania:</b> (APIA) Under APIA procedures, these types of area are excluded from the reference area of physical blocks in LPIS. The isolated cases identified are the result of errors in photo interpretation.</p> |
| 3.32      | <p>In five Member States (Bulgaria, Netherlands (30), Greece, Romania and Spain) the Court identified weaknesses in keeping the LPIS up to date.</p>   | <p><b>Spain:</b> The Action Plan to improve LPIS-GIS updating submitted to the Commission includes a methodology for calculating and assigning an eligibility coefficient in LPIS-GIS recintos used as pasture land. The results obtained in the different Autonomous Communities are being analysed with a view to adopting the final decision on the introduction of the methodology.</p> <p><b>Greece:</b> Clearly, it is not possible at any time to update the database in every respect and for the whole country with every small or larger change that occurs in it, which obviously objectively happens in all the Member States. As indicated by the JRC, the way to renew the LPIS</p>   |

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| Paragraph  | Observation in the 2010 Annual Report  |
|  | <p>Member State reply</p> <p>database for such cases that happen to arise is to treat them as isolated cases, until the total renewal of the database with the necessary information in the whole country, which is done once a year before the submission of applications for next season.</p> <p>When engineering structures are built or other permanent changes made to the land, both the OPEKEPE and producers are informed by the authorities and bodies which have carried out those changes, so that they can be taken into account both in the updating of the LPIS and for applications for the current year, so that the correct area is declared. There is therefore no risk to the Fund.</p> <p>For 2011 applications the database is available, up to date with any changes that have been made regarding the eligibility and planning of units.</p> <p>Note that, as mentioned above, the maintenance of the mapping database is done on an annual basis. Already for the 2012 application the satellite images of 2010 used for the remote sensing checks for that year are ready to be integrated, and soon the satellite images used for the corresponding remote sensing checks for 2011 will be graded and evaluated for integration. Furthermore, with the remote sensing checks for the years 2010 and 2011, the changes resulting in non-eligible areas are also ready to integrate into the new database that will form the basis for the 2012 application.</p> <p><b>Romania: (APIA)</b></p> <p>By means of the measures taken under the action plan and the updating of LPIS every three years on the basis of new orthophotos, the annual updates on the basis of the results of on-the-spot checks and other sources providing information on changes in the field, APIA ensures that non-agricultural areas are not included in the LPIS reference area.</p> |

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|             |   | <p>Where payments are made unduly, they are recovered using the procedures in force.</p> <p><b>Spain:</b> The Action Plan to improve LPIS-GIS updating submitted to the Commission includes a methodology for calculating and assigning an eligibility coefficient in LPIS-GIS recintos used as pasture land. The results obtained in the different Autonomous Communities are being analysed with a view to adopting the final decision on introduction of the methodology.</p>  |
| 3.33        | <p>As regards the non-IACS control system for the measure ‘restructuring of the sugar industry’ in France, the Court found the system to be partially effective only (see example 3.3).</p>   | <p><b>France:</b> Les autorités françaises se sont conformées à la réglementation en matière de restructuration de l’industrie sucrière en autorisant un fabricant de sucre à modifier la capacité de production de l’usine destinée à être complètement démantelée, cette modification correspondant à la capacité maximale théorique de production de l’ensemble des sites du fabricant, y compris le site litigieux. La réglementation ne définit pas la « capacité de production » et n’indique pas les règles permettant de la fixer. La réglementation n’indique pas davantage que la capacité de production est limitée à la production effective passée. La terminologie reprise dans la réglementation communautaire confirme qu’il ne saurait s’agir de la production déjà atteinte par l’usine qui par essence varie non seulement en fonction du potentiel de production mais aussi de facteurs exogènes tels que notamment des conditions climatiques.</p> |
| Example 3.3 | <p>Under an EU restructuring plan sugar producers giving up all or part of their quota receive an aid per tonne of sugar quota in 2008/2009 renounced ranging from 218,75 euro (simple renunciation) to 625 euro (in the case of a full dismantling of a production facility). The producer must assign the abandoned quota to production facilities up to a maximum of the production capacity of those facilities. 10</p> | <p><b>France:</b> Voir réponse à la question précédente.</p>  |

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| 3.36      | <p>% of the aid must be paid to the growers who as a result lose their delivery rights for sugar beet to the sugar producer. In France a sugar producer was granted aid for dismantling a production facility equivalent to 93 500 tonnes of quota renounced. However, immediately before applying for the aid, the beneficiary had applied for upgrading the production capacity of this facility from 72 000 to 93 500 tonnes and his request had been approved. However, the actual production of the plant had never exceeded 60 000 tonnes. The increase in capacity was artificially created to obtain the higher aid rate of 625 euros/tonne for a quantity of at least 21 500 tonnes. In addition, the 10 % of this aid was paid to growers who had never delivered sugar beet to the dismantled facility.</p> <p>For some EAFRD projects the administrative checks shall include a verification of the compliance of the operation with applicable national and EU rules including public procurement. The Court found that, in Portugal, the costs related to the construction of a dam had been split over several contracts which could thus be awarded directly instead of being put out to tender. This was not detected by the administrative checks.</p> | <p><b>Portugal:</b> See reference II.5. of the national authorities' comments on the Court of Auditors' preliminary findings in the 2010 DAS Audit – EAFRD (Annex 1).</p> <p>Administrative checks on applications for payment for projects under Action 1.6.2 under the responsibility of EDIA are carried out by the PRODER management authority, on the basis of the relevant regulations laid down by the paying agency, and include compliance checking for public procurement procedures relating to the expenses submitted by the beneficiary in support of applications for payment for projects (at the time the checks were carried out jointly with the paying agency).</p> <p>For the projects/applications for payment audited, a standard check list established by the paying agency indicates that compliance with national and Community legislation on public procurement, as covered by Article 9 of Directive 2004/18/EC of the European Parliament and</p> |

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| Paragraph | Observation in the 2010 Annual Report | Member State reply   |
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|           |                                       | <p>of the Council of 31 March 2004, was checked with regard to the division of archaeology work.</p> <p>The PRODER managing authority considered the basic information submitted by EDIA to be acceptable, as regards analysis of applications for payment in the light of the unpredictability and urgency of archaeological services.</p> <p>In many cases, the urgency in carrying out archaeological work, which only became apparent once the project was under way, because of the specific nature of events (e.g. archaeological remains buried on site), i.e. after the initial impact reduction measures were identified, was intended to avoid long stoppages entailing a significant increase in cost.</p> <p>The pipes crossed various points of cultural and archaeological interest, which at the time of the project were not fully known. While it was possible for the environmental impact study, or the <i>Instituto de Gestão do Património Arquitectónico e Arqueológico</i> (IGESPAR), to identify some of these points, it was not possible, at that stage, to know the number and size of them, the area involved, the richness and importance of the findings and the degree of technical rigour required, the quantity and quality of the work to be done, and the length of the operation.</p> <p>The PRODER management team therefore considered, in the specific case of archaeological work, that there was no intention to split work over several contracts to ensure that the Directive in question did not apply.</p> <p>Although not directly relevant, it should be noted that the ceiling applied to EDIA for the purchase of goods and services was EUR 206 000 and not EUR 133 300, as stated in point 11 of the report, since EDIA is an awarding body as set out in Article 1(2) of DL 18/2008 of</p> |

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| Example 3.4 | <p>In Bulgaria, Greece, Romania, the Czech Republic and the Netherlands the Court re-performed parcel measurements carried out by national inspectors. The eligible areas reported by the national inspectors were found to be incorrect for 13 out of 43 parcels in Bulgaria, 6 out of 32 parcels in Greece, 12 out of 29 parcels in Romania, 35 out of 67 parcels in the Czech Republic and 16 out of 174 parcels in the Netherlands. However, in the cases examined the financial effects were limited.</p> | <p>29 January 2008 (Public Procurement Code - <i>Código dos contratos públicos</i> - CCP). The above limit was EUR 206 000 at the date in question, in line with Article 20(b) of the CCP (falling to EUR 193 000 from 1 January 2010, in accordance with Regulation 177/2009).</p> <p><b>Bulgaria:</b> The discrepancies were due to the time lag between the measurements and changes to the boundaries of the parcels used by the beneficiary.</p> <p><b>Czech Republic:</b> In its audit, the SAO reviewed 10 beneficiaries for compliance with the eligibility criteria during 2009. The aim of this audit was to verify that the paying agency's checks on beneficiaries were carried out properly. In this review, the SAO identified several (35) cases in which the checks carried out by the State Agricultural Intervention Fund (SAIF) in 2009 failed to identify the true situation regarding the land checked. Nevertheless, with the exception of one case, these errors did not affect the amount of the payments made to the beneficiaries checked.</p> <p><b>Greece:</b> The classic spot checks are carried out on the basis of reliable LPIS data using GPS and with detailed instructions given to the auditors. Any deviations relate to isolated cases.</p> <p><b>Romania: (APIA)</b></p> <p>The Agency's analysis of the 12 identified cases indicated that the differences detected were the result of the updating of LPIS, the manner in which the technical requirements for joint cultivation were implemented, the length of time that had passed between the date when the images were collected for interpretation by remote sensing and the date when the measurements were taken in the field, or of errors made by farmers when indicating the boundaries of the parcel in use. The process of digitisation of the parcels inside physical blocks began in</p> |

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|  |  | <p>2010, when the IPA Online application for the identification of parcels in a GIS environment began to be widely used. The farmers selected for checks by remote sensing were given priority in this process, so practically the parcels of all farmers checked by remote sensing were digitised. As a result, checks by remote sensing were carried out earlier, took less time and the results were much improved.</p> <p>Moreover, through the measures taken under the action plan and the updating of LPIS every three years on the basis of new ortho-photos, the annual updates on the basis of the results of on-the-spot checks and other sources providing information on changes in the field, APIA ensures that non-agricultural areas are not included in the LPIS reference area. Where payments are made unduly, they are recovered using the procedures in force.</p> |
| 3.39   | <p>In EAFRD, the Court found weaknesses in the planning of the on-the-spot checks and the analysis of the results. In Portugal, for instance, almost all checks (97,5 %) were carried out with considerable delays, e.g. 1 or even 2 years after the year for which the payment was claimed, which makes it harder to detect cases of non-compliance.</p>  | <p><b>Portugal:</b> As stated in the European Commission's reply (page 85 of the Court of Auditors' 2010 Annual Report ), the national authorities implemented a substantial set of measures in 2010, which made up for the delays in on-the-spot checks for 2008 and 2009 and also enabled the checks for 2010 to be carried out. The European Commission monitored the implementation of the on-the-spot checks.</p>  |
| 3.47   | <p>Whilst the Court's own re-performance of EAGF area inspections carried out in Bulgaria, Romania, Greece and the Netherlands <sup>(21)</sup> showed weaknesses in the quality of national inspections, the respective certification bodies reported that the quality of inspections was good <sup>(22)</sup> or at least adequate <sup>(23)</sup>.</p> <p><sup>21</sup> See example 3.4.<br/> <sup>22</sup> Greece and Netherlands.<br/> <sup>23</sup> Bulgaria and Romania.</p> | <p><b>Greece:</b> The classic spot checks are carried out on the basis of reliable LPIS data using GPS and with detailed instructions given to the auditors.</p> <p>They were assessed by the Certification Body, which described the quality of the checks as good.</p> <p><b>Romania: (APIA)</b></p> <p>In accordance with Commission Guideline No 5, the Certifying Body must validate the quality of on-the-spot checks carried out by paying</p>   |

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|  | <p>Member State reply</p> <p>agencies implementing EAGF and EAFRD for both the IACS and non-IACS populations. In order to issue the certification report for the EAGF and EAFRD financial year, the Certifying Body re-performed the on-the-spot checks for both the IACS and non-IACS populations. The weaknesses identified were presented in the audit reports sent to the European Commission. The financial impact of the weaknesses was insignificant.</p> <p>As regards the EAGF and EAFRD IACS populations, for 2010 the Certifying Body carried out separate audit missions at the final beneficiaries of EAGF and EAFRD financial aid, concerning the consolidation of the guarantee of the legality and correctness of the payments made by the paying agency (APIA). Following the performance of these checks, APIA's internal control system was evaluated as being satisfactory as regards on-the-spot checks.</p> |
| Annex 3.2  | <p>Results of examination of systems for agriculture and natural resources</p> <p><b>Czech Republic:</b> Not applicable – there is no error involved.</p> <p><b>France:</b> Voir Annexe III.</p> <p><b>Germany:</b> Not applicable since the reference reflects the Court's assessment.</p> <p><b>Poland:</b> 3.2.2. Assessment of selected supervisory and control systems — Rural development</p> <p>Column: “Implementation and control of GAEC/Cross-compliance”</p> <p>During the financial audit carried out in 2010 by the European Agricultural Fund for Rural Development (EAFRD) – Statement of Assurance for the budget year 2010 (DAS 2010), certain primary management requirements (animal identification and registration) were examined in Poland, where some irregularities were detected.</p>   |

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|           |                                       | <p>All cross-compliance requirements relating to animal identification and registration, listed in Annex II to Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003, have been correctly implemented and are monitored as part of that scheme. This relates mainly to the requirement to keep an up-to-date cattle register and pigs register, and to notify any events concerning cattle on time.</p> <p>Events concerning movements of pigs are not monitored under the cross-compliance control system, since the EC rules applicable in that respect do not impose any obligation on the farmers to record movements of pigs in the central register of farms (in Poland – the Central Database of the AIR System), or for any such movements to be notified timely to the said register by the owners of the animals. Therefore, the requirement to notify the paying agency by the owner of the animals within 30 days of any events concerning pigs (set forth in the Act of 2 April 2004 on the Animal Identification and Registration System) and the obligation to monitor compliance with the abovementioned requirement by the audit authority, was not included in the Regulation of the Minister of Agriculture and Rural Development of 25 March 2009 as regards the number of points given for any detected non-compliance, and the percentage reduction in the direct payment, sugar payment or tomato payment, nor was it included in the form of the report on cross-compliance control as regards animal identification and registration and, consequently, is not subject to verification during such control. Therefore, one cannot regard as non-compliance the fact that events concerning pigs are not being notified,</p> |

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|  | <p>Member State reply</p> <p>as ascertained during the on-the-spot inspection.</p> <p>On the other hand, the irregularities regarding the maintenance of the cattle register, the pigs register and notification of any events concerning cattle, detected during the inspection, were assigned point scores in accordance with the rules set out in the Regulation of the Minister of Agriculture and Rural Development of 25 March 2009 as regards the number of points given for any detected non-compliance, and the percentage reduction in the direct payment, sugar payment or tomato payment.</p> <p><b>Portugal:</b> In the light of the aspects assessed by the Court of Auditors, we wish to make the following points:</p> <p>Administrative controls - See references II.5. and II.9. of the national authorities' comments on the ECA's preliminary findings in the 2010 DAS Audit – EAFRD (Annex 1).</p> <p>On-the-spot checks - See references II.1, II.2, II.3, II.4 and II.6. of the national authorities' comments on the ECA's preliminary findings in the 2010 DAS Audit – EAFRD (Annex 1).</p> <p>Cross-compliance - See references II.7. and II.8. of the national authorities' comments on the ECA's preliminary findings in the 2010 DAS Audit – EAFRD (Annex 1).</p> <p><b>Romania: (APDRP)</b></p> <p>The continuous improvement of the control system is ensured by the periodical updating of working procedures in line with legislative amendments, recommendations by the European Commission, the European Court of Auditors, the Romanian Court of Auditors, and amendments of the National Rural Development Programme (for example: the introduction at the project eligibility verification stage of</p> |

