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COMMISSION STAFF WORKING DOCUMENT
Accompanying the document

REPORT FROM THE COMMISSION

Member States' replies to the Court of Auditors' 2012 Annual Report

{COM(2014) 120 final}

Article 162.5 of the Financial Regulation applicable to the General Budget of the European Union states that as soon as the Court of Auditors (the Court) has transmitted its 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 then transmits a summary of the replies to the Court of Auditors, the European Parliament and the Council before 28 February of the following year.

Following publication on 5 November 2013 of the Court's annual report for the budgetary year 2012, the Commission duly informed Member States of details of the report. This information was presented in the form of a letter and three annexes. The annexes were questionnaires which each Member State was required to complete.

This Staff Working Document (SWD), which comprises the Member States' replies to Annex I and Annex III , accompanies the report from the Commission "Member States' replies to the Court of auditors' 2012 annual report".

ANNEX I. Paragraphs in the 2012 Annual Report and for each of the 2012 findings made by the Court referring to each particular country

| Paragraph | Observation in the 2012 Annual Report | Member State reply |
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| Box 1.1 | Example of a prolonged financial correction procedure | <p>CHAPTER 1 – The Statement of Assurance and supporting information</p> <p><u>Spain:</u></p> <p>The Kingdom of Spain did not during 2012 apply financial corrections amounting to 1800 M euros applied to the usage of cohesion policy funds corresponding to the scheduling period 2000-2006.</p> <p>This Member State feels it necessary to clarify that the financial corrections included in the Commission's 2012 Accounts correspond to withdrawals of expenditure incurred by the Spanish authorities over the course of the 2000-2006 scheduling period and which were in all cases instrumented prior to the close of 2010, the year when the 2000-2006 operational programmes were closed. In accordance with Community regulations, the withdrawals of expenditure take effect when the Member State proceeds to make its declaration to the Commission, which occurred prior to 2010. Meanwhile, as these are corrections agreed by the Member State, the funds released were reassigned to other operations, and there was therefore no net loss of assistance for Spain.</p> <p>The inclusion of the expenditure withdrawals in the 2012 annual accounts represents duplicate accounting of these sums on the part of the Commission, as they were imputed to Spain during the years prior to 2010 when the sums were withdrawn, and additionally imputed again in total in 2012 as a result of the change in the Commission's accounting criterion. In both cases these are at all times the same quantities voluntarily withdrawn, and in no case are new corrections.</p> <p>As a result, the obligation of payment of 1390 million euros from the Commission to Spain is derived from the fact that Spain presented regular expenditure covering said applications.</p> <p>Spain holds that the proper financial management of this Member State is being wrongly and unfairly questioned with regard to the ERDF, and these circumstances should therefore be clarified to the Council and to the</p> |

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| 1.2 | Examples of financial corrections - impact in the Member States | <p data-bbox="352 1906 411 2072">Parliament.</p> <p data-bbox="411 1906 1476 2072"><u>Romania:</u> Other remarks: MFP – ACP (Ministry of Public Finance – Certifying and Paying Authority): Applying the financial correction of 25 % of the eligible expenditure authorised by the managing authority does not have as an impact the reduction in the co-funding rate but the correction of the expenditure authorised for each individual operation (project). Even if the calculation is done at the level of the priority axis, this has an impact on each project and on each expense. The largest part of the irregularities highlighted in the audit reports is due to an inefficient management and control system and to some rules that have failed to observe the principles of a healthy financial management (AM POSDRU - Managing Authority Sectoral Operational Programme Human Resources Development), Romanian authorities accepting a 25 % flat-rate correction, made on the Member State and not on the beneficiary, in particular and in general. Pursuant to the Romanian legislation, Romanian authorities (the managing authorities, respectively) are bound, further to the findings of the audit/control report, to initiate the activity to find the irregularities and to determine the budgetary receivables. This ensures that individual corrective measures are implemented (in case the Romanian law allows) and that the prejudice generated is recovered from the beneficiary further to the irregularity found. With the ESF, amounts thus recovered are intended to reduce the financial impact on the Romanian budget of the 25 % flat-rate financial correction accepted and applied by Romania in its relation with the European Commission. Romania has improved its management and control systems, including those for the assessment and selection of ESF-financed projects. However, it continued to apply the 25 % flat-rate correction on all of the eligible expenditure authorised by the MA related to “certain projects” selected until 31 August 2012, this amounting hitherto to 295 million euro. Furthermore, relative to the financial correction applied, Romanian authorities fail to report to the European Commission, 100 %, the expenditure related to the projects for which there are suspicions of fraud.</p> |

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| | | <p>Remarks: MMFSPV-AMOSDRU (Ministry of Labour, Family, Social Protection and Elderly – Managing Authority for the Sectoral Operational Programme Human Resources Development): box 1.2</p> <p>Applying the financial correction of 25 % of the eligible expenditure authorised by the managing authority does not have as an impact the reduction in the co-funding rate but the correction of the expenditure authorised for each individual operation (project). Even if the calculation is done at the level of the priority axis, this has an impact on each project and on each expense. The largest part of the irregularities highlighted in the audit reports is due to an inefficient management and control system and to some rules that have failed to observe the principles of a healthy financial management (AM POSDRU - Managing Authority Sectoral Operational Programme Human Resources Development), Romanian authorities accepting a 25 % flat-rate correction, made on the Member State and not on the beneficiary, in particular and in general. Pursuant to the Romanian legislation, Romanian authorities (the managing authorities, respectively) are bound, further to the findings of the audit/control report, to initiate the activity to find the irregularities and to determine the budgetary receivables. This ensures that individual corrective measures are implemented (in case the Romanian law allows) and that the prejudice generated is recovered from the beneficiary further to the irregularity found. With the ESF, amounts thus recovered are intended to reduce the financial impact on the Romanian budget of the 25 % flat-rate financial correction accepted and applied by Romania in its relation with the European Commission. Romania has improved its management and control systems, including those for the assessment and selection of ESF-financed projects. However, it continued to apply the 25 % flat-rate correction on all of the eligible expenditure authorised by the MA related to “certain projects” selected until 31 August 2012, this amounting hitherto to 295 million euro. Furthermore, relative to the financial correction applied, Romanian authorities fail to report to the European Commission, 100 %, the expenditure related to the projects for which there are suspicions of fraud.</p> |
| BOX 1.2 | | <u>Czech-Republic:</u> |

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| | <p>Examples of flat-rate financial corrections affecting the level of the Member States</p> | <p>OP Transport:</p> <p>The MA for OP Transport made a 10 % financial correction through the PCA totalling CZK 8.97 billion (EU contribution). In 2012 and 2013, certifications involved corrections made on a continuous basis to all expenditure reimbursed to the beneficiaries before 31 August 2012 and those corrections were deducted from the interim payment requests sent to the Commission. Corrective measures have been adopted with a view to amending working procedures for checks, and the powers of the audit authority and the managing authorities have been reinforced. Following the adoption of the corrective measures, the suspension of certification and interim requests for payments from the Commission has been lifted.</p> <p>OP Environment:</p> <p>As regards OP Environment, since January 2012, audits have been carried out on a sample of 92 transactions as requested by DG REGIO. The sample was selected by the Commission using the statistical method on a set of certified expenses incurred under OP Environment from the start of the programming period. These audits were a pre-condition for lifting the suspension on payments by the Commission.</p> <p>On 20 June 2012 the Ministry of Finance submitted to Brussels the final report on checks on 92 projects (the error rate before the Ministry's correction was 3.52 %; after the Ministry's views were taken into account, the error rate fell to 3.14 %). In the period 9 July-13 July 2012 DG REGIO carried out audit mission No 2012/CZ/REGIO/14/114/1 at the MA for OP Environment involving a sample of 10 projects. Following a meeting of representatives of the Czech Republic and the Commission, a financial correction of 5 % applicable to all expenditure incurred by the Managing Authority until 31 August 2012, i.e. before the introduction of the new management and control system, was proposed by the Commission and accepted by the Czech Republic.</p> <p>As a result, the suspension on certification was lifted and on 18 October 2012 a request for payment reduced by the</p> |

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| | | <p>flat-rate correction was sent to the Commission. The flat-rate correction is applied on an ongoing basis to all subsequent statements of expenditure depending on how the expenditure concerned affects certification.</p> <p>As a result the above situation, corrective measures were adopted by the Ministry of the Environment. They consisted in amendments to binding documents and methodology for OP Environment that are affected by the adopted measures referred to in the Action Plan. Comprehensive amendments have been made to new management and control systems, to the irregularities system and to the check-lists to bring them into line with the model provided by the Commission. A separate control and audit unit has been set up at the EU Funds Department to reinforce in particular the control activities of the Managing Authority vis-à-vis the intermediate body and the beneficiaries. The Managing Authority and the intermediate body have established an anti-crisis working group, which has analysed the situation, set out the tasks and identified the problems in the programme administrations. This working group started its activities in April 2012 and since then it has been meeting every month to evaluate the fulfilment of the tasks that have been set out. The tasks fulfilled included tasks related to independent performance of checks on projects under OP Environment.</p> |

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| Table 1.3 | Quantified Reservations issued in the Commission's AAR for 2012 | <p><u>Germany:</u></p> <p>Regarding No 4: In the case of a FIFG financial correction concerning the Objective 1 region Sabnitz-Muktran, no agreement has yet been reached between the European Commission and Mecklenburg-Western Pomerania.</p> <p>On 10.09.2013, a bilateral meeting was held on European Commission premises in Brussels to discuss the matter. The official outcome of the discussions is not yet available.</p> <p>Regarding No 6: Given its reservations in respect of the management and control system in North Rhine-Westphalia, Lower Saxony, Lower Saxony-Lüneburg, Mecklenburg-Western Pomerania and Thuringia, the European Commission interrupted the payment deadline in accordance with Article 91.</p> <p>North Rhine-Westphalia was the last Bundesland to have the interruption of the payment deadline lifted (by letter of 16.07.2013).</p> <p><u>Bulgaria:</u></p> <p>The main shortcomings in the area of direct aid that were revealed by controls during the first years following Bulgaria's accession to the EU concerned the quality of the information in the Land Parcel Identification System (LPIS) and the information provided to farmers.</p> <p>DG Agriculture and Rural Development notes in its annual report that the Commission's controls had established that Bulgaria's Action Plan had been completed in 2011 and that the system had been in place since the 2012 application year. However, it will not be possible to establish whether the LPIS has improved until Bulgaria reports the results of checks carried out during the 2013 financial year. The error rate calculated by Bulgaria remains high. Therefore DG AGRI believes that a reservation should be entered for Bulgaria in the 2012 annual report.</p> <p>After successfully implementing the Action Plan, Bulgaria completely updated the LPIS in 2011. Given the great importance of maintaining up-to-date and accurate information in the LPIS, Bulgaria has scheduled annual updates.</p> <p>In recent years the Bulgarian administration has systematically endeavoured to update the LPIS, ensure that applicants are better informed and measures and stabilise the requirements of the individual direct support schemes, which should translate into a lower rate of error.</p> |
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Estonia:

The European Court of Auditors did not audit the EFF in Estonia. The reservation referred to in the report concerns DG MARE's postponing the deadline for payments with regard to Measure 1.3.

There has been correspondence between DG Mare and the ministry but no final decision has been taken, meaning we have not at present introduced any additional measures.

Spain:

On the basis of the analysis performed by the Commission of the annual control report and the opinion regarding the year 2012 presented by the IGAE, and in particular the high error rate which revealed significant deficiencies in the functioning of management and control systems, the Commission proceeded partially to interrupt the 9th-10th-11th intermediate payment applications charged to the EFF. The Commission indicated that it did not have sufficient guarantees in place that the problems in the annual control report had been satisfactorily addressed.

The actions taken in order to resolve the deficiencies were:

- Autonomous Community (AC) of Andalusia. In order to rectify the problem of the systemic error in measure 1.1, the AC of Andalusia implemented an Action Plan for all non-audited operations under measure 1.1 (aside from the audited sample), which has already been referred to DG MARE and is pending approval by the Commission, or any observations to be made on the corrective measures set out in said Plan.
- AC of Galicia. The Commission was requested to grant an extension to the deadline for the AC to perform the necessary actions. The deadline expires on 30 November 2013.
- AC of the Balearic Islands. De-certification of €71,131.66 was required, as calculated by the Balearic Islands IG through extrapolation of the error rate in the expenditure audited. This sum was de-certified in the 12th expenditure declaration.
- AC of Asturias. The Asturias IG was required to calculate the expense at risk by application of the projected error index to the audited expense. The sum calculated by the Asturias IG (€340,491.50) was de-certified in the 12th expenditure declaration.

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| <p>- AC of Valencia. According to the letter from the Valencia IG dated 21/02/2013, the AC made provision for an additional follow-up audit in 2013, the report and results of which will be passed on to the Commission.</p> <p>- On-board investments. The sum of €19,891.86 corresponding to the AC of Asturias was de-certified in the 12th expenditure declaration, this being the final sum pending de-certification, and this irregularity would therefore have been rectified.</p> <p>- POSA. The plan is for the Basque Country OIC to perform an audit of this case, and all cases involving the same beneficiary.</p> <p>As a result, all deficiencies have either been resolved or are in the process of resolution.</p> <p><u>Ireland:</u></p> <p>IE responded to the European Commission detailing its actions taken, which IE believes demonstrates a significant improvement to the functioning of the management and control systems. IE is currently awaiting the Commission's response.</p> <p><u>Poland:</u></p> <p>Information on the actions taken are contained in Annex II - finding PF 5317 and finding PF 5429.</p> <p><u>Portugal:</u></p> <p>The reservation expressed by the Director of DG AGRI is, in the case of Portugal (PT), particularly due to the change in methodology for calculating the residual error of non-associated Direct Payments. In fact, the 5% increase in the error rate reported by the Paying Agency meant that PT had, in the case of non-associated Direct Payments, one of the three highest error rates, which resulted in this reservation. However, although the PA disagrees with the methodology used, it should be noted that, in financial terms, the amount of the residual error attributed to PT is only the 11th highest.</p> <p>The status of the Action Plan for updating the LPIS-GIS should also be taken into account: the PA completed the LPIS-GIS Action Plan in January 2013 on the conclusion of two measures involving the 'creation of the reference</p> | |
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parcel' and 'communication to farmers'. It should be noted that these two measures have no impact on the calculation of the maximum eligible area. The measures with the most impact on the correct calculation of parcel areas were completed and integrated into the LPIS in August 2012. In addition, there was a positive assessment by DG AGRI in the audit conducted in September 2012. Furthermore, the LPIS annual review plan is currently in hand, which will ensure that the LPIS-GIS is kept properly up to date.

Romania:

Remarks from MFE (Ministry of European Funds) item 6, table 1.3

Further to the auditors' findings on the existence of some systemic weaknesses in the evaluation system, as an immediate precautionary measure to protect the EU budget, the Member State has undertaken a 25 % flat-rate correction on the expenditure declared to the EC. This measure has been adopted for the projects selected pursuant to the procedures in effect at the time of the audits. In addition, in all of the cases where national or European audit authorities have found deficiencies in the procurement process or otherwise, additional corrections have been applied individually to the projects concerned, the related amounts being recovered from the beneficiaries.

At the same time, measures have been taken to substantially improve the management and control system for the implementation of SOPHRD, namely:

1. Revising the "operation evaluation and selection" methodology in order to include the following recommendations:
 - a) to establish a minimum score for each of the four selection criteria (relevance, methodology, sustainability and cost-effectiveness) - with a focus on sustainability and cost-effectiveness criteria
 - b) to establish minimum eligibility criteria and/or selection for applications, depending on area of expertise, the financial and operational capacity, consistent with the objectives and the specific call for project proposals
 - c) to critically assess the budget and project resources against the targets (indicators) proposed and to argue whether the same activities could be implemented in a more economical way

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| <p>Date of revision approval according to the audit recommendation – 15 October 2012</p> <p>Establishing in the Guide for Applicants related to project launches in 2013 of hourly rates for experts correlated to the market level for each type of services provided and of a maximum working time spent daily on a project in accordance with the European regulations. Thus, the maximum wage ceilings of based on the cost reasonableness study have been reduced by 30 %. These ceilings have been included in the Guide for Applicants, General Conditions 2013.</p> <p>MFE (Ministry of European Funds)</p> <p>Date of revision approval according to the audit recommendation – 15 October 2012</p> <p>4. With regard to the improvement of the SOPHRD management and control system on the management checks, we note that MA SOPHRD has issued a number of instructions regulating the reporting by beneficiaries and the expenditure settlement under the projects funded by SOPHRD (particularly salary expenses, so as to assure that the principle of cost-efficiency and good financial management is observed).</p> <p>Other remarks: MFE (Ministry of European Funds)</p> <p>Date of the latest Instruction issued by the MA SOPHRD on the management and control system 07 June 2013</p> <p>5. A protocol has been signed and operationalised with the Labour Inspectors to monitor and suspend/withhold payment of the salary expenses if the cumulation of hours allowed by the MA SOPHRD instructions is exceeded.</p> <p><u>Slovakia:</u></p> <p>Ministry of Economy</p> <p>No systemic deficiencies were found in the Operational Programme Competitiveness and Economic Growth in 2012.</p> <p>The Ministry of Education, Science, Research and Sport has not commented on this point.</p> <p>The Ministry of Labour, Social Affairs and Family has not commented on this point.</p> | |
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| Box 1.3 | Examples of financial corrections affecting the level of beneficiaries | <p><u>Slovakia:</u></p> <p>Ministry of the Environment – Operational Programme Environment: This is a permanent measure to re-establish a public procurement control department from 1 June 2013 with a view to developing control procedures and ensuring that multistage checks on public procurement procedures are conducted, i.e. a check on procedures prior to the announcement of tendering procedure – an ex ante check, a check on processes before a contract is signed with the successful tenderer, a check after the contract is signed with the successful tenderer</p> |
| 1.31 | <p>1.31 . The Court assessed the impact that these corrections on its audit conclusions:</p> <p>a) financial corrections relating to Spain (see Box 1.1) is related to the problems identified in 2008. Payments will be in 2013 (and probably in other financial years) continue and may be subject to review by the Court in the context of the current audit cycle.</p> <p>b) Corrections for the ESF and the ERDF in Romania in the Czech Republic were flat . These corrections do not</p> | <p><u>Czech-Republic:</u></p> <p>OP Transport:</p> <p>The MA for OP Transport made a 10 % financial correction through the PCA totalling CZK 8.97 billion (EU contribution). In 2012 and 2013, certifications involved corrections made on a continuous basis to all expenditure reimbursed to the beneficiaries before 31 August 2012 and those corrections were deducted from the interim payment requests sent to the Commission. Corrective measures have been adopted with a view to amending working procedures for checks, and the powers of the audit authority and the managing authorities have been reinforced. Following the adoption of the corrective measures, the suspension of certification and interim requests for payments from the Commission has been lifted.</p> <p>OP Environment:</p> <p>As regards OP Environment, since January 2012, audits have been carried out on a sample of 92 transactions as requested by DG REGIO. The sample was selected by the Commission using the statistical method on a set of certified expenses incurred under OP Environment from the start of the programming period. These audits were a pre-condition for lifting the suspension on payments by the Commission.</p> <p>On 20 June 2012 the Ministry of Finance submitted to Brussels the final report on checks on 92 projects (the error rate before the Ministry's correction was 3.52 %; after the Ministry's views were taken into account, the error rate fell to 3.14 %). In the period 9 July-13 July 2012 DG REGIO carried out audit mission No 2012/CZ/REGIO/J4/1114/1 at the MA for OP Environment involving a sample of 10 projects. Following a meeting</p> |

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| | <p>include recoveries (see Box 1.2) from beneficiaries or detailed repairs at the project level . The errors identified by the Court therefore remain part výdajů21 declared by the Member States as a basis for reimbursement.</p> <p>c) Correction for the ERDF in Romania and one component repairs under the ERDF in the Slovak Republic (see Box 1.3) were conducted during 2012 and included detailed repairs at the project level .</p> | <p>of representatives of the Czech Republic and the Commission, a financial correction of 5 % applicable to all expenditure incurred by the Managing Authority until 31 August 2012, i.e. before the introduction of the new management and control system, was proposed by the Commission and accepted by the Czech Republic.</p> <p>As a result, the suspension on certification was lifted and on 18 October 2012 a request for payment reduced by the flat-rate correction was sent to the Commission. The flat-rate correction is applied on an ongoing basis to all subsequent statements of expenditure depending on how the expenditure concerned affects certification.</p> <p>As a result the above situation, corrective measures were adopted by the Ministry of the Environment. They consisted in amendments to binding documents and methodology for OP Environment that are affected by the adopted measures referred to in the Action Plan. Comprehensive amendments have been made to new management and control systems, to the irregularities system and to the check-lists to bring them into line with the model provided by the Commission. A separate control and audit unit has been set up at the EU Funds Department to reinforce in particular the control activities of the Managing Authority vis-à-vis the intermediate body and the beneficiaries. The Managing Authority and the intermediate body have established an anti-crisis working group, which has analysed the situation, set out the tasks and identified the problems in the programme administrations. This working group started its activities in April 2012 and since then it has been meeting every month to evaluate the fulfilment of the tasks that have been set out. The tasks fulfilled included tasks related to independent performance of checks on projects under OP Environment.</p> |
| CHAPTER 2 – REVENUE | | |
| Table 2.1 | Revenue - Key Information 2012 | <p><u>Sweden:</u></p> <p>The interpretation of the paying agency responsible (the Swedish Board of Agriculture) is that the text concerning reservations relates to payments that had been halted because of differing interpretations by the certifying body (the National Financial Management Authority - ESV) and the Swedish Board of Agriculture about errors in certain cases. The cases which had led to the payments to Sweden being halted have now been investigated and deducted from the expenditure declaration. The Commission has resumed payments to Sweden.</p> |

2.13

The Court assessed the supervisory and control systems in selected Member States (Belgium, Poland and Finland). The Member States concerned share of traditional own resources, the total amount is a total of about 13 per cent. The Court examined the said Member States accounting systems (A and B of accounts) and analyzed for traditional own resources, the cash flows amount to be paid to the Commission finding that the notification until. The aim was to provide reasonable assurance that the amounts recorded were accurate and complete. The audit involved examination of

Finland:

This point provides a description of the operation carried out by the Court of Auditors. Finland has no comments in this respect. The reported audit results of the Court will be discussed below under the following points: Chapter 2: Revenue PF 5287 / 12.SYS.REV.1017 / 2501 – 2505.