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|  | a new item for verification relating to the applicant's creation of artificial conditions in order to obtain payments and advantages).   |
|  | <b>Spain:</b> The Action Plan to improve LPIS-GIS updating submitted to the Commission includes a methodology for calculating and assigning an eligibility coefficient in LPIS-GIS recintos used as pasture land. The results obtained in the different Autonomous Communities are being analysed with a view to adopting the final decision on introduction of the methodology.   |
| Annex 3.2.1  | <b>UK: RPA:</b> The specific observations made during the mission to Wales are dealt with in Annex II.   |
| Annex 3.2.2  | <b>UK: RPA:</b> The specific observations made during the mission to Scotland are dealt with in Annex II.  |
| Annex 3.3  | <b>Germany:</b> Not applicable since the reference reflects the content of GD MARE's management statement.<br><b>Portugal:</b> In response to the deficiencies detected by DG AGRI, Portugal implemented an action plan in 2010 for on-the-spot checks, which made up for the delays in on-the-spot inspections for 2008 and 2009 and enabled checks for 2010 to be conducted in 2010.<br>With a view to updating the Land use Register, Portugal also implemented an LPIS-GIS action plan designed to ensure the reliability of the information in that system.<br>Both Action Plans were monitored by DG AGRI. |
|  | <b>UK: RPA:</b> DG MARE dropped its reservation for the UK.  |
| <b>CHAPTER 4 - COHESION</b>  |  |
| Annex 4.2  | <b>France:</b> <u>Méthodologie d'audit (liste de contrôles)</u>  |

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| Audit authorities (AA) – compliance with key regulatory requirements and effectiveness in ensuring the regularity of operations        | <p>Il est rappelé que comme l'Etat membre (France) l'a indiqué dans sa réponse en date du 01/06/2011, les listes des contrôles relatives aux contrôles d'opérations ont été complétées et ont fait l'objet d'une diffusion aux entités responsables de l'exécution des contrôles (janvier 2011). La Commission européenne (DG REGIO) n'a pas communiqué à l'Etat membre sa validation finale mais avait indiqué initialement que la défaillance identifiée par la Cour dans son évaluation n'avait pas d'impact. Sur les autres points de contrôle en cause dans l'évaluation faite par la Cour, la Commission (DG REGIO), dans le cadre de la procédure contradictoire, avait indiqué qu'elle partageait l'avis de l'Etat membre (France/CICC notamment sur la question du contrôle de l'ingénierie financière) sur la méthodologie proposée par la CICC, un contrôle régulier, au fur et à mesure de l'exécution.</p> <p><u>Méthodologie d'échantillonnage</u></p> <p>En ce qui concerne la méthode d'échantillonnage pour la sélection des opérations devant faire objet d'un contrôle que la Cour recommande, celle-ci n'est qu'une note d'orientation du comité de coordination des fonds (COCOF).</p> <p><b>Germany:</b> See Part II</p> <p><b>Poland:</b> The table shows that as regards Cohesion, Energy and Transport, the supervisory and control systems in Poland are effective. There was no need to take any action.</p> <p><b>Spain:</b> Comments of 15 June 2011. In addition, a letter was sent to DG REGIO on 16 November 2011 on the Autonomous Community of Valencia.</p> <p>The following actions have been taken in 2011 concerning the ESF:</p> |

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|           |                                       | <p>Coordination has been stepped up between the ESF Audit Authorities (the Spanish State Auditing Agency and the Autonomous Community audit authorities) within the General Coordination Committee set up to carry out the functions assigned to the audit authority under Community rules.</p> <p>Direct communication between the various ESF audit authorities and the European Commission's audit unit has been stepped up in order to address the specific issues that have arisen in each of the Operational Programmes with reference to the annual control report.</p> <p>The European Commission has drawn up a "Guide for treatment of errors notified in the Annual Control Report (final version of 7 December 2011) which addresses various issues such as the calculation and treatment of errors relating to the sampling methodology generally used in Spain and the Monetary Unit Sampling system.</p> <p>All this will be included in the annual control reports to be submitted by the audit authorities by 31 December 2011, in compliance with Article 62(1)(d)(i) and (ii) of Regulation (EC) No 1083/2006.</p> <p>The Andalusian Public Accounts Department has submitted the following comments on actions taken on 1 March 2011:</p> <p><u>Delays in the performance of audits of systems and projects:</u> The Andalusian Public Accounts Department, the body which collaborates with the Audit Authority in the OP ERDF Andalusia 2007/2013 and the Audit Authority in the OP ESF Andalusia 2007/2013, is rectifying the delays in carrying out the audits of operations by starting work at the time the control sample is obtained. This makes it possible to make a more in-depth review of the draft reports and carry out quality controls of the final reports so as to obtain reasonable and sufficient</p> |

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|  | <p>guarantees in order to correct any errors made during the audits.</p> <p><u>Insufficient checklists</u>: The checklists are approved by the General Coordination Committee, made up of all the Spanish audit authorities and control bodies. These lists are being reviewed by the working party set up within the General Coordination Committee to implement the Court of Auditors' comments.</p>  |
| <b>CHAPTER 6 – RESEARCH AND OTHER INTERNAL POLICIES</b>  |   |
| Annex 6.2  | <p>Assessment of selected supervisory and control systems</p> <p><b>Austria</b>: The controls of the Österreichischen Austauschdienstes (OEAD) [Austrian Academic Exchange Service] were described as effective by the Commission.</p> <p><b>Belgium</b>: N/A</p> <p><b>France</b>: La Commission a été destinataire de toutes nos réponses à la Cour des comptes européenne à la suite de son audit de novembre 2010 (courriel du 8/7/2011). Cette dernière a maintenu ses constatations sur les contrôles secondaires de la France (4/8/2011) et, dans la foulée, l'autorité nationale a adapté sa démarche, chaque fois qu'elle était en mesure de le faire :</p> <p><u>Autorité nationale - Exigence principale n°1 – Définition, répartition et séparation des fonctions</u></p> <p>1/ Le document régissant la relation entre l'autorité nationale et l'agence nationale ne décrit pas le système de contrôles secondaires : aucune révision, lourde et complexe par nature, de la convention constitutive du GIP « Agence 2E2F » n'est nécessaire pour permettre</p> |

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|           |                                       | <p>la réalisation, dans des conditions satisfaisantes, des contrôles secondaires et des surcontrôles (c'est le rôle de l'Inspection Générale de l'Administration de l'Education Nationale et de la Recherche, IGAENR), hors audit financier (c'est le rôle d'un cabinet d'audit externe) ; la Commission européenne vient d'ailleurs d'abandonner cette recommandation dans son évaluation de la DoA 2010 de la France.</p> <p>2/ Non supervision du cabinet d'audit externe en charge du contrôle financier (certification des comptes) par l'autorité nationale : bien que le souhait de l'autorité nationale de voir l'IGAENR – dont la mission centrale en matière de contrôles secondaires est dûment établie dans la DoA ex-ante de la France – vérifier et prendre en compte la certification globale des comptes à partir de 2010 n'ait pas été suivie d'effet (l'IGAENR ayant décliné cette mission supplémentaire pour des raisons d'organisation interne), le nécessaire a été fait pour maintenir la cohérence de la piste d'audit : pour ce faire, le commissaire aux comptes a été invité à formuler aussi des recommandations (DoA 2010) ; celles que l'autorité nationale aura retenues feront l'objet d'un suivi de la part de l'IGAENR (DoA 2011) ; par ailleurs, le commissaire aux comptes devra procéder au contrôle systématique de l'intégralité des données financières du rapport annuel de l'agence (DoA 2011). Ces dispositions sont autant de modifications introduites dans le cahier des charges de l'auditeur externe à l'initiative de l'autorité nationale.</p> <p>3/ Approche méthodologique applicable aux contrôles secondaires : bien que l'autorité nationale ne souhaite pas changer</p> |

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| Paragraph | Observation in the 2010 Annual Report | Member State reply  |
|-----------|---------------------------------------|---|
|           |                                       | <p>fondamentalement son approche pour ne pas risquer de déstabiliser la chaîne de contrôle et d’audit mise en place en 2007 et consolidée depuis, elle a demandé à l’IGAENR (lettre de mission du 31/10/2011 en vue de la DoA 2011) de décrire, dès son rapport sur l’exercice 2011, la méthodologie des contrôles qu’elle aura utilisée ; s’agissant plus particulièrement du contrôle des bénéficiaires (contrôles secondaires sur les contrôles primaires), l’autorité nationale a précisé ses attentes de la manière suivante : l’IGAENR devra réaliser un bilan complet des contrôles effectués par l’agence, puis faire porter ses surcontrôles sur une partie des subventions accordées au cours de l’année écoulée ; l’échantillon représentatif à analyser devra être à la fois diversifié (projets de toute dimension et de toute nature) et pertinent au regard des taux de correction financière supérieurs à 2% relevés antérieurement.</p> <p><u>Autorité nationale - Exigence principale n°2 – Contrôles secondaires</u></p> <p>1/ Absence de relation contractuelle entre l’autorité nationale et l’auditeur externe (commissaire aux comptes) : le fait que l’agence soit chargée de l’appel d’offres permettant le choix du commissaire aux comptes et contractualise avec lui (ce que l’autorité nationale ne peut pas faire) ne constitue pas une source de conflit d’intérêts pour l’autorité nationale (cette procédure est déjà à l’œuvre dans les universités françaises) qui exerce, de toute façon, comme on l’a vu plus haut, son droit de regard sur le cahier des charges de l’auditeur et utilise avec discernement les résultats des contrôles lors de l’élaboration des DoA ; plus généralement, la fiabilité des travaux du commissaire aux comptes tient au fait qu’ils obéissent à des normes internationales qui ne lui sont dictées ni par l’autorité nationale ni par</p> |

ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country

| Paragraph | Observation in the 2010 Annual Report | Member State reply   |
|-----------|---------------------------------------|--|
|           |                                       | <p>l'agence qui passe commande.</p> <p>2/ Contrôles relatifs au rapport annuel de l'agence nationale : l'autorité nationale estime que tout contrôle systématique et formaliste de la fiabilité des données du rapport annuel de l'agence par l'autorité nationale serait d'autant moins opportun qu'il entraînerait un allongement de la durée des audits (d'un mois environ, ce qui obligerait à décaler un peu plus dans le temps la remise déjà tardive de la DoA) et un accroissement de leur coût ; néanmoins, l'autorité nationale continue à demander à l'IGAENR de faire reposer ses surcontrôles sur le rapport annuel de l'agence et confie au commissaire aux comptes la tâche nouvelle, comme on l'a vu plus haut, de réviser l'ensemble des données financières de ce même rapport.</p> <p>3/ Risque de conflit d'intérêts : le risque mentionné par la Cour des comptes n'existe plus depuis la fin de l'année 2009, le cabinet en charge de la certification des comptes ayant été dessaisi de la réalisation des contrôles primaires externalisés par l'agence.</p> <p>4/ Etalement des contrôles secondaires sur l'année : la pratique du « contrôle en continu » n'étant pas compatible avec le mode de fonctionnement de l'IGAENR, cette modalité de mise en œuvre des contrôles secondaires n'est pas envisageable.</p> <p>5/ Présentation tardive de la DoA à la Commission européenne : le temps nécessaire à la réalisation des contrôles et des surcontrôles et à</p> |

| ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country |                                       |  |
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| Paragraph  | Observation in the 2010 Annual Report | Member State reply   |
|  |                                       | <p>leur exploitation ainsi que les contraintes organisationnelles et humaines auxquelles l'autorité nationale est confrontée ne permettent guère d'envisager une réduction importante du retard avec lequel, de manière récurrente, la DoA est transmise à la Commission européenne (cette situation n'est d'ailleurs pas spécifique à la France). Face à la lourdeur de la chaîne de contrôle et d'audit dont la rationalisation a longtemps été réclamée en vain, l'autorité nationale a toujours fait passer la qualité des contrôles avant le respect de la date de présentation.</p> <p>Enfin, on rappellera que la Cour fonde ses constatations principalement sur deux textes qui n'ont pas la force juridique de la base légale du programme Education et Formation Tout au Long de la Vie (EFTLV) : la décision C(2007)1807 de la Commission du 26/04/2007 et les Orientations à l'intention des autorités nationales (mises à jour chaque année par la Commission), ces dernières n'ayant en aucun cas le caractère contraignant que leur prête la Cour.</p> <p><b>Germany:</b> Not applicable</p> <p><b>Poland:</b> The audits carried out by ECA as regards the implementation of the Lifelong Learning Programme showed that the primary controls implemented by the National Agency for the Programme, i.e. the Education System Development Foundation, are effective and efficient. The National Agency complies with the Commission's requirements regarding the supervision over the beneficiaries of the programme.</p> <p>At the same time, the ECA audit showed a partial effectiveness as regards secondary controls, i.e. the controls exercised by the National Authorities of the Programme (the Ministry of National Education</p> |

ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country

| Paragraph | Observation in the 2010 Annual Report | Member State reply   |
|-----------|---------------------------------------|--|
|           |                                       | <p>and the Ministry of Science and Higher Education).</p> <p>In light of the above, the National Authorities took the following actions aimed at improving the situation within the scope described above:</p> <p>the auditor selected pursuant to the public procurement procedure carried out an audit of the annual report of the National Agency on the implementation of the programme in 2010 and carried out an examination of the management systems applicable at the National Agency, including the primary control procedure, along with the verification of the audits of the beneficiaries that had been carried out. The report on the implementation of the above task was an integral annex to the Statement of Assurance submitted to the Commission annually. The Commission approved the document submitted in 2011. The above audit had been carried out in accordance with the rules and within the scope specified in the Detailed Guidelines for National Authorities, published by the Commission; during the audit, particular attention was given to the recommendations and suggestions communicated by the Commission after the evaluation of the Statement of Assurance submitted in 2010;</p> <p>in addition, in order to strengthen the supervision of the programme, the National Authorities commissioned an external auditor to audit the implementation of the Comenius Programme (sectoral scheme under the Lifelong Learning Programme) in 2010-2011. The scope of the audit included the procedures and systems applicable during the implementation of the programme (in accordance with the Commission's guidelines). During the audit, particular emphasis was placed on the primary controls, including inspections of the programme beneficiaries, carried out directly by the auditor;</p> |

| ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country |   |
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| Paragraph  | Member State reply  |
| Observation in the 2010 Annual Report  | <p>in order to enhance the secondary controls, the representatives of the National Authority participate in the inspections of the programme beneficiaries carried out by the employees of the National Agencies as observers (accompanied visits);</p> <p>in September 2011, the National Authorities of the programme prepared general guidelines regarding the secondary control procedure for the Lifelong Learning Programme. These guidelines are being prepared on the basis of Commission Decision of 26 April 2007 on the mutual obligations of the Member States, the Commission and national agencies in the implementation of the Lifelong Learning Programme for 2007-2013. Those guidelines set out, amongst others, the basis for the control system relating to the operation of the programme, the rules and procedures regarding the actions taken as part of secondary control and the entities carrying out the secondary control, the scope and degree of detail of the actions taken as part of the secondary control, the significance and scope of the statement of assurance.</p> <p><b>Spain:</b> There were no observations.</p> <p><b>Sweden:</b> Manual to be updated in spring of 2012.</p> |
| <b>ANNEX I</b>   |   |
| Diagram I  | <p><b>Austria:</b> No comments, as the chart breaks down 2010 estimated revenue by Member State only.</p> <p><b>Belgium:</b> N/A</p> <p><b>Czech Republic:</b> Not applicable – there is no error involved.</p> <p><b>France:</b> N/A</p> <p><b>Germany:</b> Not applicable since the reference does not contain any</p>  |

| ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country |   |
|--|---|
| Paragraph  | Observation in the 2010 Annual Report   |
|  | Member State reply<br>objection by the Court.<br><b>Hungary:</b> This part did not require any measure by Hungary.<br><b>Poland:</b> The diagram relates to information regarding general budget revenues and expenditures and does not contain any reservations in relation to Poland<br><b>Spain:</b> There were no observations.<br><b>Sweden:</b> The Court of Auditors has made no observations giving rise to comments from Sweden.   |
| Diagram V  | Own resources in 2010, by Member State<br><b>Austria:</b> No comments, as the chart breaks down 2010 own resources by Member State only.<br><b>Belgium:</b> N/A<br><b>Czech Republic:</b> Not applicable – there is no error involved.<br><b>France:</b> N/A<br><b>Germany:</b> Not applicable since the reference does not contain any objection by the Court.<br><b>Hungary:</b> This part did not require any measure by Hungary.<br><b>Poland:</b> The diagram relates to information regarding general budget own resources, divided into individual Member States, and does not contain any reservations in relation to Poland<br><b>Spain:</b> There were no observations.<br><b>Sweden:</b> The Court of Auditors has made no observations giving rise to comments from Sweden. |
| Diagram VI   | Payment made in 2010, in each Member State<br><b>Austria:</b> No comments, as the chart breaks down 2010 payments by  |

| ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country |   |
|--|---|
| Paragraph  | Member State reply  |
| Observation in the 2010 Annual Report  | Member State only.  |
|  | <b>Belgium:</b> N/A   |
|  | <b>Czech Republic:</b> Not applicable – there is no error involved.   |
|  | <b>France:</b> N/A  |
|  | <b>Germany:</b> Not applicable since the reference does not contain any objection by the Court.   |
|  | <b>Hungary:</b> This part did not require any measure by Hungary.   |
|  | <b>Luxembourg:</b> Observation générale sur la catégorie des dépenses administratives : Lettre officielle envoyée à la Cour des comptes européenne manifestant notre désaccord sur la présentation de cette catégorie qui était différente dans le passé.   |
|  | <b>Poland:</b> The diagram relates to payments from the general budget in individual Member States and does not contain any reservations in relation to Poland  |
|  | <b>Spain:</b> There were no observations.   |
|  | <b>Sweden:</b> The Court of Auditors has made no observations giving rise to comments from Sweden.  |
| <b>CHAPTER 7 – ADMINISTRATIVE AND OTHER EXPENDITURE</b>  |   |
| 7.19   | <p>The convention for the construction of the Residence Palace Building in Brussels, signed with the Belgian State in 2008 for planned completion in 2013 and for a total estimated cost of 310 million euro (estimated prices 2013), provides for the possibility of making advance payments. In the period 2008-2010, the Council made advance payments totalling 235 million euro, of which 30 million euro were included in the</p> |

| ANNEX I. Paragraphs in the 2010 Annual Report and for each of the 2010 findings made by the Court referring to each particular country |   |   |
|--|---|---|
| Paragraph  | Observation in the 2010 Annual Report   | Member State reply  |
| 7.20   | <p>budget line for the acquisition of buildings in the Council's initial budget. The additional funds of 205 million euro (i.e. 87 % of the total funds paid in advance) came from budgetary transfers made at the end of each year from 2007 to 2010 (mostly from budget lines for interpretation costs and delegations' travel expenses).</p> <p>The repeated under-utilisation of these budget lines throughout the 2008-2010 period and the size of the amounts transferred with respect to total advance payments made does not comply with the principle of budget accuracy. In addition, the payment in the first 3 years of 235 million euro out of the convention's total value of 310 million euro did not match payments to the progress of the building work.</p> | <p><b>Belgium:</b> SPF Budget : Le Conseil a répondu à cette remarque</p> |

## ANNEX III A

### Questions put to Member States concerning Agriculture/Natural resources and Cohesion

#### AGRICULTURE and RURAL DEVELOPMENT CHAPTER

(1) In the area of agriculture and rural development, the Court of Auditors has put forward several recommendations for further improving the related management and control systems (§3.58-3.59). Since the common agricultural policy is implemented under shared management, Member States have a role to play in this endeavour.

*Has your Member State recently taken any relevant initiative to further improve the management and control systems for agricultural expenditure and to enhance the effectiveness of the checks carried out, notably in the area of rural development?*

#### COHESION, ENERGY and TRANSPORT CHAPTER

(2) In the Cohesion chapter (§4.25), the Court considers that sufficient information was available for the Member State authorities to have detected and corrected at least some of the errors (prior to certifying the expenditure to the Commission) for 58% of the transaction affected by error.

*In your opinion, what can be done to improve the situation?*

- (a)  reinforce guidance to beneficiaries to prevent irregularities from occurring
- (b)  reinforce documentary checks on claims submitted by beneficiaries
- (c)  increase on-the-spot verifications on operations before certification
- (d)  any other suggestions

**(3)** In the Cohesion chapter (§4.28) the Court found that wholly ineligible projects "account for 14% of all quantifiable errors and make up approximately 35% of the estimated error rate".

***In your opinion, what can be done to improve the situation?***

- (a)  more training for staff in national/regional/managing authorities and intermediate bodies
- (b)  training which specifically targets national/regional authority staff and beneficiaries
- (c)  more detailed guidelines be provided to Member States by the Commission
- (d)  any other suggestions

**(4)** In the Cohesion chapter (§4.20 & §4.29) the Court noted that for Cohesion expenditure the main risk to regularity is that beneficiaries declare ineligible costs. If this is not detected by the different layers of control in the Member State, it leads to an incorrect certification of expenditure by the Member State. If not corrected by the Commission at the latest at the end of the programming period, this results in an overpayment from the EU budget to the OP concerned. Furthermore, the Court found that various ineligible costs "account for 59% of all quantifiable errors and make up approximately 33% of the estimated error rate".

***What does the Member State do in order to avoid the risk that ineligible expenditure is declared by beneficiaries?***

- (a)  guidance and training at the level of beneficiaries
- (b)  reinforced controls and audits on the spot
- (c)  simplification of rules
- (d)  common checklists used by managing authorities
- (e)  any other suggestions

**(5)** In the Cohesion chapter (§4.26) the Court noted that serious failures to respect EU and national public procurement rules "account for 24% of all quantifiable errors and make up approximately 22% of the estimated error rate".

***In your opinion, what can be done to improve this situation?***

- (a)  more training for staff of national/regional/managing authorities and intermediate bodies
- (b)  more training to be provided for beneficiaries
- (c)  more guidelines to be provided to Member States by the Commission
- (d)  any other suggestions

**(6)** In the Cohesion chapter (§4.40) the Court's audit highlighted several weaknesses concerning Audit Authorities- AAs.

***Which of the following would you consider as most effective in order to overcome these weaknesses?***

- (a)  detailed checklists which cover all risks to the regularity of expenditure
- (b)  specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings
- (c)  the use of standard sampling methodology
- (d)  additional staff resources
- (e)  re-structuring of training for audit authorities
- (f)  any other suggestions

**SIMPLIFICATION**

***(7) Has your Member State introduced any initiatives addressed at simplifying the implementation of EU programmes during the current programming period (2007-2013)?***

Yes

No

***(a) In which areas do you see the greatest potential for simplification: in Commission rules (EU rules) or your own rules (Member State rules)?***

***(b) For the new programming period the Commission is extending the possibility of using lump sums or flat rates. Do you see your Member State making use of lump sums and flat rates ?***

(1)  No

(2)  Yes, but minimal use

(3)  Yes, extensive or exclusive use

| MEMBER STATE                              | COHESION, ENERGY and TRANSPORT CHAPTER   |   |   |   |   |   |  | SIMPLIFICATION   |   |
|---|--|---|---|---|---|---|--|--|---|
|   | QUESTION 1   | QUESTION 2  | QUESTION 3  | QUESTION 4  | QUESTION 5  | QUESTION 6  | QUESTION 7   | QUESTION 7a  | QUESTION 7b   |
| AGRICULTURE and NATURAL RESOURCES CHAPTER | QUESTION 1<br>In the area of agriculture and rural development, the Court of Auditors has put forward several recommendations for further improving the related management and control systems (§3.58-3.59). Since the common agricultural policy is implemented under shared management, Member States have a role to play in this endeavour. | QUESTION 2<br>In the Cohesion chapter (§4.25), the Commission considers that sufficient information was available for the Member State authorities to have detected and corrected at least some of the errors (prior to certifying the expenditure to the Commission) for 58% of the transaction affected by error. | QUESTION 3<br>In the Cohesion chapter (§4.28) the Court found that wholly ineligible projects "account for 14% of all quantifiable errors and make up approximately 35% of the estimated error rate". | QUESTION 4<br>In the Cohesion chapter (§4.20 & §4.23) the Court noted that for Cohesion expenditure the main risk to regularity is that beneficiaries declare ineligible costs. If this is not detected by the different layers of control in the Member State, it leads to an incorrect certification of expenditure by the Member State. If not corrected by the Commission at the latest at the end of the programming period, this results in an overpayment from the EU budget to the OP concerned. Furthermore, the Court found that various ineligible costs "account for 59% of all quantifiable errors and make up approximately 33% of the estimated error rate". | QUESTION 5<br>In the Cohesion chapter (§4.26) the Court noted that serious failures to respect EU and national public procurement rules "account for 24% of all quantifiable errors and make up approximately 22% of the estimated error rate". | QUESTION 6<br>In the Cohesion chapter (§4.40) the Court's audit highlighted several weaknesses concerning Audit Authorities- AAs. | QUESTION 7<br>Has your Member State introduced any initiatives addressed at simplifying the implementation of EU programmes during the current programming period (2007-2013)? | QUESTION 7a<br>In which areas do you see the greatest potential for simplification: in Commission rules (EU rules) or your own rules (Member State rules)? | QUESTION 7b<br>For the new programming period the Commission is extending the possibility of using lump sums or flat rates. Do you see your Member State making use of lump sums and flat rates ? |
|   | Has your Member State recently taken any relevant initiative to further improve the management and control systems for   | In your opinion, what can be done to improve the situation?<br>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring   | In your opinion, what can be done to improve the situation?<br>(a) more training for staff in national/regional/managing authorities and intermediate bodies  | What does the Member State do in order to avoid the risk that ineligible expenditure is declared by beneficiaries?  | In your opinion, what can be done to improve this situation?<br>(a) more training for staff of national/regional/managing authorities and intermediate bodies   | Which of the following would you consider as most effective in order to overcome these weaknesses?<br>(a) detailed                | YES/NO   |  | (1) No<br>(2) Yes, but minimal use<br>(3) Yes, extensive or exclusive use   |

|         |  |   |  |  |   |   |     |  |   |   |  |
|---------|--|---|--|--|---|---|-----|--|---|---|--|
|         | agricultural expenditure and to enhance the effectiveness of the checks carried out, notably in the area of rural development? YES (if yes, please provide some examples)/NO   | (b) reinforce documentary checks on claims submitted by beneficiaries (c) increase on-the-spot verifications on operations before certification (d) any other suggestions   | (b) training which specifically targets national/regional authority staff and beneficiaries (c) more detailed guidelines be provided to Member States by the Commission (d) any other suggestions  | (a) guidance and training of beneficiaries (b) reinforced controls and audits on the spot (c) simplification of rules (d) common checklists used by managing authorities (e) any other suggestions         | (b) training to be provided for national/regional authority staff and beneficiaries (c) more guidelines to be provided to Member States by the Commission (d) any other suggestions   | checklists which cover all risks to the regularity of expenditure (b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings (c) the use of standard sampling methodology (d) additional staff resources (e) re-structuring of authorities (f) any other suggestions | YES | (a) detailed checklists which cover all risks to the regularity of expenditure (b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings (d) additional staff resources  | (a) listes de contrôle détaillées couvrant tous les risques d'irrégularité en ce qui concerne les dépenses (b) conseils spécifiques produits par la Commission concernant la portée des vérifications et l'étendue des contrôles à effectuer dans le cadre de l'audit des projets et rapport  | (a) inspection des Finances Région wallonne (b) Région flamande (c) Région wallonne (d) Région flamande (e) FSE (f) FSE (g) Région wallonne (h) Région flamande (i) Région wallonne (j) Région flamande (k) Région wallonne (l) Région flamande (m) Région wallonne (n) Région flamande (o) Région wallonne (p) Région flamande (q) Région wallonne (r) Région flamande (s) Région wallonne (t) Région flamande (u) Région wallonne (v) Région flamande (w) Région wallonne (x) Région flamande (y) Région wallonne (z) Région flamande | (2) Oui, mais de manière minimale (3) Oui, de manière importante ou exclusive                |
| Austria | YES - Measures to ensure that the control statistics under Article 84 of Regulation (EC) No 1122/2009 and Article 34 of Regulation (EC) 1975/2006 are complete, correct and accurate. - Compulsory digital identification of declared areas. | (a) reinforce guidance to beneficiaries to prevent irregularities from occurring (c) increase on-the-spot verifications on operations before certification  | (a) more training for staff in national/regional/managing authorities and intermediate bodies (c) more detailed guidelines be provided to Member States by the Commission  | (a) 1 guidance and training at the level of beneficiaries (b) 1 reinforced controls and audits on the spot by managing authority and certifying authority (c) 1 simplification of rules, where appropriate | (a) more training for staff of national/regional/managing authorities and intermediate bodies (b) more training to be provided for beneficiaries (c) more guidelines to be provided to Member States by the Commission        | (a) detailed checklists which cover all risks to the regularity of expenditure (b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings (d) additional staff resources   | YES | (a) detailed checklists which cover all risks to the regularity of expenditure (b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings (d) additional staff resources  | (a) listes de contrôle détaillées couvrant tous les risques d'irrégularité en ce qui concerne les dépenses (b) conseils spécifiques produits par la Commission concernant la portée des vérifications et l'étendue des contrôles à effectuer dans le cadre de l'audit des projets et rapport  | (a) inspection des Finances Région wallonne (b) Région flamande (c) Région wallonne (d) Région flamande (e) FSE (f) FSE (g) Région wallonne (h) Région flamande (i) Région wallonne (j) Région flamande (k) Région wallonne (l) Région flamande (m) Région wallonne (n) Région flamande (o) Région wallonne (p) Région flamande (q) Région wallonne (r) Région flamande (s) Région wallonne (t) Région flamande (u) Région wallonne (v) Région flamande (w) Région wallonne (x) Région flamande (y) Région wallonne (z) Région flamande | (3) Yes, extensive or exclusive use - with the comment: in particular ESF, in part also ERDF |
| Belgium | NON - FEDER Région de Bruxelles-Capitale   | (a) donner davantage de conseils aux bénéficiaires en vue d'empêcher la survenance d'irrégularités (b) renforcer la surveillance des opérations avant certification (c) augmenter les vérifications sur le terrain (d) toute autre suggestion | (a) offrir davantage de formations au personnel des services gestionnaires/nationaux/régionaux et des organes intermédiaires (b) renforcer les contrôles et les audits sur le terrain (c) simplifier les règles (d) toute autre suggestion | (a) conseils et formation au niveau des bénéficiaires (b) renforcement des contrôles et des audits sur le terrain (c) simplification des règles, où approprié  | (a) offrir davantage de formations au personnel des services gestionnaires/nationaux/régionaux et des organes intermédiaires (b) renforcer les contrôles et les audits sur le terrain (c) simplifier les règles, où approprié | (a) listes de contrôle détaillées couvrant tous les risques d'irrégularité en ce qui concerne les dépenses (b) conseils spécifiques produits par la Commission concernant la portée des vérifications et l'étendue des contrôles à effectuer dans le cadre de l'audit des projets et rapport  | NON | (a) listes de contrôle détaillées couvrant tous les risques d'irrégularité en ce qui concerne les dépenses (b) conseils spécifiques produits par la Commission concernant la portée des vérifications et l'étendue des contrôles à effectuer dans le cadre de l'audit des projets et rapport | (a) inspection des Finances Région wallonne (b) Région flamande (c) Région wallonne (d) Région flamande (e) FSE (f) FSE (g) Région wallonne (h) Région flamande (i) Région wallonne (j) Région flamande (k) Région wallonne (l) Région flamande (m) Région wallonne (n) Région flamande (o) Région wallonne (p) Région flamande (q) Région wallonne (r) Région flamande (s) Région wallonne (t) Région flamande (u) Région wallonne (v) Région flamande (w) Région wallonne (x) Région flamande (y) Région wallonne (z) Région flamande | (2) Oui, mais de manière minimale (3) Oui, de manière importante ou exclusive   |  |