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| | <p>import declaration data (GSP codes, and country of origin) against the reliability of key controls, customs clearance after inspection and risk analysis, and reporting of the exemption is at the import stage inspection Member States visited.</p> | |
| <p>2.4</p> | <p>Based on its audit work, the Court concludes that, for the year ended 31 December 2012:</p> <ul style="list-style-type: none"> - testing of transactions indicates that the most likely error rate present in the population is nil, - the examined supervisory and control systems are overall effective for GNI-based own resources and for TOR (see Annex 2.2), | <p><u>UK:</u></p> <p>With reference to Table 2.3 VAT reservations - The Commission visited HM Revenue & Customs from 15 – 19 October 2012 and examined the UK VAT bases for the three years 2009 – 2011. The Commission findings were issued on 17/01/2013 and resulted in 4 reservations being lifted and 2 new ones placed leaving a balance of 6 outstanding with the oldest dating back to 2002.</p> |

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| | <p>- the examined supervisory and control systems are effective for VAT-based own resources, the calculation of the UK correction, and other revenue (see Annex 2.2).</p> <p>Overall audit evidence indicates that revenue is not affected by a material level of error.</p> | |
| 2.7 | <p>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 resources⁶. In addition, Germany, the Netherlands, Austria and Sweden benefit from a reduced call rate for VAT, and the Netherlands and Sweden</p> | <p><u>Germany:</u> Action by Germany is not required; Germany would, however, welcome a transparent presentation of the UK rebate by the European Commission, in order to be able to identify potential errors and implement timely corrections.</p> <p>It would be extremely helpful in this context if the most recent data for calculating the UK rebate were made available in a timely manner to the Member States in a clear and accessible format.</p> <p><u>Austria:</u> No observations because only description of UK correction.</p> |

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| | <p>have a gross reduction in their annual GNI contribution for the period 2007-20137. The principal risk is that the Commission makes an error in these calculations, notably in respect of the complex UK correction calculations.</p> | |
| <p>2.9.</p> | <p>Annex 1.1, part 2, of chapter 1 describes the Court's overall audit approach and methodology. For the audit of revenue, the following specific points should be noted:</p> <p>(a) The audit involved an examination at Commission level of a sample of 55 recovery orders . The sample is designed to be representative of the</p> | <p><u>Germany:</u> Description of ECA activities (no requirement for Member States to reply).</p> <p><u>Spain:</u> There are no comments as this is the specific methodology employed by the Court in its scrutiny.</p> |

entire range of recovery orders⁸ within revenue.

(b) The assessment of systems examined:

(i) the systems for GNI-based own resources⁹ and VAT-based own resources at Commission level, and TOR at Commission and Member State level;

(ii) the Commission systems underlying the calculation of the UK correction (including an examination of the calculation of the definitive amount in respect of 2008);

(iii) the Commission's management of fines and penalties;

(iv) the Commission's internal control

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| | <p>procedures covering the determination of the yearly contributions of EFTA countries belonging to EEA ('EFTA contributions');</p> <p>(v) the Commission's management representations, in particular the annual activity reports for 2012 (AAR 2012) of the Directorate-General for Budget (DG Budget) and Eurostat.</p> | |
| 2.12 | <p>However, the Court also assessed the effectiveness of the Commission's verification of GNI data 10 of the period 2002–2010, which was completed in January 2012. The review focussed on the years 2002 to 2007, for which</p> | <p><u>Germany:</u> Description of ECA activities (no requirement for Member States to reply).</p> <p><u>Austria:</u> No observations because footnote 10 merely contains an exhaustive list of Member States examined.</p> <p><u>Spain:</u> The INE provided the European Court of Auditors on 6 February 2013 with a report in response to the preliminary findings issued by the Court in its letter dispatched on 16 October 2012 within the context of the "Audit of the efficacy of the Commission's verification of the GNI data used for own resources" performed by the Court.</p> |

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| | <p>the GNI data, together with those of 2008, became definitive in 2012 with no further possibility of modification for the calculation of adjustments to GNI-based own resources, except for the discrete elements covered by specific reservations (see paragraph 2.25). This work is also taken into account in assessing the Commission's supervisory and control systems.</p> | |
| Table 2.2 | Member States' specific GNI/GNP reservations as at 31 December 2012 | <p><u>Germany:</u> Action on specific reservations – both those in Table 2.2 which relate to Germany as a whole and those which relate to specific Bundesländer – is currently being undertaken by the Statistisches Bundesamt. During the general review of the national accounts in 2014, the results of this revision were also incorporated into the current publication of the national accounts. The main reason for the 2014 general review is the introduction of ESA 2010 methods. The first results under ESA 2010 will be published on 1 September 2014 for the whole period from Q2 2014 back to Q1 1991.</p> <p><u>Austria:</u> The information in the table for Austria refers to a specific GNI reservation which was processed by Statistik</p> |

Austria, checked by Eurostat and in the meantime withdrawn by the Commission (according to a letter from the European Commission (Ares(2013)3288858-18/10/2013)).

Cyprus:

Up to 31 December four reservations were pending.

During February 2012, a team of inspectors from the budgetary area of the European Commission carried out an inspection relating to the VAT own-resources bases for the years 2008-10. During the inspection various points put by the European Commission inspectors were presented and explained, and there was discussion about the VAT own resources bases statements needing improvement and/or further explanation.

As a result of the inspection visit to Cyprus, the European Commission withdrew the four outstanding reservations. Therefore, at 31/12/2012 Cyprus had no reservations relating to VAT own resources.

Estonia:

Work on the methodological developments is ongoing and in line with the agreed action plan we will publish the time series with the corrections resulting from the reservations, in compliance with ESA95, in September 2014.

Spain:

Spain will over the coming months, and in all cases prior to 22 September 2014, present the Commission with the changes to the GNI estimates required as a result of the specific reservations notified, or any additional methodological information clearly demonstrating that the aforementioned reservations are no longer relevant.

Finland:

According to the reservation concerning Finland, the estimation of output from renovations within construction activity needs to be based on more recent benchmark data (years 2002-2010).

New estimates that have been amended accordingly will be published in July 2014 and sent to Eurostat within the

prescribed period (by 22 September 2014). Furthermore, development work is in progress in Statistics Finland in order to improve the statistical base for calculating renovations also in future national accounts.

The reason for the reservation was that the estimate of construction activity was based only on benchmark data for the year 2000, and subsequent years had been estimated on the basis of that year. Now the calculation has been made based on data from a later benchmark year.

France:

Avant l'audit RNB, la France faisait l'objet de deux réserves spécifiques : l'une relative au calcul de la valeur ajoutée des mutuelles et l'autre consacrée à la prise en compte des données de la balance des paiements. C'est pour la notification RNB de septembre 2014 que les pays doivent justifier de corrections permettant, si elles sont satisfaisantes, la levée des réserves. Les corrections sont mises en œuvre dans le cadre du passage au SEC 2010 (base 2010 des comptes nationaux qui sera publiée le 15 mai 2014). Les corrections que effectuées par l'Insee (département des comptes nationaux) actuellement devraient permettre la levée des deux réserves spécifiques.

Greece:

IN COOPERATION WITH EUROSTAT. THE CLOSING DATE IS SEPTEMBER 2014

Λοιπά σχόλια: THE HELLENIC STATISTICAL AUTHORITY (ELSTAT) WORKS WITH EUROSTAT TO ADDRESS THE RESERVATIONS. IT MAKES VISITS TO ELSTAT AND INDIVIDUAL POINTS OF ACTION ARE ESTABLISHED TO ADDRESS THE RESERVATIONS.

Hungary:

The Hungarian Central Statistical Office produced an action plan in June 2012 to resolve the GNI reservations and has contacted Eurostat. The answers to individual points are being prepared and the necessary changes are under way.

Ireland:

Ireland had one reservation for earnings of the self-employed relating to 2012. This reservation has now been

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| | <p>addressed and lifted by Eurostat / DG Budget earlier this year. Therefore Ireland now has no country specific reservations.</p> <p><u>Italy:</u></p> <p>The reservations will be implemented by 22 September 2014, the date of submission of the GNI questionnaire to the European Commission.</p> <p><u>Lithuania:</u></p> <p>Two specific reservations were placed on Lithuania relating to the compilation of GNI statistics:</p> <ol style="list-style-type: none"> 1. supply and use tables must be included in Lithuania's national accounts calculations. In view of the results of this work national accounts figures need to be revised where appropriate (applicable to the years 2004–2010); 2. the sources and methods applied for estimates relating to entertainment, literary and artistic originals need to be reviewed and clarifications provided. In view of the results of this work national accounts figures need to be revised where appropriate (applicable to the years 2004–2010). <p>The European Commission asks that these reservations be lifted by 22 September 2014, that is by the point in time at which National Accounts System information has been drawn up and has begun to be published in line with the 2010 European System of Accounts (ESA 2010).</p> <p>The first GNI indicator reservation was partly implemented in 2012 by transferring 2008–2010 gross national income. An assessment of the updated statistics for 2004–2007 is anticipated in line with the 2013 GNI questionnaire and quality report submitted to the European Commission.</p> <p>The recommendation regarding the second GNI indicator reservation is currently being implemented: new data sources are being analysed and new assessments are being carried out.</p> <p><u>Luxembourg:</u></p> <p>Les deux réserves sont liées au même sujet et ne forment en fait qu'une seule réserve : prise en compte du travail au noir et du travail pour compte propre dans la construction de logements par les ménages. Selon l'interprétation du STATEC il ne s'agit que d'une seule réserve car le texte repris pour ladite « deuxième » réserve n'est qu'une</p> |
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précision de la première. D'ailleurs dans le document initial d'Eurostat soumis au comité RNB du 27 octobre 2009 il ne s'agissait que d'une seule phrase reprise en tant qu'une seule réserve.

En 2012 le STATEC a transmis à Eurostat un rapport détaillant les mesures prises pour adresser la réserve sous rubrique. La Commission a dans sa lettre Ares(2013)2830371 du 5 août 2013 informé le STATEC de la levée de la première réserve, tout en précisant qu'elle maintenait la deuxième. Or selon l'interprétation du STATEC les deux réserves dont fait état la Commission concernent le même sujet. Aussi le contenu de ladite deuxième réserve a bien été adressé par les mesures prises dans le rapport transmis à la Commission. Le STATEC a d'abord consulté Eurostat de façon informelle afin d'obtenir des clarifications. Cette démarche n'ayant pas abouti, le STATEC rédige actuellement une lettre officielle à la Commission afin de demander une prise de position quant à l'interprétation faite par le STATEC. A ce stade le STATEC n'envisage pas d'entreprendre de démarche supplémentaire car il considère que la réserve a bien été adressée.

Malta:

Malta had a total of eight reservations at 31.12.2012, but on 03.09.2013 Malta was informed that reservation 8 had been lifted. Therefore, Malta now still has seven reservations. During 2013 and 2014 Malta will be in contact with Eurostat regarding other reservations with a view to resolving them.

Netherlands:

Action taken: Yes. In 2012 Statistics Netherlands (CBS) submitted proposals for corrections to 3 of the 4 specific reservations. These 3 proposals have now been approved by the Commission. In 2013 the Netherlands submitted a proposal for the fourth and last specific reservation, which is still being examined by the Commission.

Action completed: No. The CBS supplied the information on time (the deadline for specific reservations is 22 September 2014). Once the Commission has produced its evaluation it will be clear whether the proposal has been approved or further work is needed on this point. Only once the proposal has been approved can it be regarded as completed.

Completion date: No later than 22 September 2014, but possibly before then, depending on the Commission's reply.

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| | | <p>Any other comment: In addition to the specific reservations, 8 transversal reservations were imposed on all Member States. The proposals for resolving these transversal issues, like the specific reservations, are evaluated and approved by the Commission. 2 of the 8 have now been approved. The remaining 6 proposals will be submitted in the forthcoming period. The deadline for this is also 22 September 2014.</p> <p><u>Poland:</u></p> <p>Work is currently under way to lift reservations made in respect of GNI for Poland.</p> <p><u>Czech-Republic:</u></p> <p>Both reservations were incorporated in the national accounts in 2011 as part of an extraordinary revision linked to the transition to the new NACE, rev.2 classification. The new GNI data were sent to Eurostat in September 2011, including a Quality Report and a detailed description of methodology given in the appendix to the GNI Inventory.</p> <p><u>Slovenia:</u></p> <p>Reply from the Statistical Office of the Republic of Slovenia: Work on correcting the data on gross national income – the subject of the reservations – is under way and will be completed before the deadline for sending the next batch of data on gross national income for the purposes of determining the EU's own resources and a quality report, i.e. 22.9.2014. One of the three reservations mentioned in the table was already withdrawn in 2013.</p> |
| 2.25 | Commission replaced all existing general reserves for the EU- 25 with 103 specific rezervi14 . Specific reservation covers the years 2002 to 2010 for the Member States of the EU- 15 and the years from 2004 to 2010 for the Member States | <p><u>Bulgaria:</u></p> <p>During the European Commission's audit missions (2010-1012) recommendations and reservations were issued in respect of the GNI data for 2007-2010. Following the completion of Eurostat's Verification Mechanism, an official letter was received from the European Commission in January 2013 containing information on the problem areas and reservations in respect of Bulgaria's GNI data. Measures should be taken to: review the methods for ensuring the completeness of the data; improve the method for the calculation of indirectly measured accommodation services, the consumption of fixed capital, gross fixed capital formation, an alternative method for calculating the production and intermediate consumption of construction services, employees' compensation receivable from/payable to the institutional sector "rest of the world", the production and distribution of the indirectly</p> |

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| | <p>of the EU-10. Furthermore, although not foreseen in the Commission's procedures were put six "horizontal" specific rezervi15 of member states of the EU- 25. The Court found weaknesses in the Commission's verification of GNI data , which also affects the management of the reserves (see section 2.28 b), second and third indents, item 29)</p> | <p>measured services of financial intermediaries, and making adjustments for illegal activities. All the reservations in respect of the GNI data are being dealt with, and the methodology applied is now in the process of being drafted and approved by Eurostat before the data are used in the official GDP and GNI estimates in September 2014. It has been agreed that Eurostat will conduct a consultancy mission in April 2014 so that the estimates obtained can be discussed and approved at the next meeting of the GNI Committee.</p> <p><u>Romania:</u></p> <p>INS (National Institute of Statistics) takes actions to improve the GNI estimates agreed with Eurostat and to resolve the reserves applied, the deadline being the end of year 2014.</p> |
| 2.26 | <p>2012 did not cause any of these specific reservations about the data on GNI. Moreover, at the end of 2012 there were still two specific concerns about the GDP data from the period 1995 to 2001. The situation per Member State is presented in Table 2.2. The Commission does not evaluate the potential impact of reservations.</p> | <p><u>Greece:</u></p> <p>IN COOPERATION WITH EUROSTAT. THE CLOSING DATE IS SEPTEMBER 2014</p> <p>Λοιπά σχόλια: THE HELLENIC STATISTICAL AUTHORITY (ELSTAT) WORKS WITH EUROSTAT TO ADDRESS THE RESERVATIONS. IT MAKES VISITS TO ELSTAT AND INDIVIDUAL POINTS OF ACTION ARE ESTABLISHED TO ADDRESS THE RESERVATIONS.</p> |

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| 2.27 | <p>The Commission expressed a general reservation on the Greek GNI data for 2008, since the State was unable to meet the deadline of 22 September 2012 for transmission to Eurostat. Otherwise, the data for 2008 would become final and correct them would no longer be possible</p> | <p><u>Greece:</u></p> <p>IN COOPERATION WITH EUROSTAT. THE CLOSING DATE IS SEPTEMBER 2014</p> <p>Λοιπά σχόλια: THE HELLENIC STATISTICAL AUTHORITY (ELSTAT) WORKS WITH EUROSTAT TO ADDRESS THE RESERVATIONS. IT MAKES VISITS TO ELSTAT AND INDIVIDUAL POINTS OF ACTION ARE ESTABLISHED TO ADDRESS THE RESERVATIONS.</p> |
| 2.29. | <p>The Court also found problems in the calculation of estimates of national accounts, Eurostat had not uncovered. Some of these Problems should have led to another part of the Commission relied on country-specific reservations, while the andere¹⁹ to Member State different from Member State enforcement of reservations could become clear.</p> | <p><u>Germany:</u></p> <p>The Statistisches Bundesamt does not fully share the Court's assessment. However, the experts from National Accounts have carried out thorough analyses of the shortcomings identified during the audit. The calculations were verified in particular to ensure that they were compliant with ESA procedures. If a change of methodology proves necessary, this will also be implemented as part of the 2014 general review.</p> <p><u>Spain:</u></p> <p>The INE presented the European Court of Auditors on 6 February 2013 with a report in response to the preliminary findings issued by the Court in its letter dispatched on 16 October 2012.</p> <p>Meanwhile, as a result of the audit conducted by the European Court of Auditors, the Commission reserves its opinion regarding the national accounting data for the years 2009 and 2010, in order to be able to perform a detailed comparative analysis of the various solutions adopted by the Member States with regard to the following transversal issues:</p> <p>Reservation VII: Consignment of vehicle registration tax.</p> <p>Reservation VIII: Calculation of intermediate consumption with regard to real and imputed rents in the estimate</p> |

of the output of property rental services.

Over the coming months, and in all cases prior to 22 September 2014, the Commission will be presented with evidence that a particular reservation is not relevant, or of the revised GNI estimates with regard to the pending transversal reservations.

France:

Avant l'audit RNB, la France faisait l'objet de deux réserves spécifiques (voir ci-dessus) et était concernée comme tous les pays de l'Union par 6 réserves transversales. Suite à l'audit RNB, la Commission a ajouté tardivement deux réserves transversales portant sur des problèmes identifiés dans plusieurs pays :

- L'une sur l'enregistrement des taxes sur les certificats d'immatriculation;
- L'autre sur l'estimation des consommations intermédiaires des producteurs de services de logement.

C'est pour la notification RNB de septembre 2014 que les pays doivent justifier de corrections permettant, si elles sont satisfaisantes, la levée des réserves. Les corrections sont mises en œuvre dans le cadre du passage au SEC 2010 (base 2010 des comptes nationaux qui sera publiée le 15 mai 2014). Les corrections que l'Insee effectuée devraient permettre non seulement la levée des deux réserves spécifiques mais également des deux réserves transversales ajoutées suite à l'audit RNB.

Sur les 6 réserves transversales déjà émises avant l'audit RNB, l'Insee échange actuellement avec Eurostat. Plusieurs de ces réserves devraient être levées sans difficultés. Toutefois, l'une d'elles risque de poser plus de difficultés, celle portant sur la prise en compte des activités illégales (prostitution, trafic de drogue) :

- L'Insee considère comme non pertinent (surtout après les critiques émises sur le PIB dans la démarche Stiglitz) d'inclure dans le PIB l'esclavage sexuel ou le trafic de drogues dures. L'Insee n'inclura donc pas de correction pour ces aspects dans le PIB publié mais veillera à ajouter une ligne correctrice spécifique pour passer du PIB publié au RNB notifié même si cette approche n'a pas les faveurs d'Eurostat. Par ailleurs le montant de la correction sera

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| | | <p>forcément très discutable et probablement contesté par Eurostat car les données statistiques sur les activités illégales sont évidemment peu fiables.</p> <p><u>Italy:</u></p> <p>Italy has accepted the Court of Auditors' recommendations made during its audit of 3 to 7 December 2013 and intends to implement them by 30 September 2014.</p> |
| <p>2.33</p> | <p>In addition, two other Member States visited (Poland and Finland), the Court noted other minor system deficiencies related to the A and B accounts.</p> | <p><u>Finland:</u></p> <p>The matters have been described in more detail in the following points: Chapter 2: Revenue PF 5287 / 12.SYS.REV.1017 / 2501 – 2503</p> <p><u>Poland:</u></p> <p>Re ECA preliminary finding no. 2106</p> <p>In 24 cases of non-compliance, as identified during the Court's audit, concerning the time limit for the closure of transit operations, which resulted in a failure to determine the amounts of duty within the time limits specified in the regulations, actions were taken to close these operations. Only one case remains open, in which administrative proceedings are pending (suspended in accordance with national law, pending confirmation from third country authorities). In order to eliminate irregularities, customs chambers were provided with relevant guidelines indicating the need for strict application of EU regulations and a number of training courses concerning the enquiry proceedings and collection of debt in transit were conducted.</p> <p>Re ECA preliminary finding no. 2107</p> <p>As regards customs declaration number OGL/362010/00/002120/2009 Poland provided the ECA with an explanation indicating that the audited declaration was correct. In the letter of 4 July 2013 no. REF005158PL02-13pp-RPF-5410-CL-REVDAS-PL-TR.doc, the Court reported that the above-mentioned declaration had been excluded from the findings.</p> <p>However, in relation to other audited customs declarations in which irregularities were found with regard to the completion of fields 15a, 34a and 36, 7 declarations were revised at the request of the interested party, while in the</p> |

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| | | <p>case of 4 declarations no application for amendment was filed, and the customs authority did not initiate proceedings to amend them due to the fact that the erroneous entries in these fields did not affect the data in other fields, and, above all, did not affect the amount of the customs debt. The decision of the customs authority was also affected by procedural economy (costs incurred without any benefit for the budget) and the general context of the Community customs regulations that, in our opinion, allow the conduct of such proceedings. It should be noted that the Community regulations provide for the option of simplifying the procedures if there is a risk of incurring costs that are disproportionate to the benefits, as well as waiving the subsequent entry in the accounts of amounts of duty in the case of a certain threshold of profitability of conducting the procedure (e.g. in accordance with Article 868 of the Regulation implementing the Community Customs Code, amounts of less than EUR 10 need not be entered in the accounts).</p> |
| <p>Table 2.3</p> | <p>VAT reservations as at 31 December 2012</p> | <p><u>Germany:</u></p> <p>Sonstige Anmerkungen: In 2013 one of the abovementioned reservations was lifted. The longest-standing reservation now dates back to 2007. In the case of four reservations, the German authorities have submitted calculations and made the relevant corrections to the VAT base. Three of these reservations concern infringement proceedings. A change in the national VAT-system is currently passing through the parliamentary legislative procedure.</p> <p>A further reservation concerns an infringement case which is currently dormant. For that reason legal measures in the field of own resources are not required at this juncture.</p> <p><u>Austria:</u></p> <p>Because the ECA double counts reservations on a case raised by both Commission and MS, the cases listed in the table represent only three cases:</p> <p>In Case 1 (weighted average rate) relating to the period 2008-09, a reservation was entered only by the Commission. With respect to a partial calculation (calculation of the weighted average rate) for the years 2008 and 2009, the Commission still has two open questions concerning the topics 'investment in cars' and 'pharmaceutical products'. It can be assumed that this open point will be eliminated in the next correction cycle.</p> |

In Case 2 (infringement procedure No 2010/2055 - Application of the Sixth VAT Directive) concerning the years from 2004, the Commission and Austria entered reservations (=double counting).

In Case 3 (infringement procedure No 2010/2055 - Application of the Sixth VAT Directive, VAT exemption for postal services) concerning the years 2006-09, the Commission and Austria entered reservations (=double counting).

The next negotiations on Cases 2 and 3 between the Commission and Austria will take place in December 2013.

Belgium:

FOD Financiën :

Mesure prise: oui

Action achevée: non (gedeeltelijk)

Autres observations : Naar aanleiding van het controlebezoek van 16-20/04/2012 formuleerden de diensten van DG Begroting van de Europese Commissie zes reserves omtrent de rapporten inzake de eigen middelen uit btw voor de jaren 2008-2010 (controlerapport van 17/07/2012). De diensten van de FOD Financiën antwoordden op 7 november 2012. Twee reserves zijn intussen opgeheven, namelijk de reserves inzake de waarborgen voor de verlegging van de btw bij invoer naar de aangifte en inzake de levering van gebouwen en bouwgronden.

De berekening van de verminderde belastingbasis die door de btw-vrijstelling van advocaten wordt gecreëerd, is naar aanleiding van het verslag eigen middelen voor het jaar 2012 herbekeken. Een materiële fout werd gecorrigeerd.