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|  | <p>XFSE Région de Bruxelles-Capitale<br/>XFEDER Région flamande<br/>XFSE Région flamande<br/>(b) renforcer les contrôles documentaires des déclarations soumises par les bénéficiaires<br/>XFSE Région de Bruxelles-Capitale<br/>(d) autres suggestions<br/>Finances : Simplifier les règles d'éligibilités<br/>XFEDER Région flamande : Simplifier les règles de Bruxelles-Capitale : Simplifier les règles d'éligibilités</p> | <p>ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>XFEDER Région wallonne (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>XFSE Région flamande (c) prévoir la mise à disposition, par la Commission, de lignes directrices plus détaillées à l'intention des Etats membres<br/>Finances (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>XFEDER Région wallonne (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>Bruxelles-Capitale<br/>XFEDER Région flamande<br/>XFSE Région flamande<br/>(d) autres suggestions<br/>: Simplifier les règles Européennes d'éligibilités</p> | <p>XFEDER Région de Bruxelles-Capitale<br/>XFSE Région flamande<br/>(b) contrôles renforcés et audits sur place<br/>Xinspection des Finances (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>(c) prévoir la mise à disposition, par la Commission, de lignes directrices plus détaillées à l'intention des Etats membres<br/>Finances (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>XFEDER Région flamande<br/>XFSE Région flamande<br/>(d) autres suggestions<br/>: Simplifier les règles Européennes d'éligibilités</p> | <p>Xinspection des Finances (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>XFEDER Région wallonne (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>Bruxelles-Capitale<br/>(d) autres suggestions<br/>flamande : Simplifier les règles d'éligibilités<br/>Simplifier les règles Européennes d'éligibilités</p> | <p>relatif aux résultats de celui ci<br/>Finances (Ces réponses positives ne doivent pas être considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>XFEDER Région flamande<br/>Région flamande<br/>Région de Bruxelles-Capitale<br/>(c) utilisation d'une méthodologie d'échantillonnage standard<br/>flamande<br/>(d) effectifs supplémentaires<br/>XFSE Région flamande<br/>(f) autres suggestions<br/>XFSE Région flamande : Simplifier les règles Européennes d'éligibilités<br/>XFSE Région wallonne : L'autorité d'Audit responsable des programmes FSE gérée par l'AGFSE n'est pas concernée par cette remarque mais il nous semble que cette question devrait être adressée aux Autorités d'Audit et non aux Autorités de Gestion.</p> | <p>Les règles et les orientations de la Commission données aux différentes autorités, FEDER Région flamande : EU legislation (our own (complementary) legislation is largely based on the need to meet the requirements of the EC and the recommendations resulting from the system audits)<br/>FSE Région flamande : Both regulations</p> | <p>flamande : ESF VL is applying this this already in the program 2007-2013<br/>FSE Région wallonne : Dans la mesure où les règles européennes ne laissent pas de possibilité d'interprétation (tout auditeurs confondus)</p> |
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| <p><b>Bulgaria</b></p> | <p><b>YES</b> - The paying agency is updating its internal rules and procedures for the departments implementing the Regional Development Policy on the basis of the recommendations received from the audit authorities and/or amendments to Bulgarian and EU law. In connection with the new electronic registers being built by other government agencies, new types of questionnaires and checks are being introduced to step up the scrutiny of the documentation and declarations the beneficiaries submit with their payment requests.</p> | <p>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring<br/>(b) reinforce documentary checks on claims submitted by beneficiaries<br/>(c) increase on-the-spot verifications on operations before certification</p> | <p>(a) more training for staff in national/regional/managing authorities and intermediate bodies<br/>(b) training which specifically targets national/regional authority staff and beneficiaries<br/>(c) more detailed guidelines be provided to Member States by the Commission</p> | <p>(a) guidance and training at the level of beneficiaries<br/>(b) reinforced controls and audits on the spot<br/>(c) simplification of rules<br/>(d) common checklists used by managing authorities</p>  | <p>(a) more training for staff of national/regional/managing authorities and intermediate bodies<br/>(b) more training to be provided for beneficiaries<br/>(c) more guidelines to be provided to Member States by the Commission</p> | <p>(a) detailed checklists which cover all risks to the regularity of expenditure<br/>(b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings<br/>(c) the use of standard sampling methodology</p> | <p><b>YES</b> - The certifying authority has developed guidelines for the management of resources from the Operational Programme co-financed by the EU Structural Funds and the Cohesion Fund As they were introduced, the effectiveness of the procedures was analysed and ways were sought to streamline them. It was found that changes needed to be made. The purpose was to speed up payments to beneficiaries, allow the managing authorities more flexibility in making payments whilst maintaining the proper level of management accountability, and make implementing EU funds as efficient and effective as possible. Moreover the following measures have been introduced at the national level:<br/> <ul style="list-style-type: none"> <li>• improved coordination;</li> <li>• simplification of the legal rules</li> </ul> </p> | <p>(2) Yes, but minimal use</p> |
|                        |   |   |  | <p>considérées comme indiquant le fait qu'il n'existe déjà pas d'effort en la matière mais comme une amélioration possible.)<br/>(e) autres suggestions<br/> XFSE Région de Bruxelles-Capitale : Expliquer avec exemples à l'appui les méthodes de justification des prorata, des clés de répartition...<br/> XFSE Région flamande : Simplifier les règles Européennes d'éligibilités</p> |   |  |  |                                 |



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|                       | <p>reimbursed in the period over which the projects must follow their designated purpose (screening takes place at the end of the quarter).</p> <ul style="list-style-type: none"> <li>In the Czech Republic, the method for checking the stocking intensity under AEM, LFA and Natura 2000 measures has been modified. This modification was introduced by amendments to Government Regulations No 75/2007 and No 79/2007, prepared by the Ministry of Agriculture. The monitored period was extended from one day (31 July) to three months (from 1 June to 31 August); on-the-spot checks will mainly take place in this period – the checks have been delegated to the Czech Breeding Inspectorate (CBI).</li> <li>Multiple selections of entities for on-the-spot checks during the calendar year (eligibility and cross-compliance) – selections in spring, summer, autumn – the performance of on-the-spot checks spread throughout the calendar year.</li> </ul> | <p>risks areas.<br/> <b>(d)</b> Other suggestions – <i>Simplify the rules for drawing on funds at both national and European level.</i></p> | <p>beneficiaries</p>  | <p><b>(c)</b> simplification of rules</p>  | <p><b>(d)</b> any other suggestions</p>  | <p>of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings<br/> <b>d)</b> additional staff resources</p>  | <p>and may be interpreted in different ways. The Commission (EU) rules do not set clear guidelines for the performance of the Commission's activities (deadlines, procedures). Some areas are specified in the Commission's guidelines (but not always clearly), although these are only recommendatory; however, control bodies (the Commission, the ECA) require compliance with them. As beneficiaries are obliged to observe, in general, rules on the provision of funding, and the financing of final beneficiaries in the Czech Republic is based on the pre-financing of expenditure from the central government budget, they must proceed in accordance with both national and European legislation. This places an increased burden on beneficiaries and requires knowledge of regulations and guidelines.</p> |   |
| <p><b>Denmark</b></p> | <p><b>YES</b> - Over the past two years Denmark has implemented a major inter-agency project called the "Better control" project. Under this project it identified high-risk areas in connection with control sampling and the implementation of integrated on-the-spot controls across all the area aid schemes. The project ended in 2011 and one of the objectives was to considerably reduce the error rate in the area-based part of the rural development programme.</p>   | <p><b>(a)</b> reinforce guidance to beneficiaries to prevent irregularities from occurring</p>  | <p><b>(a)</b> more training for staff in national/regional/managing authorities and intermediate bodies<br/> <b>(b)</b> training which specifically targets national/regional authority staff and beneficiaries</p> | <p><b>(a)</b> guidance and training at the level of beneficiaries<br/> <b>(c)</b> simplification of rules<br/> <b>(d)</b> common checklists used by managing authorities</p> | <p><b>(a)</b> more training for staff of national/regional/managing authorities and intermediate bodies<br/> <b>(b)</b> more training to be provided for beneficiaries</p> | <p><b>(b)</b> specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings<br/> <b>(e)</b> re-structuring of training for audit authorities</p> | <p><b>YES</b> - <i>Agriculture and natural resources policy area</i><br/> One initiative taken in Denmark is for area aids forming part of direct agricultural aid or rural development aid to be allocated, paid and controlled from the same field map system and the same common form, and the paying agency has the same management and control authority for the two aid schemes in order to facilitate implementation of</p>   | <p><b>(2)</b> Yes, but minimal use (<i>agriculture and natural resources policy area</i>).<br/> <b>(3)</b> Yes, extensive or exclusive use (<i>cohesion policy area</i>).</p> |

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|  |  | <p>a) reinforce guidance to beneficiaries to prevent irregularities from occurring</p> <p>b) reinforce documentary checks on claims submitted by beneficiaries</p> | <p>a) more training for staff in national/regional/managing authorities and intermediate bodies</p> <p>c) more detailed guidelines be provided to Member States by the Commission</p> | <p>a) guidance and training at the level of beneficiaries</p> <p>b) reinforced controls and audits on the spot</p> | <p>a) more training for staff in national/regional/managing authorities and intermediate bodies</p> <p>b) organise more training for beneficiaries</p> | <p>a) detailed checklists which cover all risks to the regularity of expenditure</p> <p>b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings</p> <p>c) the use of standard sampling methodology</p> <p>d) additional staff resources</p> <p>e) re-structuring of training for audit authorities</p>   | <p><b>YES</b> with the comment: <i>Twelve different rates for the reimbursement of expenditure from the ESF on the basis of standardised unit prices have been implemented in Estonia.</i></p> | <p>First and foremost, the Commission's rules should be simplified. For example, the use of a method for the reimbursement of indirect expenditure on a flat-rate basis should not be limited to cases where public procurements etc are used to carry out the action, because this significantly complicates and limits simplification. The costs which constitute direct and indirect expenditure should also be more clearly defined.</p> | <p>1) No</p> | <p><b>Estonia</b></p> |
|  |  |  |   |  |  | <p>the rural development programme. There is now a possibility that instead of 20-year agri-environmental payments, agricultural land can be turned into wetlands with the State purchasing the land and re-selling it subject in perpetuity to land use requirements. It is hoped that this can lead to simplification. Moreover, it has proved difficult to simplify the implementing and controlling provisions which are at the same time extremely extensive, restrictive and detailed.</p> <p><i>Cohesion policy area</i></p> <p>Denmark has introduced a standard rate for overheads, increased the limit for accelerated depreciation and simplified requirements for proof of payment on salary slips.</p> |  |  |              |                       |