Bij de berekening van het gewogen gemiddeld btw-tarief stelt het prorata van de financiële sector een probleem wegens de fluctuaties in de beschikbare cijfers. Voor het verslag eigen middelen 2012 werd gebruik gemaakt van een nieuwe cijferreeks.

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| | | <p>Bij het volgende controlebezoek zal blijken of deze ingrepen zullen volstaan om de reserves op te heffen.</p> <p>Om de reserve inzake de berekening van de basis voor de compensatie met betrekking tot de aftrekbeperking ingesteld door artikel 45 § 2 van het Wetboek van de Belasting over de Toegevoegde Waarde, te berekenen, moeten stabilere cijferreeksen aangemaakt worden. Om deze reeksen te kunnen samenstellen (via koppeling van verschillende bestanden) moest als eerste stap aan een aantal voorwaarden inzake de bescherming van de persoonlijke levenssfeer voldaan worden. Deze stap is intussen gezet, maar de cijferreeksen moeten nog samengesteld worden.</p> <p>Inzake het voorbehoud inzake restaurantdiensten aan boord van schepen, treinen en vliegtuigen gedurende het binnen de Gemeenschap verrichte gedeelte van een passagiersvervoer: de inleidende besprekingen tussen de lidstaten (BE – NL – UK) in het kader van de multilaterale controle hebben aangetoond dat er onderliggende interpretatieproblemen zijn omtrent de vigerende Europese en nationale regelgeving terzake. Dienovereenkomstig werd de multilaterale controle voorlopig “on hold” geplaatst. In België werd de problematiek van de toepassing van de Europese en nationale reglementering om die reden ook volledig herbekeken. Een schrijven zal hieromtrent weldra aan de diensten van de Commissie worden gericht met verzoek tot heroverweging van het bestaande voorbehoud terzake. De effectieve controle van de betrokken operator in België werd voorlopig overgedragen naar het werkplan 2014 en zal, zo nodig, worden geactiveerd op basis van de resultaten van de contacten met de Europese Commissie (desgevallend los van de initieel beoogde multilaterale controle als blijkt dat de andere lidstaten finaal dergelijke controle niet opportuun achten).</p> <p><u>Bulgaria:</u></p> <p>The Bulgarian authorities have taken three types of measure to address all the reservations raised. Legislative amendments have been made in order to harmonise Bulgarian legislation with European VAT Directives, new methods have been developed for calculating compensations against which reservations were made, and additional</p> |
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or alternative information has been collected in order to check points of contention in the above-mentioned calculations.

Denmark:

As of 31 December 2012 six reservations had been entered regarding Danish VAT compensations.

1. One reservation concerns the correction for public radio and TV. The negative compensation was based on the annual report from DR and the VAT information supplied by SKAT. The Commission requested an explanation of the difference in input/output ratio between DR (31 %) and TV2 (73 %) in 2010 and an explanation for the drop in the input/output ratio for DR between 2009 (50 %) and 2010 (31 %). The underlying data will be examined to provide an answer to the Commission's two questions.
2. One reservation concerns long-distance coach travel in DK. Some foreign long-distance coaches travelling through DK do not have sales offices in the country and so are not included in the Danish transport statistics. We suggested making an estimate, which has been sent to the Commission.
3. One reservation concerns a Treaty infringement case relating to VAT grouping schemes. On 25 April 2013 the Court ruled in DK's favour (C-95/11) and the reservation was subsequently lifted.
4. One reservation concerns a disagreement over VAT exemption for charities. The Commission takes the view that the Danish exemption is too broad. No infringement procedure has been launched yet.
5. One infringement procedure concerns the exemption for aircraft repair and maintenance, which was declared unlawful in the Cimber Air judgment in relation to domestic flights (Case C-382/02). The corrections were

discussed during the control visit in 2012 and one issue still outstanding that was not resolved during that visit relates to the statement produced of aircraft repair and maintenance by flying schools and clubs.

6. One reservation concerns the exemption for restaurant services supplied on board means of transport (ferries on international voyages between EU countries). There were doubts over the interpretation of the existing VAT rules in this area. There was also uncertainty as to how such a statement could be produced.

Estonia:

There were 10 reservations concerning VAT, 9 of these were resolved in 2012 - 2013. One reservation is still outstanding (regarding catering services on aeroplanes) and work to resolve this is ongoing.

Spain:

The European Court of Auditors set out in table 2.2 of Annex I reservations pending as of 31/12/2012 regarding VAT in Spain.

Two of these are the result of the corresponding infringement proceedings opened against Spanish regulations on the basis of a violation of Community law regarding:

- The VAT special schedule for travel agencies. Reservation established by the European Commission since the year 2003. Following the judgment of the European Court of Justice of 26 September 2013, the Spanish authorities are now working on the definitive resolution of this reservation in the calculation of Spain's VAT base.
- The VAT exemption on services provided by notaries public with regard to certain financial operations. Reservation established by the Commission since the year 2008. Spain, in the document of observations presented to the Commission on 8 July 2013, in response to the Commission's control report, has already included the calculation of a compensation for the years affected by the reservation, and once the Commission has verified and approved this calculation, it will therefore be possible to raise said reservation.

The third reservation established by the Commission, from the year 2009 onwards, is connected with the method

for the calculation of the adjustment in the revenue of farmers under the fixed sum schedule. This reservation has now been cancelled by the Commission in its control report on the VAT base for 2009-2011, dated 13 April 2013, following the inclusion by Spain of an enhancement to the method for selection of the group affected by this regulation.

As a result, the number of reservations pending in the calculation of the VAT base for Spain now amounts to two.

France:

Les réserves en cours émanent du rapport final de contrôle des relevés TVA 2008, 2009 et 2010 ayant eu lieu du 28 novembre au 2 décembre 2011. Un nouveau contrôle, portant sur les relevés 2011 et 2012 a eu lieu en septembre 2013. Le rapport a été transmis par la Commission Européenne le 17 décembre 2013.

- Une réserve porte sur le calcul du taux moyen pondéré, et notamment sur le mode de prise en compte des terrains à bâtir. Des ajustements au calcul ainsi que les justifications demandées ont été transmises par la France suite au dernier contrôle.

- Une réserve portait sur le mode de calcul de la compensation « Fourniture d'eau publique ». Les échanges sur la méthodologie lors du dernier contrôle (septembre 2013) ont amené la France à réviser en profondeur le mode de calcul de la compensation.

- Les autres réserves sont essentiellement émises en lien avec une procédure d'infraction engagée par la DG Taxud. Des pièces justificatives ont été fournies lors du dernier contrôle et la France a aligné sa législation sur les exigences européennes pour d'autres.

Le rapport d'inspection très récemment transmis fait état de la levée de 5 réserves (calcul du TMP, fourniture d'eau, infractions relatives aux bateaux, à l'électricité, aux soins à domicile) et du maintien de 2 réserves (infractions relative aux chevaux de courses et au transport de biens entre la France et la Corse). Une nouvelle réserve a par ailleurs été posée pour les années 2010 à 2011 (offre composite). La France répondra aux questions spécifiques posées par la Commission dans ses observations au rapport d'inspection.

Greece:

COMMENTS OF THE GREEK AUTHORITIES HAVE BEEN SENT TO THE COMMISSION ON THE OBSERVATIONS OF THE COMMISSION'S AUDITORS FOLLOWING THE AUDIT THAT TOOK PLACE IN OUR COUNTRY IN FEBRUARY 2013. THE FINAL RESULTS OF THE COMMISSION ARE AWAITED.

Hungary:

The Commission examined Hungary's statements on the harmonised VAT base during its audit mission on 26-30 March 2012. The audit procedure ended with a presentation of the Commission report at the ACOR VAT meeting on 14 November 2013. During the procedure, methodological approaches were developed in the areas concerned, as a consequence of which the four reservations were lifted. The Commission raised no new reservations, so the number of reservations is currently zero.

Ireland:

Following the visit of the controllers from the European Commission in October 2013 the Irish Authorities are hopeful that three of the outstanding reservations on the VAT OR account ,including the one dating from the earliest year 2006, will be lifted.

Italy:

As regards the VAT Own Resources, the Italian authorities have made available the technical documentation for identification of methodological solutions agreed with the Commission for the purposes of lifting the reservations still pending.

The reservations set in 2012 correspond to four reservations opened during the preliminary phase of the work for the audit (25-27 April), which were already lifted by the time this work was complete, and one opened at the same time as a request was sent for funds for buildings and land (call for funds letter), which was already rectified in August 2012.

The concluding work of the audit mission further changed the number of reservations still pending for Italy. The draft summary sent by the Commission on 23 July 2013 (the final draft of which will also take account of the Court of Justice ruling on the infringement procedure regarding VAT rules for travel agencies) confirms the existence of

eight reservations still pending, the oldest of which goes back to 1999 (while the reservation concerning cars and fuel, pending since 1995, has been lifted).

Lithuania:

Lifting of the reservations was officially confirmed on 3 December 2013 in the European Commission's final summary document on the 2008, 2009 and 2010 VAT base, which underlies own resources.

Luxembourg:

acceptation de la Commission européenne (DG BUDG) pendante - envoi du rapport de contrôle prévu pour janvier 2014

Malta:

Malta is pleased to note that the reservations were reduced from 10 at the end of 2011 to 4 at the end of 2012. The National Statistical Office is addressing 3 of the 4 outstanding reservations.

Concerning the other reservation, the VAT Department takes the view that it does not apply to Malta and the necessary arrangements are being made to have this reservation lifted. It should also be noted that Malta's VAT base is far higher than 50% of the GNI and is thus limited to 50% of the GNI.

Netherlands:

Action taken: Yes. Replies were sent in letters dated 23-5-2011 and 8-8-2011. During the two-yearly inspection (2013) 7 reservations were lifted and (2) + 3 new ones were added, leaving a total of 5 in November 2013.

Action completed: partly

Completion date: n/a.

Any other comment: This is an ongoing process involving consultation and coordination between NL and the Commission. Every two years a final decision is taken on the provisional or definitive lifting of reservations. This process is coordinated annually with the Central Audit Service (ADR). The ADR report is appended to the calculation of the base.

Poland:

Given the fact that reservations may be placed by the Member States or the EC with respect to the calculation methodology or data used in the calculations for the calculation of the EU own resource based on VAT, and work to solve problems and then eliminate them is a continuous process based on close cooperation between the administrative authorities of the EU Member States and the EC, Poland believes that Table 2.3 should contain the following information:

Table 2.3 - VAT reservations as at 31 December 2012

| Member State | Reservations outstanding at 31.12.2011 | Reservations placed in 2012 | Reservations lifted in 2012 | Reservations outstanding at 31.12.2012 | Earliest year to which reservations apply |
|--------------|----------------------------------------|-----------------------------|-----------------------------|----------------------------------------|-------------------------------------------|
| Poland | 5 | 6 | 2 | 9 | 2005 |

In addition, Poland reports that in 2013 four reservations related to the Central Statistical Office (GUS) were lifted. There remains only one reservation, in which the Central Statistical Office is involved. In a report submitted to the EU in July 2013, the methodology and data were verified in order to lift the reservation. Poland is awaiting the approval by the EU.

Portugal:

*Flat rate farmers' scheme legislation repealed from 01.04.2013 – reservation lifted

Reduced VAT rates – babies' diapers – reservation lifted

Rates on tolls on the Tagus Bridge – Since 01.04.2009 PT is allowed to apply reduced rates (Directive 2009/47/EC)

Travel Agency – Court Decision of 26 Sept. 2013, C-450/11 – No infringement

Romania:

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| | | <p>MFP-UCRBUE (Ministry of Public Finance - Coordination Unit for Budgetary Relations with the EU):</p> <p>The Commission Inspection concerning Romania's VAT Basis Statements for 2007-2008 was held during 11 and 15 October 2010. The Commission representatives stated informally that following the check-up visit they will place four reserves, whereas the Romanian authorities asked for one reservation to be placed. The Commission report on the findings of the inspection conducted between 11 and 15 October 2010 was sent to the Romanian authorities (in the official version, in the Romanian language) on 22 February 2011, stating that a number of five reserves were placed (four of the Commission and one of Romania). Further to sending - on 02 February 2012 - the official version of the Commission's conclusions on Romania's Remarks concerning the inspection report on Romania's VAT Basis Statements for 2007-2008, a number of 4 reserves (of which one was proposed by Romania) was noted to have remained unresolved.</p> <p><u>Czech-Republic:</u></p> <p>The measures adopted in 2012 were subject to a check by representatives of DG BUDGET in May 2013. If the measures adopted in 2012 end, the impact will be shown in the ECA report for 2013, i.e. in 2014.</p> <p><u>Slovakia:</u></p> <p>Ministry of Finance – International Relations Section</p> <p>In September 2011, during a check on VAT statements for the years 2008 and 2009, Slovakia was subject to a reservation concerning a missing recalculation linked to the calculation of services provided by foreign entities operating in inland waterway services. We added this recalculation and sent it to the Commission by the set deadline. The reservation was subsequently withdrawn by the Commission in 2012.</p> <p><u>Slovenia:</u></p> <p>Reply from the Ministry of Finance: Slovenia is included in the table alongside all the other Member States. It has not had any reservations in respect of VAT since the 2010 inspection visit.</p> |
| 2.38 | In its Annual Activity Report 2012 DG "Budget " indicates that it | <p><u>Bulgaria:</u></p> <p>Before 22 September each year Bulgaria provides the Commission (Eurostat), in the context of national accounting</p> |

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| | <p>has sufficient assurance on the accuracy and completeness of GNI data used for the purposes of own resources , considering the expression of the GNI Committee opinion and the results of verification carried out by Eurostat. Court of Auditors considers that there is a limitation in the scope of the opinion of the BND25 and the annual report of the Eurostat gives only a partial assessment of the verification of GNI for own resource purposes . The annual report of the DG " Budget " should be mentioned these limitations.</p> | <p>procedures, with figures for aggregate GNI and its components, as well as a report on the quality of the data, pursuant to Article 2(2) of Council Regulation (EC, Euratom) No 1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices. At the meeting of the GNI Committee in October each year, the Member States confirm the data provided in September and the report on the quality of these data that contains general information on the data, any changes with regard to the sources and the methods for collecting the data for the national accounts, and any changes to the policy for revising the data.</p> <p><u>Romania:</u> INS (National Institute of Statistics)</p> <p>INS (National Institute of Statistics) takes actions to solve the “Action Points A” on the improvement of GNI estimates agreed with Eurostat and on the reserves applied, the deadline being the end of year 2014.</p> |
| Annex 2.3 | | <p><u>Bulgaria:</u> All the reservations in respect of the GNI data are being dealt with, and the methodology applied is now in the process of being drafted and approved by Eurostat before the data are used in the official GDP and GNI estimates in September 2014. It has been agreed that Eurostat will conduct a consultancy mission in April 2014 so that the</p> |

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| | | estimates obtained can be discussed and approved at the next meeting of the GNI Committee |
| Chapter 3 – Agriculture : Market and Direct Support | | |
| 3.4 | <p>The main measures financed by the EAGGF are:</p> <ul style="list-style-type: none"> - The direct aid " Single Payment Scheme " (SPS) , in which the payments are based on the " right to payment " 4 , each of which is activated by a hectare of eligible land . <p>In 2012, the SPS expenditure amounted to € 31.081 billion .</p> <ul style="list-style-type: none"> - The direct aid scheme ' Single Area Payment Scheme ' (SAPS) , which represents a simplified scheme of income support and is targeted at farmers in 10 Member States 5 that joined the EU in 2004 and 2007 <p>scheme for the payment of uniform amounts per</p> | <p><u>Bulgaria:</u></p> <p>The Bulgarian authorities are giving this due consideration and will take prompt corrective measures following the findings of DG AGRI's audits under the conformity clearance procedure in the area of cross-compliance and specific support under Article 68 of Regulation (EC) No 73/2009.</p> <p><u>Hungary:</u></p> <p>The finding reports facts not requiring action.</p> <p><u>Latvia:</u></p> <p>No irregularities were identified in report PF5148.</p> <p><u>Romania:</u></p> <p>MADR – APIA (Ministry of Agriculture and Rural Development – Agency for Payments and Intervention in Agriculture) REPLY:</p> <p>APIA has implemented through the IACS control systems concerning the control of the eligibility of agricultural lands requested for payment and the eligibility of payment beneficiaries. At the same time, apart from the on-the-spot controls, administrative controls are implemented and carried out for all applicants on the cross-compliance norms.</p> <p>The fulfilment of cross-compliance obligations is checked based on control samples. The findings of the controls are entered in the computer system. Nonconformities found lead to the farmer being sanctioned. Sanctions are applied under the sanction system. The cross-compliance system applied in Romania has been the subject of several audits conducted by the representatives of the European Commission and of the European Court of Auditors.</p> <p>In 2013 the sanction system applicable in case of finding deficiencies was modified and simplified and farmers</p> |

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| | <p>eligible hectare of agricultural land. In 2012, its cost amount to € 5.916 billion .</p> <ul style="list-style-type: none"> - Other direct aid schemes which provide mainly coupled <p>plashvaniya6 . In 2012, the cost for these is € 3.883 billion .</p> <ul style="list-style-type: none"> - Interventions in agricultural markets , covering measures such as intervention storage refunds , programs in the food sector , as well as specific measures to support the sector " fruits / vegetables " and " wine" (totaling € 3.516 billion in 2012) | <p>were timely informed of the sanctions and penalties applicable in case of failure to observe the requirements for eligibility.</p> <p>We support the EC view that “The observance of the cross-compliance requirements is not an eligibility criterion for payments under the CAP and penalties for violating the cross-compliance requirements should not be taken into account when calculating error rates for CAP.”</p> <p>With regard to the payment for the premiums per capita (cattle and sheep/goats) and for the specific aids granted pursuant to Article 68 of the Council Regulation (EC) No 73/2009, the management and control system is designed so as to eliminate the risk of paying premiums / aids for ineligible animals</p> <p><u>Czech-Republic:</u></p> <p>In the above point, the measures are only noted and described, so no other measures need to be adopted.</p> <p><u>Slovakia:</u></p> <p>Ministry of Agriculture and Rural Development:</p> <p>The European Court of Auditors did not perform any audits at the Ministry of Agriculture and Rural Development in 2012. In our view, the way the text is worded indicates that it is not a criticism, but simply an evaluation of the current situation.</p> |
| 3.9 | <p>Annex 1.1, part 2, of chapter 1 describes the Court's overall audit approach and methodology. For the audit of market and direct support for agriculture</p> | <p><u>Austria:</u></p> <p>Footnote 12 merely contains an exhaustive list.</p> <p><u>Denmark:</u></p> <p>The Danish AgriFish Agency takes note of the comments by the Court of Auditors in point 3.9 and gives its response to the Court's specific criticisms in Annex 2.</p> |

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| <p>the following specific points should be noted:</p> <ul style="list-style-type: none"> - The audit involved examination of a sample of 180 transactions [11] as defined in Annex 1.1, paragraph 6. The sample is designed to be representative of the entire range of transactions within the policy group. In 2012 the sample consisted of transactions from 16 Member States [12], - the audit covered cross-compliance requirements (selected GAEC obligations 13 and statutory management requirement 414). Cases where cross compliance obligations were not met were treated as errors 15, provided that it could be established that the infringement already | <p><u>Spain:</u></p> <p>There are no comments as this concerns the specific methodology employed by the Court in its scrutiny.</p> <p><u>Greece:</u></p> <p>GREECE SUCCESSFULLY COMPLETED (IN FEBRUARY 2013) IN COOPERATION WITH THE EUROPEAN COMMISSION AN ACTION PLAN FOR CROSS-COMPLIANCE, WHICH, AMONG OTHER THINGS, INCLUDES ACTIONS TO BETTER CONTROL THE REQUIREMENTS FOR AGRICULTURAL HOLDINGS WITHIN ZONES VULNERABLE TO POLLUTION CAUSED BY NITRATES (91/676/EEC), REGIONS OF THE NATURA 2000 NETWORK (92/43/EEC) AND SPECIAL PROTECTION AREAS (SPAS) (79/409/EEC). NEW FORMS AND CONTROL INSTRUCTIONS HAVE ALREADY BEEN PREPARED FOR THE YEAR 2013 AND THE RESPONSIBLE CONTROLLERS HAVE BEEN INFORMED. ALSO, ALL PARCELS WITHIN THESE AREAS HAVE BEEN RECORDED, AND SUCH DATA HAVE BEEN USED TO OBTAIN THE RELEVANT AUDIT SAMPLE.</p> <p><u>Hungary:</u></p> <p>The finding reports facts not requiring action.</p> <p><u>Italy:</u></p> <p>The attached replies (see Annex II) to the EU Court of Auditors offer counter-arguments concerning the results on the action of the AGEA paying agency regarding the aid scheme for most deprived persons.</p> <p><u>Romania:</u></p> <p>MADR – APIA (Ministry of Agriculture and Rural Development – Agency for Payments and Intervention in Agriculture) REPLY:</p> <p>APIA has implemented and applies the cross-compliance norms as defined by the Council Regulation (EC) No 73/2009. Apart from the on the spot controls, administrative controls are also implemented and carried out for all applicants on the cross-compliance norms.</p> <p>The fulfilment of cross-compliance obligations is checked based on control samples. The findings of the controls are entered in the computer system. Nonconformities found lead to the farmer being sanctioned. Sanctions are applied under the sanction system. The cross-compliance system applied in Romania has been the subject of several audits conducted by the representatives of the European Commission and of the European Court of Auditors.</p> |
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| | <p>existed in the year in which the farmer applied for aid[16]. In addition, the Court examined the implementation of cross-compliance standards and controls by Member States in the context of its EAFRD systems audits. The results of this work are presented in Chapter 4 at paragraph 4.24 but are also applicable to this Chapter,</p> <ul style="list-style-type: none"> - reductions and exclusions (to be applied by Member States in cases where beneficiaries of EU aid over-claim the actual area or number of animals[17]) are not included in the Court's error rate calculation[18], - the assessment of systems examined IACS in three paying agencies[19], in two Member States applying | <p>In 2013 the sanction system applicable in case of finding deficiencies was modified and simplified and farmers were timely informed of the sanctions and penalties applicable in case of failure to observe the requirements for eligibility. The European Commission has not yet set the financial sanctions applicable to the deficiencies found. We support the EC view that “The observance of the cross-compliance requirements is not an eligibility criterion for payments under the CAP and penalties for violating the cross-compliance requirements should not be taken into account when calculating error rates for CAP.” Therefore we consider that the error rate should be corrected to include the recovering of undue payments made further to the subsequent findings.</p> <p><i>Czech Republic:</i> In the above point, the measures are only noted and described, so no other measures need to be adopted.</p> |
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the SPS — Luxembourg and the United Kingdom (Northern Ireland and England) — and the supervisory and control systems applicable to the EU food aid scheme for the most deprived persons[20] in Spain and Italy,

- the audit included a review of the annual activity report of the Commission's Directorate-General for Agriculture and Rural Development (DG AGRI) concerning EAGF-related issues,
- the Court reviewed DG AGRI's clearance of accounts audit work and visited the certification bodies of Luxembourg and the United Kingdom (Northern Ireland). The results of this work,

which also apply to this chapter, are presented in chapter 4 (see paragraphs 4.26 to 4.36).

11 In order to provide additional insight into the non-IACS component of the population, the sample was stratified and comprised 140 IACS transactions and 40 non-IACS transactions.