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| Finland | <p><b>YES</b> - All parcels have been inspected</p>   | <p>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring<br/>(b) reinforce documentary checks on claims submitted by beneficiaries</p>  | <p>(a) more training for staff in national/regional/managing authorities and intermediate bodies<br/>(c) more detailed Commission guidelines for Member States</p>  | <p>(a) guidance and training at the level of beneficiaries<br/>(b) reinforced controls and on-the-spot audits<br/>(c) simplification of rules<br/>(d) common checklists used by managing authorities</p>   | <p>(a) more training for staff in national/regional/managing authorities and intermediate bodies<br/>(b) more training for beneficiaries</p>   | <p>(a) detailed checklists which cover all risks to the regularity of expenditure<br/>(c) the use of standard sampling methodology</p>  | <p><b>YES</b></p>   | <p>In both areas. As regards agricultural business and project aid (priority axis 3), our own rules have the greatest potential for simplification.</p>   | <p>(3) Yes, extensive or exclusive use</p>                                       |
| France  | <p><b>OUI</b> – Il a été mis en place pour la campagne 2011 des aides SIOG (aides du 1er pilier PAC, aides à la surface du développement rural et aides animales) une procédure avant pour objet la traçabilité et la supervision de la saisie et de l'instruction des dossiers. Elle décrit les éléments devant impérativement être tracés sur une fiche de suivi ainsi que les principes de la supervision hiérarchique devant être réalisée au sein des services décentralisés instructeurs des aides. Cette disposition doit contribuer au renforcement du contrôle administratif des aides surfaces du second pilier.<br/>- Au titre de la campagne 2011, la déclaration sur l'honneur de la régularité de sa situation fiscale n'est plus demandée au demandeur, mais fait l'objet d'un contrôle croisé par recherche automatique du numéro fiscal entre les services de l'Etat. Cette disposition doit permettre de faciliter et fiabiliser le contrôle administratif croisé sur ce point.</p> | <p>(b) renforcer les contrôles documentaires des déclarations soumises par les bénéficiaires<br/><i>La circulaire du Ministère de l'intérieur du 6 mai 2011 a eu pour objet le « Renforcement des procédures de gestion et de contrôle des programmes opérationnels FEDER 2007-2013. La mise en œuvre des règles nationales d'éligibilité des dépenses du FEDER a été complétée par le décret du 21 janvier 2011.</i></p>              | <p>(a) offrir davantage de formations au personnel des services gestionnaires nationaux/régionaux et des organes intermédiaires<br/><i>Le ministère de l'intérieur va proposer à partir du 1er trimestre 2012 des formations sur des thèmes particuliers d'éligibilité des dépenses (régimes d'aides, instruments d'ingénierie financière, projets générateurs de dépenses, marchés publics...).</i> Ces formations seront ouvertes aux instructeurs et aux contrôleurs d'opération des services de l'Etat et des collectivités territoriales régionales.</p> | <p>(a) conseils et formation au niveau des bénéficiaires<br/>(b) contrôles renforcés et audits sur place<br/>(d) utilisation de listes de contrôle communes par les services de gestion</p>  | <p>(a) offrir davantage de formations au personnel des services gestionnaires nationaux/régionaux et des organes intermédiaires</p>  | <p>(f) autres suggestions - <i>Aucune des suggestions indiquées de (a) à (e) n'est pertinente au regard des commentaires formulés par la Cour des comptes européenne sur l'Autorité d'audit de l'Etat membre concerné par le présent questionnaire (France).</i></p>  |   |   |  |
| Germany |   | <p>(d) Other suggestions:<br/>Simplification of the project selection criteria and national funding eligibility rules, information and guidance for authorising bodies, clear instructions/checklists/guidelines and also explanations before the funding period begins. Consideration of national audit authorities' findings and remedies introduced regarding the calculation of error levels. In its reply regarding 4.25, the</p> | <p>(d) Other suggestions: The ECA's examples under 4.28 already showed that the errors detected were based on infringements of very different requirements (in some cases specific national requirements). Covering all areas in training and guidance where infringements are possible may create considerable difficulties.</p>   | <p>(d) Other suggestions:<br/>Simplification of the European rules: information events, training and guidelines for authorising bodies, standardised checklists, clear provisions regarding funding eligibility: result-oriented and on-the-spot controls and checks and constant simplification efforts are</p> | <p>(d) Other suggestions: Simplification of the guidelines, rules and award criteria: increase in the maximum amounts for direct purchases in relation to works and other services and supplies: information and guidance for the authorising bodies: - in the case of flat-rate corrections for errors in the award procedure, we see the problem that the flat-rate errors are often higher than the actual financial damage. This results in error rates being too high. Suggestion: differentiated and well-</p> | <p>(f) Other suggestions: the Commission's extensive exacting for the audit authorities to implement. Despite these extensive requirements, there are still areas of uncertainty with regard to implementation concerning, for example, sampling for small populations or drawing up annual control reports and</p> | <p><b>YES</b> - Flat rates, doing without programmes redistribution of resources in favour of funding criteria which are easier to implement with large project volumes; by laying down national funding rules (conditions), a funding policy</p> | <p>The greatest potential for simplification lies in the EU rules. The Commission often lays down extensive and highly complicated guidelines for the interpretation of the rules specified in the Regulations, describing these as working methods. If these guidelines,</p> | <p>Not yet possible to predict fully as the exact details are not yet known.</p> |

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| Greece |  | <p>Commission correctly points out that further findings are made during on-the-spot checks, which only take place when a project is already at an advanced stage. On the basis of these findings, corrections are then made if necessary to certifications of expenditure. Simpler and clearer rules for the funding of large projects and cost-based assistance related to expense-based assistance.</p> | <p>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring<br/>(b) reinforces documentary checks on claims submitted by beneficiaries</p> | <p>(a) more training for staff in national/regional/intermediate bodies<br/>(b) training which specifically targets national/regional authority staff and beneficiaries</p> | <p>(a) guidance and training at the level of beneficiaries<br/>(b) reinforced controls and audits on the spot<br/>(c) simplification of rules<br/>(d) common checklists</p> | <p>(a) more training for staff in national/regional/intermediate bodies<br/>(b) more training to be provided for beneficiaries</p> | <p>(a) detailed checklists which cover all risks to the regularity of expenditure<br/>(d) additional staff resources<br/>(e) re-structuring of training for audit</p> | <p>YES</p> | <p>tailored to specific regional features is being pursued which may set different (possibly also more restrictive) priorities than the European-wide rules. The trend towards defining grant eligibility rules largely at national level is expressly welcomed. The error rate mentioned will automatically fall in so far as fewer binding requirements are laid down at European level.</p> | <p>opinions including the question of error projection. The views of individual DGs (EMPL/REGIO) also differ here. The effort to be made in terms of verification according to the requirements is barely feasible since increasing numbers of staff will be required to implement all the requirements. However, staff cannot be made available in unlimited numbers, especially since this also raises the question of the proportionality of administrative effort on implementation. The short deadlines for the verification of projects is a further issue. Given the large number of projects to be verified, it is practically impossible to conclude all the projects to be verified within the time limit specified by the Regulation (up to 30.06 of the year). Even the Commission's concession that these checks need not be carried out until the annual control reports are drawn up provides only limited relief. Either the requirements concerning the scope of the projects to be verified will have to be reduced or more time must be given to carry out audits properly.<br/>- Improving communication between the Commission and the audit authorities; the Commission should in particular work in partnership and consider in more detail specific experiences of the audit authorities in terms of practice and context</p> | <p>which are not legal in nature, are not observed, there is a risk of the Commission imposing restrictions. To this extent, the Regulations, which already involve considerable administrative effort, entail further uncertainties. In general, the rules on implementation (Basic Regulation, Implementing Regulations) need to be worded clearly and unambiguously. The reduction of red tape which has often been promised should be introduced in particular in the forthcoming 2014-2020 round of projects, in order to reduce administrative effort by paying special attention to continuity and, possibly, selected further development where required. Unfortunately, the new draft rules submitted paint a different picture: even if at one level (e.g. administration), simplification is the aim, this is to the cost of the other level (e.g. verification). It is to be feared that, overall, there will be a further increase in red tape. - Application of national procedural law; introduction of de minimis thresholds; simplification of national funding eligibility requirements; simplification of flat rate costs; increased use of flat rate funding.</p> | <p>(2) Yes, but minimal use - According to the ministerial Audit Committee, as Audit Authority for the NSRF, may impose proportionate, extrapolated and flat rate</p> |
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| Hungary | NO | (a) reinforce guidance to beneficiaries to prevent irregularities from occurring | (b) training which specifically targets national/regional authority staff and beneficiaries - BIS<br>(c) more detailed guidelines be provided to Member States by the Commission | (c) simplification of rules | (a) more training for staff of national/regional/managing authorities and intermediate bodies<br>(c) more guidelines to be provided to Member States by the Commission | (a) detailed checklists which cover all risks to the regularity of expenditure<br>(b) specific guidance by the Commission on the scope of verifications and the extent of checks to be | <p><b>YES.</b> In this respect, we can provide the following non exhaustive list of examples:<br/>- customers fill in,</p> | <p>of expenditure on projects under the ESF and the ERDF (see 'simplified costs'). It should however be noted that implementation of these provisions, which were introduced almost in the middle of the programming period, requires considerable preparation by the Member States and a considerable time consulting with the Commission services in order to provide the necessary security regarding eligibility. Therefore it is considered as an important parameter of the whole process not only to introduce rules and regulations for simplification, but to simplify implementation of those provisions. Possibilities for further simplification are identified in the requirements laid down by the existing Regulation for revenue-generating projects (Article 55 of Regulation (EC) No 1083/2006). Further we would note that the simplification of implementation is very often associated not only with the simplicity of existing rules but also with stability throughout the implementation period and full expertise from the beginning. An example of the latter is the application of Article 44 of Regulation (EC) No 1083/2006 on financial engineering instruments.</p> | <p>authorities</p> | <p>corrections following checks on systems and operations and checks on closure procedures carried out. Flat rate corrections may be imposed either following individual irregularities or systemic irregularities. The Financial Control Department (EDEL) assesses the significance of the findings (formal/substantial) and the frequency (single/recurring) in order to detect any systemic problems as a result of failure by the controlled entities to implement reliable methods to ensure the eligibility of EU certified costs, and to apply the appropriate flat rate corrections.</p> | <p>(1) No - with the comment: We are not using them at present, but may decide to do so in the light of the detailed regulation, in the next programming period.</p> |
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|  |  |  |  |  | <p>undertaken for the audit of projects and the reporting of audit findings<br/> (c) the use of standard sampling methodology</p> | <p>on an annual basis through the customer portal, their general agricultural data and monitoring data relating to the financial and physical implementation of operations carried out by them, pursuant to Decree No 18/2009 of the Minister for Agriculture and Rural Development of 6 March 2009 laying down detailed rules on providing monitoring data concerning measures receiving assistance from the European Agricultural Fund for Rural Development;</p> <p>- the customer uses the single application, electronically, to request the aid that might be granted under certain schemes, pursuant to Decree No 36/2009 of the Minister for Agriculture and Rural Development of 3 April 2009 laying down standard rules of procedure for granting certain aid funded from the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development;</p> <p>- in the event of natural disasters, extreme weather conditions, epidemics, infectious diseases, or embargoes, the Agricultural Administration Office submits the expert authority's position, certifying</p> |  |
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|  | Ireland | YES - The Rural Development measures adopted in Ireland are mainly land based and as | (a) reinforce guidance to beneficiaries to prevent irregularities from occurring<br>(b) reinforce documentary | (a) more training for staff in national/regional/managing authorities and intermediate bodies<br>(b) training which specifically targets | (a) guidance and training at the level of beneficiaries<br>(b) reinforced controls | (a) more training for staff of national/regional/managing authorities and intermediate bodies<br>(b) more training to be provided for | (a) detailed checklists which cover all risks to the regularity of expenditure<br>(b) specific guidance by | YES | Ireland has continuously stressed the need to concentrate efforts on | (2) Yes, but minimal use |
| <p>programmes and measures receiving assistance from the European Agricultural Fund for Rural Development, the European Fisheries Fund and the European Agricultural Guarantee Fund has enabled the customer to relinquish the grant through a declaration and the Agriculture and Rural Development Office to remove the unpaid amounts from the obligations in its records,<br/>- pursuant to Government Decree No 158/2010 of 6 May 2010 on questions concerning the export of agricultural and food products, under the export and export refund authorisation scheme, in addition to the earlier usual paper based export authorisation (paper based application and export certificate) and export refund (paper based applications), a one stop shop system for customs administration has been implemented, under which customers are able to submit export certification and export refund applications electronically, and export certificates are sent to the customs authority electronically.</p> |         |  |   |  |  |   |  |     |  |                          |

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|        | such the LPIS covers both Pillar 1 and Pillar 2 supports. The LPIS is regularly updated by the use of ortho imagery, results of on-the-spot controls and by administrative checks.  | checks on claims submitted by beneficiaries<br>(c) increase on-the-spot verifications on operations before certification<br>(d) any other suggestions - <i>Training needs to be targeted/tailored at the various levels in the financial management and control cascade with regular follow-up refresher courses. Clarification and simplification of eligibility, procurement, transparency and advertising rules at national and European level is also required.</i> | national/regional authority staff and beneficiaries<br>(c) more detailed guidelines be provided to Member States by the Commission<br>(d) any other suggestions - <i>Training needs to be targeted/tailored at the various levels in the financial management and control cascade with regular follow-up refresher courses. Clarification and simplification of eligibility, procurement, transparency and advertising rules at national and European level is also required.</i> | and audits on the spot<br>(c) simplification of rules<br>(d) common checklists used by managing authorities<br>(e) any other suggestions - <i>Training needs to be targeted/tailored at the various levels in the financial management and control cascade with regular follow-up refresher courses. Clarification and simplification of eligibility, procurement, transparency and advertising rules at national and European level is also required.</i> | beneficiaries<br>(c) more guidelines to be provided to Member States by the Commission<br>(d) any other suggestions - <i>Training needs to be targeted/tailored at the various levels in the financial management and control cascade with regular follow-up refresher courses. Clarification and simplification of eligibility, procurement, transparency and advertising rules at national and European level is also required. We would welcome a Commission/ECA initiative to provide more targeted guidance in this regard as different interpretations of the rules exist at Member State, Managing, Certifying and Audit Authorities and at the ECA, Commission levels and at the ECA.</i> | the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings<br>(c) the use of standard sampling methodology<br>(e) re-structuring of training for audit authorities<br>(f) any other suggestions: <i>Greater clarity on eligibility rules.</i>  | simplification of programme structures and the financial management and control systems taking into account the principles of simplification and proportionality. A main part of any simplification for management and beneficiaries is allowing flexibility were possible. Therefore, all simplification proposals from the Commission should be optional and not mandatory. However, at Member State level a balance is required, as a more flexible approach to specific operations could be a simplification to the beneficiaries but, potentially, not a simplification for management because a higher staff management resource would be required than setting general national rules. |  |  |
| Italy  | YES - Since 2007 Italy has been systematically updating land uses (the "Refresh" project) in relation to both EAGF and EAFRD, resulting in a noticeable improvement in the IACS.  | (a) reinforce guidance to beneficiaries to prevent irregularities from occurring  | (a) more training for staff in national/regional/managing authorities and intermediate bodies provided to Member States by the Commission   | (a) guidance and training at the level of beneficiaries<br>(c) simplification of rules   | (a) more training for staff of national/regional/managing authorities and intermediate bodies<br>(b) more training to be provided for beneficiaries<br>(c) more guidelines to be provided to Member States by the Commission  | (b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings<br>(e) re-structuring of training for audit authorities  | YES   | Both, mainly on the Commission side.   | 3) Yes, where possible.  |
| Latvia | YES - The system for administrating measures has been improved, including with regard to IT systems. For example: 1. A price catalogue has been established in the RDP IS system to compare prices between project applications submitted, as well as the prices offered in the catalogues of various manufacturers and distributors, experts have been involved in drawing up price estimates for construction and | (b) Reinforce documentary checks on claims submitted by beneficiaries - <i>Including preventive control of pre-procurement verifications in risks areas.</i><br>(d) Other suggestions - <i>Simplify the requirements for entities implementing the EU funds, provide elucidation of the application of norms and improve human resources capacity for controls.</i>   | (a) More training for staff in national/regional/managing authorities and intermediate bodies<br>(b) Training which specifically targets national/regional authority staff and beneficiaries<br>(c) More detailed guidelines be provided to Member States by the Commission<br>(d) Other suggestions - <i>The methodology of audited entities and auditors should be improved, to make it possible to select most risky samples even during verifications.</i>                    | (a) Guidance and training at the level of beneficiaries<br>(b) Reinforced controls and audits on the spot<br>(c) Simplification of rules<br>(d) Common checklists used by managing authorities<br>(e) Other suggestions - <i>Developed guidelines "No 10.11 Guidelines for the reporting of irregularities and ineligible expenditure implementing the EU funds in the 2007-2013</i>   | (a) More training for staff of national/regional/managing authorities and intermediate bodies<br>(b) Training to be provided for beneficiaries<br>(c) More guidelines to be provided to Member States by the Commission<br>(d) Other suggestions - <i>The institutions involved in the administration of EU funds work with the Public Procurement Bureau and the State Treasury in order to arrange regular training for the beneficiaries on procurement matters. From 2012 on, pre-procurement verifications, apart from the PPB, will be carried out by the RI/CI, reducing/preventing</i>  | (a) Detailed checklists which cover all risks to the regularity of expenditure<br>(f) Other suggestions - <i>Audit institutions should apply international auditing standards, rather than their interpretation in the context of regulations. The auditor's professional judgment should be relied on. The head of the audit institution must meet the requirements of the Directive and must be a certified auditor.</i> | YES   | We believe that the EC should draw up a uniform simplification system to be followed by the Member States in taking simplification measures nationally.<br><br>In Cohesion Simplification measures taken at the national level<br>To simplify the EU funds management and control system, amendments were made to a number of Cabinet regulations: | (2) Yes, but minimum use - <i>We believe that the EC should draw up a unified methodology of simplified expenditure to be applicable to all Member States, setting a single standard rate of indirect expenditure, standard unit prices for different positions, etc. In Latvia, a flat rate of indirect expenditure has been developed and implemented, however it took two years to be approved by the EC, which we feel is unsuitable for a</i> |