12 Czech Republic, Denmark, Germany, Ireland, Greece, Spain, France, Italy, Latvia, Luxembourg, Hungary, Austria, Poland, Portugal, Romania and the United Kingdom.

13 Avoiding the encroachment of unwanted vegetation, retention of terraces, maintenance of olive groves and respect of minimum livestock

stocking rates or mowing obligations.

14 SMR 4 relating to Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1).

15 Cross-compliance obligations are substantive legal requirements that must be met by all recipients of EU direct aid. They are the basic and in many cases the only conditions to be respected in order to justify the payment of the full amount of direct aid, hence the Court's decision to treat cross-compliance infringements as errors.

16 For each

infringement, the national system for reduction of payments has been used for the quantification of the error. See also footnote 9.

17 Regulation (EC)

No 1122/2009 provides that, where the claimed area is found to be overstated by more than 3 % or two hectares, the aid amount shall be calculated on the basis of the area determined reduced by twice the area claimed irregularly. If the difference is more than 20 % no aid shall be granted for the crop group concerned. Similar provisions apply to animal premia.

18 Except in cases where Member States had already found the irregularity without applying the due

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| | <p>reductions/exclusions.</p> <p>19 The paying agencies and key controls were selected on the basis of a risk analysis.</p> <p>20 Article 43 of Council Regulation (EC) No 1234/2007 of 22 October 2007 establishing a common organisation of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) (OJ L 299, 16.11.2007, p. 1).</p> | |
| <p>Box 3.1</p> | <p>Examples of accuracy errors</p> | <p><u>Austria:</u> multiannual measures Additional administrative checks, higher control rate during on-site inspections.</p> <p><u>Spain:</u> The Plan of measures for the Improvement of the Update to the LPIS is an action plan involving measures requiring continuity over the coming years so as to maintain the quality of the LPIS. Meanwhile, establishment of the pasture admissibility coefficient at the national level was one of the measures included in the Improvement Plan which was implemented during the 2013 season, and which will be further enhanced over the course of 2014, to which end considerable efforts are being made to update the databases and the applications associated with the LPIS.</p> <p><u>France:</u></p> |

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| | | <p>Les autorités françaises considèrent que les paiements ne sont pas irréguliers. En effet, conformément à l'article 40 du règlement CE 73-2009, les autorités françaises effectuent un exercice annuel conduisant à comparer les valorisations des soutiens issus des droits au paiement, des articles 52 à 54 et de l'article 68 avec le plafond national fixé à l'annexe VIII. Lorsqu'un dépassement est constaté, les autorités françaises, conformément à la réglementation, procèdent à un ajustement de la valorisation globale des droits au paiement.</p> <p>Les autorités françaises rappellent que l'objectif des dispositions de l'article 40 est de bien s'assurer que les paiements effectués ne vont pas au-delà des plafonds définis au titre de l'annexe VIII. Les réductions appliquées depuis 2010 sur les paiements de l'aide découplée s'inscrivent dans ce cadre.</p> <p>Néanmoins pour tenir compte des observations de la Cour et bien que ne partageant pas la lecture qui est faite de la réglementation, les autorités françaises vont procéder à un recalcul des droits à paiement qui sera effectué automatiquement au niveau national suite aux paiements des DPU de la campagne 2013 et avant le début de la campagne 2014. Les paiements au titre de la campagne 2014 seront effectués sur la base des valeurs des droits recalculés.</p> <p><u>Portugal:</u></p> <p>The completion of the LPIS Action Plan in January 2013 will certainly help to reduce the impact of these cases.</p> |
| 3.14 | <p>The systematic weaknesses detected concerning the correct assessment of the eligibility of permanent pasture have already been reported in previous annual reports and were also found in the context of the systems audits carried out in the United Kingdom (England and Northern</p> | <p><u>Austria:</u></p> <p>multiannual measures</p> <ul style="list-style-type: none"> • Additional administrative checks, higher control rate during on-site inspections, • follow-up of areas and recovery of unduly paid sums <p><u>Spain:</u></p> <p>The Plan of Measures for the Improvement of the Update to the LPIS (LPIS) is an action plan involving measures requiring continuity over the coming years so as to maintain the quality of the LPIS. Meanwhile, establishment of the pasture admissibility coefficient at the national level was one of the measures included in the Improvement Plan</p> |

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| | Ireland). | <p>which was implemented during the 2013 season, and which will be further enhanced over the course of 2014, to which end considerable efforts are being made to update the databases and the applications associated with the LPIS.</p> <p><u>Portugal:</u></p> <p>Without prejudice to the LPIS update measures adopted since 2007, the completion of the LPIS Action Plan in January 2013 will certainly help to reduce the impact of these cases.</p> <p><u>UK:</u></p> <p>Please see Section 1.3 of the UK response PF5212 to the Court dated 28 March 2013 and information provided in the Area Aids 2011 Clearance of Accounts procedure.</p> |
| 3.23 | <p>With regard to the accuracy of payments, the Court found deficiencies in all three paying agencies. In Luxembourg funds available in the national reserve were used to increase the value of all allocated entitlements, contrary to the provisions³² of EU legislation. In the United Kingdom (England and Northern Ireland) the Court observed several cases where the aid amount was calculated on the basis of areas larger than those actually determined by on-the-</p> | <p><u>UK:</u></p> <p>England: Please see paragraphs 174-192 of the UK response PF5212 to the Court dated 28 March 2013 and information provided in the Area Aids 2011 Clearance of Accounts procedure.</p> |

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| | spot checks carried out by national inspectors. | |
| 3.24 | <p>The quality of the on-the-spot measurements is of key importance for the correct determination of aid amounts. The Court has re-performed a number of measurements carried out by the three paying agencies audited. In all three the Court's measurements differed by more than applicable tolerance margins³³ from the results reported by paying agency inspectors (in Luxembourg for 5 out of 61, in the United Kingdom (Northern Ireland) for 6 out of 42 and in the United Kingdom (England) for 8 out of 21 measurements).</p> | <p><u>UK:</u></p> <ul style="list-style-type: none"> - The NI Authorities position on the 12 parcels out of 47 which the ECA have identified as being outside tolerance is a result of real world changes which took place between 2011 and the ECA audit in 2012. It also takes account of other areas which the NI Authorities consider were incorrectly assessed at the time of the ECA audit. As a result of responses from the NI Authorities the ECA withdrew their observations on 6 of these measurements and maintained their observations on the remaining 6. The NI Authorities maintain the remaining 6 measurements re-performed by the Court are a result of real world changes. - The NI Authorities contend that field conditions and eligibility of land may change following the control check, and it is not possible to make allowance for real world changes introduced after the control check has taken place. Such 'real world' changes in land eligibility will be identified through ongoing LPIS updates which are not required within year and will impact on claims relating to future years. Northern Ireland is circa 95% grassland and a high proportion of that is permanent pasture. Permanent pasture is more prone to real world change than is the case in arable crops. For example year on year change in rush can be pronounced, particularly in wet years on heavy clay soils when farmers cannot access this land with machinery to control ineligible including rush. <p>The introduction of a new LPIS and ongoing refresh will address this issue in the future due to systematic updates taking place.</p> |
| 3.25 | <p>EU legislation defines grassland as land covered with herbaceous vegetation. In the United Kingdom (England and Northern Ireland) SPS aid</p> | <p><u>UK:</u></p> <p>Please see Section 1.4 of the UK response PF5212 to the Court dated 28 March 2013 and information provided in the Area Aids 2011 Clearance of Accounts procedure.</p> |

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| | <p>is granted for grazeable woodlands. However, when the Court re-performed on-the-spot inspections in the United Kingdom (England) several such parcels were found to contain no grass and therefore did not meet the definition of grazeable woodlands. National inspectors had reported the areas to be fully eligible for EU aid.</p> | |
| 3.26 | <p>In the three paying agencies selected for an IACS systems audit the Court examined the accounting records to establish whether the amounts to be recovered are properly accounted for and whether these amounts are correctly reported to the Commission. In Luxembourg and the United Kingdom (England) such procedures were found to operate satisfactorily</p> | <p><u>UK:</u> Please see Section 4.1 of the UK response PF5212 to the Court dated 28 March 2013 and information in the Clearance of Accounts for Clawback and Irregularities (2010) Debt Management ARES(2012) 794135 of 6 December 2012. The Court has found that the accounting for debt was operating satisfactorily.</p> |

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| 3.27 | <p>In the United Kingdom (Northern Ireland) the Court observed that reconciliation of the amounts recorded in the debtor's ledger to the underlying individual records was not always possible and accrued interests were not recorded in the table of undue payments.</p> | <p><u>UK:</u></p> <p>In 4 of the 5 cases highlighted it was not possible to reconcile the amounts from the debtors ledger to the Table of Undue Payments because these cases had been wrongly classified as administrative error and as such were incorrectly omitted from the Table of Undue payments. All have been corrected. It is also accepted that in 1 case it was not possible to reconcile between the IT system to the notification letter, as a copy of the notification letter was not held on file. As noted by the Court's auditor reconciliation is possible for recent cases.</p> |
| 3.28 | <p>the Court examined the control systems applicable to the EU food aid scheme for the most deprived persons in Spain and Italy. Under the scheme, the successful tenderer undertakes to provide a certain quantity of food to charities for distribution to the most deprived persons³⁴ in the EU. In many cases, the tenderer is paid in the form of goods delivered from intervention stocks. Very often, these goods</p> | <p><u>Italy:</u></p> <p>The attached reply to the Court of Auditors (see Annex II) provides evidence of the AGEA Paying Agency's administrative cooperation with the Maltese authorities in the management of the aid scheme for the most deprived persons.</p> |

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| | <p>come from intervention storage facilities in a Member State other than that where the food is distributed. In these cases the food aid scheme requires close administrative cooperation between the Member States involved.</p> <p>34 The term "Most deprived persons" is defined in Article 1(3) of Commission Regulation (EU) No 807/2010 of 14 September 2010 laying down detailed rules for the supply of food from intervention stocks for the benefit of the most deprived persons in the Union (OJ L 242, 15.9.2010, p.</p> | |
| BOX 3.3 | Examples of incorrect data in LPIS/GIS | <p><u>UK:</u> A large proportion of the work to improve the LPIS was completed and deployed in maps to support the 2013 Single Applications. Further work is due to be completed in advance of the 2015 Single Applications to bring</p> |

additional detail to the capture of ineligible features and to positionally improve boundaries (NI).

Any other comment: It is accepted that DARD's LPIS was deficient in respect of the capture of ineligible features. As noted in the report, this is being addressed as part of the LPIS Improvement Project. Unfortunately, these improvements were not applicable to the time parameters associated with this report. The risk associated with the weakness is calculated for the 2011 scheme year.

In respect of the findings noted for NI, comments are included below:

1) Forests captured as permanent pasture – This was caused by the fact that the 2011 scheme year was based on the old maps before the LPIS improvement process was completed. The recently completed LPIS refresh has resolved these issues and the DARD LPIS now contains an up-to-date layer of ineligible features. As a result, the woodland in the cases noted by the ECA have are captured as ineligible features in the new LPIS and the MEAs of the fields have been reduced accordingly.

2) Eligible area larger than the parcel size – The NI Authorities agree that there are some inconsistencies in the MEA that were used for the QAF exercise. The NI Authorities have looked at all of these cases noted by the ECA and are satisfied that the farm businesses were correctly paid in all cases against the correct MEA. The recent LPIS refresh has now resolved this potential issue as the MEA is now spatially linked to the field and cannot exceed the field area.

Additional Information

The NI Authorities consider that the on-going work on the LPIS Improvement Project has reduced the risk to the Fund. In 2012, farmers were notified of a visible eligible area for each field and in 2013 claims will be validated against a Maximum Eligible Area for each field.