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| <p>reconstruction projects and for groups of specific equipment, information on price compliance is also obtained through the Internet or by contacting manufacturers.</p> <p>2. With regard to the growth of an aid applicant's operations, an evaluation is made of information obtained from a variety of databases – turnover growth, the number of livestock, farmed areas.</p> |  |  | <p><i>programming period</i>;<br/>Developed guidelines 'No 10.10 Guidelines for the application of financial corrections to the EU funds financed projects' (Paragraph 1.8 of the Guidelines provide that this procedure applies to the EEA/Norwegian Financial Mechanism as well);<br/>The Cabinet information report 'Information Report of the Ministry of Finance on implementing foreign financial resources (EU Structural Funds and the Cohesion Fund, the EEA Financial Mechanism, Norwegian Financial Mechanism and the Latvian-Swiss Cooperation Programme) provides information on ineligible expenditure, risks and action on a quarterly basis';<br/>The issues related to the prevention of corruption and to risk reduction are discussed in the meetings of the Coordination Council for protection of the EU financial interests (Cabinet Regulation No 269, Cabinet Order No 168) and, in accordance with the Managing Authority's initiative, the Council agreed to hold a technical meeting of the Council sub-group with the representatives of law enforcement institutions to discuss practical cases of suspected fraud, corruption risks, etc.<br/>In order to prevent irregularities in projects implemented by State authorities, on the MoF initiative, on 8 March 2011 the Cabinet examined the matter of disciplinary cases (Protocol No 14 of 8 March 2011, § 21, paragraph 4). According to this paragraph of the Protocol Decision, the Ministry of Finance (MoF) will request on a quarterly basis that heads of public</p> | <p><i>infringements in the area of public procurement.</i></p> | <p>(a) Administrative work was facilitated for project risk-assessment and for carrying out project checks.<br/>(b) The procedure for planning on-the-spot checks was improved.<br/>(c) The procedure for reporting verification results was simplified.<br/>(d) The practice of on-the-spot checks was optimised and unified.<br/>The risk of multiple checks of a single beneficiary being carried out under the project by more than one institution involved in the EU funds administration at the same time was limited. With the practice of checks being unified, the risk of repeated requests for the beneficiary's documents that were already at the disposal of the audit institution was limited.<br/>(e) Information turnover among institutions involved in EU funds management and electronic data entry were optimised in line with the EC requirements. The practice was also unified for the administration of irregularities and recovery of ineligible expenditure. The administrative burden was reduced as concerns the administration of irregularities both for beneficiaries and for the institutions involved in EU funds management.<br/>(f) A significant step forward in improving the EU funds management and control system was the supply of the explanatory materials for institutions involved in EU funds management. In order to reduce possible systemic errors, the</p> | <p><i>matter of such importance.</i></p> |
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|  |  |  | <p>Administration authorities provide information on the number of disciplinary cases initiated under their control. In order to mitigate and prevent the risk of improper conduct, different issues of the EU funds monitoring, acquisition and implementation were addressed by the EU Funds Monitoring Committee meeting convened at least once every six months (on 4 March 2010 and 24 November 2010), involving regional, social and non-governmental partners. The Managing Authority has developed a risk management register, where conflicts of interest and fraud, including corruption, are classified as average risk. To mitigate and prevent this risk, under a number of EU funds management processes statements of lack of interest are used, as well as effective staff training is under way (various workshops are held, for example, on 21, 22 October 2010 a seminar was held on irregularities and their identification in cooperation with the EC/OIAC), funded by the technical assistance project. In the future, at the request of the responsible institutions/cooperation institutions (RI/CI), in cooperation with the State Treasury additional seminars will be organized. In accordance with Cabinet Regulation No 740, meetings with the institutions referred to in Paragraph 3 of Cabinet Regulation No 740 on the irregularities identified during the relevant quarter are held on a quarterly basis, and it was agreed that the cases of irregularities should be reported the EC/OIAC. In addition, this meeting addresses</p> |  |  | <p>Ministry of Finance has developed and improved a series of guidelines and methodologies, standardising practices and determining the optimum (minimum and maximum) requirements, thus facilitating the work of both institutions involved in EU funds management and beneficiaries. At EC level (a) We believe that the EC should review the rules regarding mandatory reporting of fraud where the total of ineligible expenditure is less than EUR 10 000 (EU funded part). (b) We suggest that the EC draw up guidelines for the application of proportional financial corrections not only for infringements in procurement, but for those in other areas as well, including a detailed description of cases and amounts of corrections applicable. We believe that such guidelines are required for the application of identical penalties for identical infringements in implementing EU projects in all EU Member States. The Managing Authority informed the EC about the necessity to draw up such guidelines or to supplement the existing ones. In Agriculture and Rural Development Simplification measures taken at the national level. Measures were taken to reduce the administrative burden for the beneficiaries and the process of application for aid was simplified.</p> |  |
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|  |  |  |  | <p><i>other issues related to the identification and prevention of irregularities: 9. On 27 May 2011, the Managing Authority held training for public prosecutors on various EU funds issues, including the nature and identification of irregularities, and other issues.</i></p> <p><i>Improving the capacity of Public Procurement Bureau and carrying out pre-procurement verifications to reduce the risk of irregularities in the area of procurement, resulting in extended periods of project implementation:</i></p> <p><i>Improving the knowledge of and consulting for the beneficiaries on the EU funds, organizing seminars and training, improving the fulfilment of its functions by the MoF as the EU funds responsible institution (in relation to projects under activity 1.5.1.1 and TA activities), streamlining the flow of information between the parties/units involved in implementing the projects.</i></p> |  |  | <p>(a) IT system operation and cooperation with other institutions directly or indirectly involved in EU funds implementation were improved; for example, filing a project application, the applicants need not submit documents that may be obtained by the administering authority from databases of other State institutions.</p> <p>(b) The information system was improved: the electronic application system enables the beneficiaries to file both reports of the monitoring period and project applications under specific measures.</p> <p>(c) The system for administration of project applications was simplified, reducing the administrative burden both for the administering authority and for the applicant.</p> <p>commitment upon filing a project application (including the applicant's declaration, statement of compliance with the provisions and norms of legal enactments, authenticity of the data supplied, etc.) and the decision of the administering authority on granting the aid and approval of the project application (administrative act), waiving the procedure or entering into a bilateral contract, which is time-consuming and in fact duplicated legal norms currently set forth in regulations.</p> <p>At EC level<br/>The Commission rules may be simplified, for example, in the</p> |
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| following areas: | (a) State aid approval procedure. Current situation: the MS is to implement a separate procedure for approval of the State aid by the Directorate General for Competition, and only after the scheme is approved the MS may submit amendments to the relevant programming documents. As the Commission is a single institution, it is necessary to simplify this process and provide for the aid scheme to be approved once, ensuring cooperation within the Commission. | (b) Necessary information requested by the Commission – scope and frequency. | Current situation: under the system of continuous evaluation, to ensure monitoring, the MS is to supply extensive information on the results achieved in implementing the EU funds. Due to the considerable scope of necessary information, as part of the information is supplied to the Commission in other documents; this results in additional administrative burden for the MS; therefore the Commission needs to evaluate the sources of obtaining the necessary information and the necessity of information requested. | The suggestions were made, taking into account the EC regulations proposed for the following programming period (2014-2020), as well as discussion on the simplification is under way between COM and the MSs under |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

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| Lithuania | <p><b>YES</b> - 1. In order to ensure high-quality cross-checks, orthophotos are updated in Lithuania on a regular basis (last updated in 2009-2010).<br/> 2. In 2010, the Land Parcel Identification System was linked to the Simplified Direct Payment Information System, thus ensuring the receipt of relevant information on the land parcels controlled.<br/> 3. Since 2010 when electronic declaration was fully implemented in Lithuania, 100% graphically drawn parcel data have been used during cross-checks in the process of the management of applications for direct payment for agricultural land and crops as well as Lithuanian rural development 2007-2013 area-related measures.</p> | <p>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring;<br/> (b) reinforce documentary checks on claims submitted by beneficiaries;<br/> (c) increase on-the-spot verifications on operations before certification;</p> | <p>(a) more training for staff in national/regional/managing authorities and intermediate bodies;<br/> (b) training which specifically targets national/regional authority staff and beneficiaries;<br/> (c) more detailed guidelines be provided to Member States by the Commission;</p> | <p>(a) guidance and training at the level of beneficiaries;<br/> (b) reinforced controls and audits on the spot;<br/> (c) simplification of rules;<br/> (d) common checklists used by managing authorities;</p> | <p>(a) more training for staff of national/regional/managing authorities and intermediate bodies;<br/> (b) more training to be provided for beneficiaries;<br/> (c) more guidelines to be provided to Member States by the Commission;<br/> (d) any other suggestions. Guidelines should be prepared on time rather than in the middle of the programming period as often happens.</p> | <p>(a) detailed checklists which cover all risks to the regularity of expenditure;<br/> (b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings;<br/> (c) the use of standard sampling methodology;<br/> (f) any other suggestions.<br/> <i>Improvement of the level of qualifications of the audit institution and application of appropriate measures to ensure lower staff turnover.</i></p> | <p><b>YES</b></p> |  | <p>the new programming period – in working groups for proposed EC regulations (a separate simplification working group has been established).</p> | <p>(2) Yes, but minimal use</p> <p>Rules (other legal acts) issued by the Commission could promote simplification the most, thus providing more clarity in the determination and application of simplification methods.<br/> All simplifications are already applied in Lithuania and the following legal acts have been prepared:<br/> 1. The terms and application of simplifications are provided for in the Rules on compliance with expenditure and financing requirements for projects performed under the Lithuanian Strategy for the Use of EU Structural Assistance for 2007-2013 and implementing operational programmes, approved by Government Resolution No.1179 of 31 October 2007 (Žin., 2007, No 117-4789; 2009, 76 – 3115; 2010, 110-5635);<br/> 2. Rules for estimating and covering indirect project expenditure on a flat-rate basis, approved by Order No 1K-112 of 27 March 2008 of the Minister for Finance of the Republic of Lithuania (Žin., 2008, No 37-1348; 2011, No 78-3826).<br/> 3. Rules for determining and applying fixed unit costs of project expenditure and fixed project expenditure amounts, approved by</p> |
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| <p><b>Luxemburg</b></p> | <p><b>YES</b> - Etablissement d'un manuel de procédure pour les contrôles sur place.</p> <ul style="list-style-type: none"> <li>- Meilleure coordination des services concernés par la gestion des débiteurs (réunions mensuelles pour faire le point, revoir certains dossiers...).</li> <li>- Adaptations diverses des systèmes informatiques, notamment au niveau du SIPA (système d'identification des parcelles agricoles)</li> <li>- Participation de notre organisme de certification à l'initiative facultative Assurance renforcée concernant la légalité et la régularité des transactions au niveau des bénéficiaires finaux de la Commission européenne.</li> </ul> | <p><b>(a)</b> donner davantage de conseils aux bénéficiaires en vue d'empêcher la survenance d'irrégularités (Autorité d'audit - IGF, Ministère de l'Economie - FEDER, Ministère du Travail - FSE).<br/> <b>(b)</b> IGF = inspection générale des finances<br/> <b>(b)</b> renforcer les contrôles documentaires des déclarations soumises par les bénéficiaires (Autorité d'audit - IGF)<br/> <b>(c)</b> augmenter les vérifications sur place des opérations, avant la certification (Ministère du Travail - FSE)</p> | <p><b>(a)</b> offrir davantage de formations au personnel des services gestionnaires/nationaux/régionaux et des organes intermédiaires (Autorité d'audit - IGF, Min. du Travail - FSE)<br/> <b>(c)</b> prévoir la mise à disposition, par la Commission, de lignes directrices plus détaillées à l'intention des États membres (Autorité d'audit - IGF, Ministère de l'Economie - FEDER, Ministère du Travail - FSE)</p> | <p><b>(a)</b> offrir davantage de formations au personnel des services gestionnaires/nationaux/régionaux et des organes intermédiaires (Autorité d'audit - IGF, Min. du Travail - FSE)<br/> <b>(b)</b> offrir davantage de formations aux bénéficiaires (Autorité d'audit - IGF, Ministère de l'Economie - FEDER, Ministère du Travail - FSE)<br/> <b>(c)</b> prévoir la mise à disposition, par la Commission, de lignes directrices plus détaillées à l'intention des États membres (Autorité d'audit - IGF, Ministère de l'Economie - FEDER, Ministère du Travail - FSE)<br/> <b>(d)</b> autres suggestions - <i>Simplifier le dispositif applicable en matière de marchés publics (Ministère de l'Economie - FEDER)</i></p> | <p><b>(a)</b> listes de contrôle détaillées couvrant tous les risques d'irrégularité en ce qui concerne les dépenses (Autorité d'audit - IGF)<br/> <b>(b)</b> conseils spécifiques prodigués par la Commission concernant la portée des vérifications et l'étendue des contrôles à effectuer dans le cadre de l'audit des projets et rapport relatif aux résultats de celui-ci (Autorité d'audit - IGF)</p> | <p><b>OUI</b> - Ministère de l'Economie<br/> <b>NON</b> - Ministère du Travail</p> | <p><b>La Réglementation européenne</b><br/> (Autorité d'audit - IGF, Ministère de l'Economie - FEDER, Ministère du Travail - FSE, Ministère du Développement durable et des Infrastructures - URBACT, INTERACT, INTERREG, ESPON)<br/> Autorité d'audit - IGF : coûts forfaitaires, seuils en matière de marchés publics, méthodes standard de calcul des frais de personnel horaire<br/> Programmes qui sont en gérance par le Ministère du Développement durable et des Infrastructures (URBACT, INTERACT, INTERREG, ESPON) : Les procédures de marchés publics en dessous des seuils pour lesquelles une procédure européenne est prescrite pourraient avoir des fourchettes</p> | <p>Order No 1K-264 of 4 August 2011 of the Minister for Finance of the Republic of Lithuania (Žin., 2011, No 102-4795).<br/> Flat rates are widely used for estimating and covering indirect expenditure (only in European Social Fund projects). The application of fixed unit costs of project expenditure and fixed project expenditure amounts has just been started. Institutions are encouraged to use these simplifications in new measures, methodologies are being prepared and studies for justification of the establishment of simplifications are carried out.</p> | <p><b>(2)</b> Oui, mais de manière minimale (<i>Ministère de l'Economie - FEDER, Ministère du Travail - FSE, Autorité d'audit - IGF</i>)</p> |
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| <p>Portugal</p> | <p>4 years. The precision of the orthophotomaps is also being increased for almost half of the country, by changing the pixel resolution from 0.5m to 0.25m.<br/>In addition, in 2009 and 2010 the Agricultural Market Agency put forward an initiative at the 25th Conference of the Directors of the Paying Agencies in Prague (22-24.04.2009) and the 27th DAP Conference in Oviedo (28-30.04.2010) to make more precise the EU regulations relating to cooperation between the EU paying agencies in various Member States as regards the exchange of information (mutual support) for the purposes of the ex-ante control. It was proposed to create horizontal regulations or to add the relevant provisions to the Commission's regulations governing the implementation of the CAP mechanisms introducing the requirement and possibly the terms of mutual assistance in order to carry out ex-ante (pre-payment) control. This applies to the mechanisms under which agricultural products are [text missing] (and processed) within the EU. The introduction of such specific provisions would be aimed at putting in order and facilitating the implementation of the first pillar CAP mechanisms (mainly the so-called market mechanisms).</p> |  |  | <p>rules to enable the beneficiaries to avoid errors in the application of those rules</p> | <p>each sector/group of projects;<br/>- Preparation of a database of findings at EU level (an IT database with a search function) resulting in recommendations as regards the imposition of financial corrections.<br/>The database should contain a list of specific breaches, citing the specific provisions of EU legislation the breach of which has been detected and should contain a justification of the findings and a reference to the decisions of the European Court of Justice.<br/>- Creation of a closed list of irregularities that have a real effect on the market and the Community budget, at the same time refraining from the imposition of financial corrections if any errors of a purely formal nature are detected.</p> |  | <p>YES - The ESF Information System</p> | <p>expenditure incurred under the project. There is a serious risk that, in relation to any expenditure cleared as a lump sum, the auditors will require the submission of extensive documentation confirming the completion of the service/task under the project. This means that, instead of the documents confirming the completion of the service/task, the beneficiaries will be obliged to prepare other, more extensive documentation confirming the said completion of the project. Therefore, in parallel with the simplification of the rules, detailed Commission guidelines will be required as early as at the preliminary implementation stage.<br/>2) In the opinion of the Managing Authority of the Operational Programme Innovative Economy, the simplification of the implementation of EU programmes is more straightforward and quicker in terms of the national rules. This is due to the lengthy process of amending the EU rules, which then entails a complex process of implementation at the national level (i.e. amendments to the durability rules or lump sums). It is simpler and quicker to amend the national rules, as a result of which the EU programmes can be implemented more efficiently.</p> | <p>(3) Yes, extensive or exclusive use - <i>In the new</i></p> |
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|  | <p>and rural development measures, carried out as part of conformity clearance, Portugal implemented a substantial set of measures, including, in particular, the following:</p> <ul style="list-style-type: none"> <li>• Implementation of the LPIIS-GIS Action Plan in 2010 and 2011, with the aim of correcting the deficiencies identified by DG AGRI. As part of this work, ortho-photo maps from 2010 were used to update the system.</li> <li>• As part of the action plan for on-the-spot checks, the delays in checks for 2007, 2008 and 2009 were made up for and on-the-spot checks for 2010 were carried out by the end of that year.</li> <li>• 2011 on-the-spot checks were carried out in a timely fashion in the course of that year.</li> </ul> |  |  |  |  | <p>(SIFSE) was a key instrument of simplification implemented in Portugal in this programming period. It is an integrated system, covering all ESF Operational Programmes and is used by all ESF managing authorities, intermediate bodies, certification authorities and beneficiary organisations. It incorporates all the relevant functions and information for management, certification, follow-up, physical and financial monitoring, assessment, control and audit operations. All projects are entered in the system by the beneficiary organisations, thereby ensuring that all the information is stored electronically and that the whole management process is automated. As all the information flows are automated, the quality and reliability of the data is fully guaranteed. As part of the Community process for simplifying access to the ESF, new forms of declaration of eligible costs were adopted, extending the procedure for detailed statement of costs to standard scales of unit cost. In this context, in 2010, the process of implementing the unit cost system</p> | <p>follow the procedures established by Community legislation, therefore the simplification decided at Community level will certainly have an impact on the ESF management system, in particular as regards the procedures laid down for beneficiaries.</p> | <p>programming period the national authorities intend to extend application of the simplified costs systems, ensuring widespread application of the systems set up at Community level.</p> |
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|  | <p><b>YES - (APDRP)</b></p> <ol style="list-style-type: none"> <li>1) debt compensation between EAGF and EAFRD;</li> <li>2) surface area cross checks between the surface areas recorded at APIA and those in the Agricultural Land Register, on the basis of documents and access to the IACS database;</li> <li>3) using the portal of the National Trade Register Office - Insolvency Proceedings Bulletin (BPI) - general information - persons published in BPI.</li> </ol> | <p>(a) reinforces guidance to beneficiaries to prevent irregularities from occurring; (ACIS + ACP) /Coordinating Authority for Structural Funds + Certification and Payment Authority</p> <p>(b) reinforces documentary checks on claims submitted by beneficiaries; (ACIS)</p> | <p>(a) more training for staff in national/regional/managing authorities and intermediate bodies; (ACIS + ACP)</p> <p>(b) training which specifically targets national/regional authority staff and beneficiaries; (ACIS)</p> <p>(c) more detailed guidelines be provided to Member States by the Commission; (ACP)</p> | <p>(a) guidance and training at the level of beneficiaries; (ACIS + ACP)</p> <p>(b) reinforced controls and audits on the spot; (ACIS)</p> <p>(c) simplification of rules; (ACIS)</p> <p>(d) common checklists used by managing authorities; (ACIS + ACP)</p> | <p>(a) more training for staff of national/regional/managing authorities and intermediate bodies; (ACIS + ACP)</p> <p>(b) more training to be provided for beneficiaries; (ACIS)</p> <p>(c) more guidelines to be provided to Member States by the Commission; (ACP)</p> | <p>(d) additional staff resources; (Audit Authority)</p> | <p><b>YES - (ACIS + DGDR)</b><br/><b>NO - (APDRP)</b></p> | <p>(APDRP) Commission (EU) rules:<br/>- reporting requirements have different deadlines and cover different periods, so Member States are asked to provide some reports covering the calendar year and others the financial year, which implies a complicated monitoring system; the contents of the reports change frequently and this implies changes in the computerised systems, with direct consequences for the additional costs incurred by the Member States and resulting in non uniform monitoring arrangements.</p> | <p>started to be applied to applications for vocational courses and education/training courses. This will help to simplify procedures considerably, with a resulting reduction in the administrative burden involved in project management and a positive impact on beneficiaries. This is an innovative financing system, with an impact on the management system and the accountability rules, requiring all stakeholders - from the beneficiary organisations to the bodies responsible for the management and control system - to adapt their working methods in order to simplify the financing process, without prejudice to the legality and regularity of expenditure.</p> | <p><b>Romania</b></p> | <p><b>(2) Yes; but minimal use (ACIS + DGDR)</b></p> |
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| Slovakia | <p><b>YES</b> - Section 3.59. As regards non-IACS measures in the area of Rural Development, the Slovak Republic adopted an amendment to the Public Procurement Act No 158/2011, which also amends Act No 25/2006, with a view to improving the effectiveness of the management and control systems for agricultural expenditure through changes to Slovak legislation.</p> | <p>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring<br/> (b) reinforce documentary checks on claims submitted by beneficiaries<br/> (c) increase on-the-spot verifications on operations before certification</p> | <p>(a) more training for staff in national/regional/managing authorities and intermediate bodies<br/> (b) training which specifically targets national/regional authority staff and beneficiaries<br/> (c) more detailed guidelines be provided to Member States by the Commission</p> | <p>(a) guidance and training at the level of beneficiaries<br/> (b) reinforced controls and audits on the spot<br/> (c) simplification of rules, where appropriate</p> | <p>(a) more training for staff of national/regional/managing authorities and intermediate bodies<br/> (b) more training to be provided for beneficiaries<br/> (d) any other suggestions</p> | <p>(b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings<br/> (f) any other suggestions</p> | <p><b>YES</b> - Document "Problematic areas of implementation of operational programmes and horizontal priorities of the National Strategic Reference Framework – new version".<br/> In cooperation with the Slovak Ministry of Finance, the Central Coordination Body drew up this document with a view to providing the Slovak Government, relevant entities and the general public with comprehensive information on the problematic areas of implementation of operational programmes and horizontal priorities of the National Strategic Reference Framework. For each problematic area identified, a description of the facts is given, as well as of the specific tasks that need to be performed in order to improve the situation identified. Successful completion of all the tasks defined should definitely help speed up the implementation and make it more effective; it should also make the access to EU funds easier for the general public and thus speed up their implementation and their impact on the Slovak economy, while complying with the</p> | <p>Both EU rules and national rules should be simplified (DGDR)</p> <p>State aid area<br/> EU rules on the basis of which the national rules are created, such as in the area of state aid where "double approval" is currently being applied for measures that are also subject to state aid schemes. Such measures are approved under the rural development programme as well as under a state aid scheme.<br/> Direct payments: Slovakia suggests that the Commission rules be simplified (in particular in the area of cross-compliance – specifically, statutory management requirement 10 should be abolished and statutory management requirement 11 should be simplified by linking the conditions to primary agricultural production so that applicants would be penalised only for the infringement of those conditions laid down by law which they are able to affect by their production activities. We also propose that statutory management requirements 12-15 and the statutory management requirements concerning bird protection be abolished and the number of GAEC requirements be reduced from 15 to 8, which would result in shorter on-the-spot checks, as well as abolition of ex-post controls in case of minor infringements and the application of de minimis).</p> | <p>(1) No<br/> (3) Yes, extensive or exclusive use - For certain measures under the rural development programme, it is suitable to use lump sums or flat rates; however, it will be necessary to ensure a suitable proportion of simplification and obligation on the part of the Member States to verify the eligibility of expenditure and to ensure protection of EU financial interests. It depends on the results of a SWOT analysis whether the Slovak Republic will implement more measures under the 2014-2020 rural development programme for which lump sums or flat rates are suitable.</p> |
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|  | <p><b>Slovenia</b></p> <p><b>YES</b> - Among the major improvements to the effectiveness of controls in the field of rural development we should mention first and foremost the introduction of the electronic filing for measures under axis 1 of the Rural Development Programme. To speed up the management of applications and make it more effective, the Managing Authority for the Rural Development Programme in the Republic of Slovenia for the period 2007-2013 devised the electronic filing ("e-PRP") pilot project for measure 121 - Modernisation of agricultural holdings – in 2010. As a result of the e-PRP pilot project, less time is spent on carrying out administrative controls as applicants make fewer mistakes when preparing their applications electronically, considerably reducing the work of the paying agency and ensuring that the controls are effective. At the same time, e-PRP allows data and documents from the official records to be checked. In 2011 the Managing Authority extended the use of e-PRP to other measures under axes 1 and 3 of the Rural Development Programme for 2007-2013. The following phase of</p> | <p>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring</p> <p>(c) increase on-the-spot verifications on operations before certification</p> | <p>(a) more training for staff in national/regional/managing authorities and intermediate bodies</p> <p>(b) training which specifically targets national/regional authority staff and beneficiaries</p> <p>(c) more detailed guidelines to be provided to Member States by the Commission</p> | <p>(a) guidance and training at the level of beneficiaries</p> <p>(b) reinforced controls and audits on the spot</p> <p>(c) simplification of rules</p> | <p>(a) more training for staff of national/regional/managing authorities and intermediate bodies</p> <p>(b) more training to be provided for beneficiaries</p> | <p>(a) detailed checklists which cover all risks to the regularity of expenditure</p> <p>(d) additional staff resources</p> <p>(e) re-structuring of training for audit authorities</p> | <p><i>principles of transparency and sound financial management. Under the 2007-2013 Slovak Rural Development Programme, the Slovak Republic adopted a series of measures which to a certain extent simplify the implementation of the procedures involved in the implementation of the programme.</i></p> <p><b>NO</b></p> | <p>Member State rules are more likely candidates for simplification than Commission rules.</p> | <p>(3) Yes, extensive or exclusive use</p> |
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| <p><b>Spain</b></p> | <p>improvements planned by the Managing Authority is the adjustment of e-PRP for the entry of payment applications. As regards measures under axis 2 of the Rural Development Programme, Slovenia has considerably improved the quality of the findings of on-the-spot inspections and use of the system of sanctions by updating the list of infringements and sanctions in respect of agri-environmental measures. For payments in less-favoured areas, however, the Managing Authority has introduced a new method of calculation based on a points system for bio-physical criteria on individual farms. The quality of on-the-spot inspections is under the constant supervision of the paying agency. We organised training courses for inspectors every year during the 2007-2011 period, thus increasing the quality of inspection. When requirements are more exacting, the paying agency hires judicial experts from various fields. The inspection findings for all measures under the Rural Development Programme for 2007-2013 contained in the report referred to in Article 34 of Regulation No 1974/2006 are regularly discussed at the headquarters of the Managing Authority, which judges the percentage of errors detected from a number of angles, including possible changes at programme level.</p> | <p>(a) reinforce guidance to beneficiaries to prevent irregularities from occurring;<br/>(d) any other suggestions: <i>Simplify and clarify the applicable rules</i></p> | <p>(a) training for staff in national/regional/managing authorities and intermediate bodies<br/>(b) training which specifically targets national/regional authority staff and beneficiaries<br/>(c) more detailed guidelines be provided to Member States by the Commission</p> | <p>(a) guidance and training at the level of beneficiaries<br/>(b) reinforced controls and audits on the spot<br/>(c) simplification of rules<br/>(d) common checklists used by managing authorities<br/>(e) any other</p> | <p>(a) more training for staff of national/regional/managing authorities and intermediate bodies<br/>(b) more training to be provided for beneficiaries<br/>(c) more guidelines to be provided to Member States by the Commission<br/>(d) any other suggestions: <i>Clarify the rules by reducing imprecise legal concepts and the possibility of</i></p> | <p>(a) detailed checklists which cover all risks to the regularity of expenditure<br/>(b) specific guidance by the Commission on the scope of verifications and the extent of checks to be undertaken for the audit of projects and the reporting of audit findings</p> | <p><b>YES</b></p> | <p>In EU rules.</p> | <p>(2) Yes, but minimal use<br/>(3) Yes, extensive or exclusive use</p> |
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| <p>Her Majesty's Revenue Customs (HMRC) Rural Payments Authority (RPA) Department for Business, Innovation and Skills (BIS) Department for Communities and Local Government (CLG) Department for International Development (DfID)</p> | <p>the quality of the LPIs.</p> | <p>(c) increase on-the-spot verifications on operations before certification - NI, BIS</p> | <p>(d) common checklists used by managing authorities SA</p> | <p>(d) any other suggestions – BIS - <i>The procurement rules must be simplified and made easier to implement for officials and beneficiaries</i></p> | <p>projects and the reporting of audit findings SA<br/>(c) the use of standard sampling methodology<br/>(d) additional staff resources - NI, BIS</p> | <p>considerably assist UK exporters in applying to become approved exporters for the purposes of issuing simplified proofs of origin under the EU's preferential trade arrangements. It will also assist HMRC as the help text will ensure that exporters provide all required information in the first instance, thereby doing away with the need for our approvals office to request further information.<br/><br/><b>SA:</b> The Scottish Government has introduced a pilot project using simplified costs, however, changing the regulations part way through a programming period does not simplify the delivery of the programme it increases the complexity.<br/><br/><b>NO</b> with the comment:<br/><b>RPA:</b> Not initiatives per se but we have contributed to the Learning Network of EU Paying Agencies which has been preparing suggestions for the Commission on the simplification agenda.</p> | <p>have little or no flexibility in their application which restricts Member States ability to offer simplifications to businesses. The UK also sees the potential to extend AEO benefits through further simplifications in the future; examples from the MCC include full guarantee waiver for AEO (C) and AEO (F) and also the possibility of entry into records, self assessment and centralised clearance as further areas of benefit.<br/><br/>EU rules. <b>NI, SA, BIS</b> (particularly Procurement and State Aids)</p> |  |
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### ANNEX III B – GENERAL REMARKS

| Member State    | Reply  |
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| <b>Bulgaria</b> | <p>Bulgaria is pleased to note the Court of Auditors' finding that "the annual accounts of the European Union present fairly, in all material respects, the financial position of the Union as of 31 December 2010 and the results of its operations and its cash flows for the year then ended"; Nevertheless we feel that by further improving the quality of financial reporting and the underlying information systems the risks associated with handling EU resources could be further reduced. We therefore second the Court's recommendation to the European Commission that it revisit the accounting rules and take further action to ensure that the necessary information is available to improve the Commission's supervision of those financial engineering instruments, advance payments, etc.</p> <p>In contrast, we are concerned about the Court's finding that the payments underlying the accounts were still affected by material error (with an estimated error rate of 3.7% for the EU spending as a whole, or EUR 122.2 billion) because the expenditure rules have not been observed and control systems were still only partially effective in ensuring the regularity of payments, even though the national systems in place are constantly being improved and updated in line with the ever changing strategic, economic and financial climate.</p> <p>In our view the European Commission and the Member States ought to continue monitoring the regularity of their operations, in particular in the Cohesion, energy and transport group of policy areas, which was the most error prone and whose performance actually declined compared to 2009 (7.7% in 2010 against more than 5% in 2009). In our view the Court's recommendations to improve the quality of accounting in areas of shared management are very useful indeed. We would nonetheless like to receive more detailed information from the Court regarding these errors, the underlying causes and their financial impact on the EU budget.</p> <p>We are concerned that the Court has found grounds to issue a negative opinion about the legality and regularity of the payments underlying the accounts and has found that the estimated error rate for Agriculture and natural resources had increased to 2.3%, owing mainly to obsolete data regarding plot sizes in the database and weaknesses in the scrutiny of plot measurements by national inspectors in some of the countries visited, including Bulgaria. The Bulgarian national administration will take the necessary measures to remedy this problem</p> <p>We are pleased that the Court finds the revenue and commitments underlying the EU accounts for the year ended 31 December 2010 legal and regular in all material respects.</p> |

## Denmark

Denmark finds it satisfactory that every year since the Statement of Assurance was introduced, with effect from 1994, the Court of Auditors has, with some reservations, considered the EU's accounts to give a true and fair picture of the revenue, expenditure and financial position of the Communities. On the whole, therefore, this part of the Statement of Assurance has been positive every year and has been without reservations for the past four years.

Denmark finds it unsatisfactory that the Court of Auditors again had to give an unfavourable statement of assurance on the legality and regularity of payments under the two main areas of expenditure, where management is shared between the Commission and the Member States. After all, in view of the progress made in the financial management and control of the budget in recent years, there are grounds for a certain degree of optimism regarding the possibility of having a statement of assurance with continually fewer reservations.

The new chapter in the annual report on Getting results from the EU-budget is welcome. The chapter reinforces the much-needed possibility of an improved and more practical linkage of the evaluation of results and regulation/budgeting in the various policy areas.

Denmark also welcomes the fact that the Court's presentation of the audit findings has become more precise in recent years. This applies in particular to: publication of the most likely error rates for revised payments; incorporation of the Commission management representations and the Court's special reports in the appropriate chapters of the annual report; and the more detailed description of the audit approach and method. This clearer presentation strengthens the scope for remedying shortcomings in budget implementation and the quality of expenditure, and for determining the extent to which necessary progress is made over the years.

### Council discharge

During the Council's forthcoming discussion of the Court of Auditors' annual report, Denmark will attach importance to factors which can contribute to continued progress concerning both the programming, management and control of the EU's spending budget and proof of the value added that the expenditure contributes at European level.

In view of the Court's critical comments and the Commission's replies thereto, Denmark considers it important to pay particular attention to the following aspects during the Council's discussion of the annual report:

New – possibly more simplified – legislation as a basis for further progress (you are also referred to the discussions on the multiannual financial framework and the basis for this in sectoral law).

Value added (cost/benefit) by current or modified management and control requirements (you are referred to the discussions on tolerable risk).

Further information on error rates, types of error and financial losses in areas that are difficult to administer (e.g. regional development aid, cohesion and public procurement) in order to pinpoint and remedy shortcomings in budget implementation.

Reliability of information on recovery and financial corrections. There is also a need for a more detailed presentation of regulatory mechanisms and results in this sector (see recommendations in previous Council discharges).

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| <p><b>Finland</b></p> | <p>More attention should be paid to the clarity of EU legislation; it is easy to make unintentional errors of interpretation. Working documents should be open and public so that they can be accessed by the general public and also by the beneficiaries. The preparation of EU legislation should be more efficient and FAQ lists should be provided to avoid misunderstandings.</p> <p>In the cohesion, energy and transport policy area, the Court of Auditors found that there was an error in 49% of the sample of 243 payments it tested. According to the Court of Auditors, 42% of the errors could not have been detected or corrected by the authorities of the Member States prior to certifying the expenditure to the Commission (see § 4.24 and 4.25). Considering that the most likely error rate as estimated by the Court of Auditors is 7.7%, it is unlikely that the Member States could achieve an error rate of under 2% prior to certifying the expenditure to the Commission. The management and control systems also include on-the-spot checks, which are the responsibility of the Member States. On-the-spot checks can also be conducted at a later stage in the project lifecycle, after certifying the expenditure. However, these measures do not affect the error rate reported by the Court of Auditors, as the error rate is determined prior to ex-post monitoring and corrective measures. The full impact of the control system on reducing the error rate is usually only seen in subsequent years, after all layers of controls have been implemented.</p>  |
| <p><b>Ireland</b></p> | <ul style="list-style-type: none"> <li>• Ireland welcomes the ECA 2010 annual report.</li> <li>• In relation to Cohesion Policy, Ireland notes that, for the second consecutive year, the level of error remains well below those reported by the Court in the period 2006-2008. Ireland considers that this is a positive development and a reflection that the provisions in the 2007-13 regulatory framework are working.</li> <li>• The multi-annual programme feature of Cohesion funding is a factor that needs to be taken into account in that irregularities are subsequently removed in future applications for payment and thus the EU Budget is not compromised. Any analysis of a given year can only be completed at the end of the programming period and the closure process.</li> <li>• The issue of interpretation of procurement rules continues to be the biggest factor and Ireland would welcome greater clarity on the application on this issue in EU Cohesion programme implementation.</li> <li>• Ireland will continue to work in partnership with the Commission services and the ECA to ensure sound financial management of EU Funds. However, a balance has to be struck between this objective and the effective implementation of EU Cohesion Policy as an important tool in the response to the unprecedented economic and financial crisis the Union is facing. Ireland wants to ensure that the financial management and control process does not become too heavy, impose a disproportionate administrative burden and lose sight of the objectives of simplification and proportionality.</li> </ul> |

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| <b>Hungary</b>     | <p>We are pleased that the European Court of Auditors (hereinafter ‘the ECA’) again issued an unqualified opinion regarding the reliability of the report for the financial year 2010 and that, according to the Court’s assessment, the report provides a picture of the financial situation of the EU, outlining its operational and financial results, which is accurate from every essential point of view.</p> <p>With regard to the legality and conformity of the underlying transactions, we regret that, compared with the previous year, the rate of the most common irregularities relating to payments in general has increased slightly. However, in our opinion, this does not provide a basis to draw long-term conclusions regarding the trend of the rate of irregularities. Making a judgment is further hindered by the fact that, compared with previous years, the set of chapters examined in the report has changed and that the sampling model applied in the case of certain chapters was not standard, in that, while only intermediate/final payments were examined in the areas of ‘Agriculture and Natural Resources’ and ‘Cohesion, Energy and Transport’, in the sampling model applied to ‘External Aid, Development and Enlargement’ and ‘Research and Other Internal Policies’ advance payments accounted for almost 50%.</p> <p>We welcome the changes in the report in the section concerning ECA’s audit methodology, which are very helpful in understanding the irregularity rates used in the report.</p> <p>Our general opinion regarding the structure and contents of the report is that, even though the scope and level of detail of the report are generally appropriate, the deficiencies noted are described in general terms and this does not offer enough help to either the Member States or the Commission as regards the adoption of suitable measures to remedy them. However, we find it useful that several chapters of the report also contain specific examples of identified irregularities related to the underlying transactions.</p> |
| <b>Netherlands</b> | <p>In view of the questions of general nature, as posed in this annex II, The Netherlands would like to use this space of the questionnaire to reiterate its support to the Commission for all its attempts to improve the management of EU funds in shared management, where 90% of errors take place: the responsibility for improvement lies mainly with the Member States. Therefore, it would in our view, greatly help the efforts of the Commission, if the annual discharge procedure was accompanied by transparent data for the Council/Budget Committee that would allow identifying best practices in Member States, but also identify (geographical) problem areas and weaknesses in the performance of Member States more precisely than is now the case. How to proceed in detail is open to discussion of course, but the general idea is that Member States should know more about each others performance in this respect (regularity/error rates). The resources from the EU budget are public EU resources.</p> <p>Simplification of rules and regulations, together with clearer definitions, will also reduce errors in our view.</p>   |

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| <b>Poland</b>   | <p>The annual report for 2010 indicates that the number of errors regarding the EU budget expenditure under the Cohesion Policy has increased. It should be remembered, however, that the total payments made in 2010 were almost 10% higher than in 2009, and a significant part of those payments relates to the 2007-2013 programming period (which means an increased number of beneficiaries, including beneficiaries who are inexperienced in the implementation of EU projects). In addition, it should be noted that in 2010, the advance payments under the programmes implemented as part of the Cohesion Policy decreased significantly by comparison to 2009.</p> <p>These facts had to translate into a certain increase in the error rate. That rate is still however lower than in the reports in respect of 2007 and 2008. In addition, it should be remembered that, as concluded by the Commission, some of those errors do not have any financial effect, and the general error rate under the Cohesion Policy does not exceed the 2006-2008 levels.</p> <p>Poland will participate actively in the debate on the acceptable error rates as regards the spending of monies from the EU budget but, above all, will endeavour to ensure that the monies expended in our country are free from any irregularities.</p> |
| <b>Portugal</b> | <p>As regards the EFF, no initiatives were introduced in Portugal addressed at simplifying the application of EU programmes in the 2007—2013 programming period because of the complexity of the system required by the Community authorities. Compared to previous situations, there are an increasing number of complex administrative and procedural requirements and also high standards for operating information, management and control systems that seriously delay the start of the cofinanced programmes. This means that the supposed delegation of functions to the Member State, seen as shared management, is increasingly complex and is hindering implementation of the programmes which come up against the automatic cancellation rule (commonly known as the "n + 2 rule").</p> <p>Both the Commission and the Member States should consider greater simplification of the current rules. In fact, the national eligibility rules for the EFF are in general stricter/more specific than those at EU level. This is basically justified by the exigencies of applying policy, such as the fisheries common policy, in which the rules are stringent and call for constant monitoring on the part of the Member States.</p>   |

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| <p><b>Spain</b></p> | <p>We would highlight the following aspects of the Court's findings:</p> <ul style="list-style-type: none"> <li>• The Court performed controls on 20 operations, in which aid amounting to €947.57 million was analysed. €2.7 million of this amount (0.29% of the total verified) was found to relate to irregular aid. However, this is not the calculation method used by the Court to establish the error rate included in its report on the Statement of Assurance.</li> <li>• Historical analysis of the sample selection method and the calculation method used to determine the error rate indicates that the rate is close to a simple average of the individual error rates of each operation controlled. The resulting error rate is 17.55% for Spain.</li> <li>• The findings include an uneven distribution of errors by type of project. Thus, a simple analysis of the operations controlled shows that the largest error rates are detected by the Court in those involving the lowest amounts, whereas the error rate of those relating to the highest amounts is virtually zero. There is no evidence that the Court has taken this fact into account in its analysis. The result is an extrapolation of the error rate of the small projects to the whole of the aid received, regardless of the project type or size or of the body responsible for managing them. In our view, this method of extrapolating results means that the resulting error rate cannot give an accurate indication of how well Community funds are managed by the managing bodies.</li> <li>• In some cases, the Court's findings do not relate to manifest non-compliance with a rule but rather are based on interpretations of the audit team without providing a clear legal basis in support of these findings.</li> <li>• In any case, the Court of Auditors' analysis of the multiannual nature of the operational programmes should take into account the fact that the ERDF and Cohesion Fund rules provide for measures to be taken by the audit authority with a certain time lag in relation to this analysis.</li> </ul> |
| <p><b>UK</b></p>    | <p><b>BIS:</b> The main comment about the report is the fact that every year these Annexes do not indicate properly which programmes are subject to audit visits in the year concerned.</p> <p><b>UK Co-ordinating Body:</b> A significant factor in the failure to achieve a positive statement of assurance regarding the legality and regularity of the underlying transactions under the agricultural funds is the extremely complicated and sometime subjective nature of many of the scheme eligibility criteria, which leads to errors by both claimants and national administrations. The draft CAP reform proposals raise the prospect of the schemes becoming even more complex, leading to an increase rather than a reduction in the error rate as well as a significant rise in the costs of control. Every effort should therefore be made during forthcoming negotiations to make the scheme rules as simple as possible and to set a realistic timetable for the implementation of the changes.</p> <p>The revised Financial Regulation and draft sectoral regulations introduce a requirement for the audit of legality and regularity at the level of Member States. Whilst this could in principle help to identify areas where there are high error rates, there is no agreement yet on what methodology for this audit should be used. There is a risk that the Commission's approach will not be proportionate or risk-based and will differ from that of the ECA. It may not therefore help to achieve a positive statement of assurance.</p>   |