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| | | <p>Claimants were provided with ortho photographs of their fields in 2011.</p> <p>There were wide publicity/workshops /training provided to farmers to help them assess their land eligibility and make more accurate claims</p> <p>England: Please see Section 1.3 of the UK response PF5212 to the Court dated 28 March 2013 and information provided in the Area Aids 2011 Clearance of Accounts procedure.</p> |
| 3.35 | <p>For this policy group:</p> <ul style="list-style-type: none"> - testing of transactions indicates that the most likely error present in the population is 3,8 %, - of the three IACS supervisory and control systems examined - 38, two were assessed as not effective | <p><u>UK:</u></p> <p>Whilst the UK Authorities accept that some shortcomings were identified by the Court, we believe that appropriate action has been taken to protect the Fund or where this has not been possible the risk has been quantified. Your services have noted the Court's findings are similar to those contained in the Area Aids 2011 clearance procedures. The UK Authorities' response to the Court's letter PF 5212 and the information provided to Your services in the Area Aids Clearance procedure explain the corrective action underway, specifically Observation Letter: Ares(2011) 1137533 of 25 October 2011, the UK Authorities response CL/423 of 10 February 2012 and information provided for the Bilateral: Ares (2013) 726391 18/06/2013.</p> |

(United Kingdom (England and Northern Ireland)) and the other was assessed as partially effective (Luxembourg);

- the two examined supervisory and control systems applicable to the distribution of food to the most deprived persons were assessed as effective.

Overall audit evidence indicates that accepted expenditure is affected by a material level of

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| Annex 3.2 | error. | |
| Results of the examination of the systems for agriculture: market and direct support | <p><u>Spain:</u> The French and Irish authorities objected to the use of form T5</p> <p><u>Ireland:</u> Under the terms of the Plan for the Scheme for the most Deprived Scheme for 2011 Spain were allocated 23,507 tonnes of SMP which was stored in Intervention in Ireland. The relevant regulation was 945/2010.</p> <p>The Department of Agriculture, Food and the Marine arranged for the removal of this product on the basis of instructions received from the Spanish authorities who were responsible for all transport arrangements and costs under their own allocated budget for the scheme.</p> <p>In the case of transfer the MS of destination in this case Spain provided the supplier MS (Ireland) with the name of the person contracted to carry out the operation and the goods were made available on presentation of a removal warrant issued by the intervention agency of the MS of destination. Intra-Union transport costs are paid by the MS of destination.</p> <p>In relation to the transfer of the SMP to Spain all the requirements of the implementation regulation 945/2010 and the governing regulation 807/2010 were met in full. The Department is not aware of any request from the Spanish authorities that was refused in relation to the removal of this SMP</p> <p><u>Malta:</u> On 31 May 2013, at their own request, Malta sent a letter to the AGEA to officially confirm that Malta had received 44 fewer tonnes of pasta than had originally been allocated. Those 44 tonnes of pasta had already been</p> | |

consumed in Italy by people in greater need: accordingly, since the aim of the scheme was still being achieved and because of the good working relationship between Malta and Italy, the case was closed.

Portugal:

Given that the POSEI can include costs related to the purchase of services needed to implement the respective Programme, an application for Technical Assistance was submitted on the basis that the tasks performed as part of the on-the-spot inspections could be defined as a provision of services.

UK:

The UK authorities have responded to the Court in PF5212 dated 28 March 2013. For the controls identified in Annex 3.2:

1. Incomplete or incorrect information on size and eligibility of land in the LPIS database.
 - RPA is aware of the specific concerns raised by the European Court of Auditors (ECA) in respect of the accuracy of the LPIS (Rural Land Register in England). These matters are being addressed and the corrective action is the subject of ongoing discussions with Your Services through the Clearance procedures.
 - The Agency is proactively updating the RLR using a variety of sources, including customer notifications, on the ground inspection findings, ortho-imagery and Ordnance Survey mapping data.
 - The LPIS incorrectly classified some woodland areas as eligible, although other controls addressed the possibility of this land being claimed upon. A new process is now in place that proactively checks customer maps against the latest Ordnance Survey mapping data and up to date ortho-imagery.
 - CAP payments made on Common land are controlled through means other than the LPIS.
2. Claim registration procedure does not have sufficient built-in controls to prevent the date of arrival being backdated.
 - This finding was based on a single case. The error was detected by RPA's own administrative checks and

corrected without any risk to the Fund.

- The controls in this area have been reviewed and further audit review has confirmed that they are acceptable.

3. Errors in claims were corrected as obvious errors without application of penalties when those should have been applied.

- Not applicable to England

4. Values of entitlements were increased contrary to EU legislation.

- Not applicable to England

5. Incorrect application of the EU definition of farmer.

- The RPA disagrees with the Court's view that RPA's definition of a farmer is incorrect. RPA allows customers to claim if they have sufficient management control of the land.

- The Court has accepted that EU Regulations can be interpreted to allow RPA to allow different aid schemes to be claimed by different customers on the same piece of land.

6. Aid payments made for ineligible areas.

- RPA maintains that under defined circumstances woodland can be agricultural land. Where such land meets the grazing requirements as set out in published guidance then the area is deemed to be permanent pasture. A new process has been introduced to improve checks and conduct more follow up inspections on this type of land.

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| | | <p>7. Inconsistencies in the entitlements database.</p> <ul style="list-style-type: none"> • The issue that led to this finding has been corrected as have the affected cases. • This observation related to a specific scenario and the actual risk to the EU Funds was very low. <p>8. Non application of sanctions for areas claimed incorrectly on common land.</p> <ul style="list-style-type: none"> • A process was introduced in 2011 to check for duplicate claims between land parcels and registered Commons. In 2011, affected claims were reduced without additional sanctions. • Appropriate sanctions have been applied from 2012. <p>9. Inspection results not correctly processed in the IACS databases.</p> <ul style="list-style-type: none"> • The Court identified cases where inspection results were incorrectly entered in the payment system. These have been corrected. • This observation related to a limited number of cases and the actual risk to the EU Funds was very low affecting claims with a value of less than 0.004% of the payments made. <p>10. Deficiencies in administrative cross-checks and aid payments made before clearance of anomalies.</p> <ul style="list-style-type: none"> • Not applicable to England <p>a. Insufficient quality of area measurements during on-the-spot checks.</p> |
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| | | <ul style="list-style-type: none"> • The Court found examples of the RPA measured areas that differed to the Court’s measurements. Affected cases were re-inspected and corrected where necessary. • RPA has provided evidence to Your services through the Clearance procedure to show that additional training has been given to inspectors, to ensure consistent reporting of areas ineligible for the scheme, and that this has been successful in identifying more ineligible features. <p>A.</p> <ul style="list-style-type: none"> • Inaccuracies in the debtors accounts. • The Court confirm in the body of their report (Paragraph 3.26) that procedures for accounting for recoveries are satisfactory. • RPA has introduced improvements to its debt management that are the subject of on going discussions with Your services <p>B.</p> <ul style="list-style-type: none"> • Delays in recording debts and notifying farmers of repayment obligations. <p>Not applicable to England</p> |
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| Chapter 4 – Rural development, Environment, Fisheries and Health | | |
| 4.8 | Annex 1.1, part 2, of chapter 1 describes the Court’s overall audit approach and methodology. For the audit of rural | <p><u>Germany:</u> No response required from the Member State.</p> <p><u>Austria:</u></p> |

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| <p>development, environment, fisheries and health, the following specific points should be noted:</p> <ul style="list-style-type: none"> - the audit involved an examination of a sample of 177 transactions as defined in Annex 1.1, paragraph 6. The sample is designed to be representative of the entire range of transactions within the policy group. In 2012 the sample consisted of 160 transactions for rural development ^[5] and 17 concerning environment, fisheries and health ^[6], - the Court focused its testing of cross-compliance on GAEC (good agricultural and environmental condition) obligations and selected SMRs (statutory management requirements) ^[7] for which evidence could be obtained and a conclusion reached at the time of the audit visits, - reductions and exclusions (to be applied by Member States in cases where beneficiaries of EU aid over-claim the actual | <p>Footnote 5 merely contains an exhaustive list.</p> <p><u>Spain:</u></p> <p>There are no comments as this is the specific methodology employed by the Court in its scrutiny.</p> <p><u>Finland:</u></p> <p>This point provides a description of the operation carried out by the Court of Auditors. Finland has no comments in this respect. The reported audit results of the Court will be discussed below.</p> <p><u>Romania:</u></p> <p>MADR – APIA (Ministry of Agriculture and Rural Development – Agency for Payments and Intervention in Agriculture) REPLY</p> <p>The first measure taken by APIA has been to implement in IACS a control and penalty system for surface over-stating and for the verification of the observance of specific eligibility requirements enforced by the agri-environment measures (for instance those on maximum animal numbers per hectare).</p> <p>Another measure taken by the Agency, together with the European Commission, has been to develop an action plan to reduce the error rate. This plan has identified the main causes of the high error rates and the measures taken to improve the implementation status of the Community provisions. We recall in this respect:</p> <ul style="list-style-type: none"> <input type="checkbox"/> developing an online application (IPA-online) which checks whether parcels overlap and their location relative to the eligible areas; <input type="checkbox"/> amending the national legislation and completing it with clarifications on the justifying documents on the right to use the land, the dates when they were concluded and their validity terms; <input type="checkbox"/> including in the administrative control procedures the obligation to check the consistency between the area declared in the application for payment – the supporting documents – and the certificate from the Farm Register; <input type="checkbox"/> revising the risk factors and their weight so as to ensure the representativeness of the sample; <input type="checkbox"/> organising training and information sessions for the APIA staff on control procedures applicable to the agri- |
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| | <p>area, number of animals or eligible expenditure ^[8] are not included in the Court's error rate calculation ^[9] ,</p> <ul style="list-style-type: none"> - the assessment of systems for rural development examined seven paying agencies ^[10] in six Member States: Bulgaria, Germany (Brandenburg and Berlin), France, Poland, Romania (both paying agencies) and Sweden. For health and consumer protection, the Court tested the internal control system of DG SANCO ^[11] , - the Commission's annual activity reports of DG AGRI ^[12] (concerning rural development) and DG MARE ^[13] were reviewed, - in addition, in order to assess the basis for the Commission's clearance decisions the Court reviewed DG AGRI's clearance of accounts audit work (for EAGF and for EAFRD) and visited the certification bodies of Bulgaria, Luxembourg, Romania and the United | <p>environment measures;</p> <ul style="list-style-type: none"> <input type="checkbox"/> completing the working procedures with provisions on the matters for which deficiencies have been found; <input type="checkbox"/> carrying out reviews on the findings of controls in order to determine the control rate; <input type="checkbox"/> organising information sessions for farmers through conferences, information materials, local sessions for discussions with farmers, opening a forum on the Agency website. <p>We support the EC view that “The observance of the cross-compliance requirements is not an eligibility criterion for payments under the CAP and penalties for violating the cross-compliance requirements should not be taken into account when calculating error rates for CAP.” Therefore we consider that the error rate should be corrected including the recovering of undue payments made further to the subsequent findings.</p> <p><u>Slovenia:</u></p> <p>Reply from the Ministry of Agriculture and the Environment: Slovenia is mentioned here as one of the Member States that took part in the sample of 160 transactions concerning rural development. The errors and findings relating to the sample are described in other chapters (box 4.3 and Annex II)</p> <p><u>Sweden:</u></p> <p>Yes, it is true that the European Court of Auditors carried out an audit visit to Sweden on 24–28 September 2012 for the 2012 Statement of Assurance.</p> |
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Kingdom (Northern Ireland).

⁵ Czech Republic, Germany (Brandenburg and Berlin, Schleswig-Holstein), Greece, Spain (Andalucía), France, Italy (Basilicata, Bolzano, Sardegna), Lithuania, Austria, Poland, Portugal, Romania, Slovenia, Finland and the United Kingdom (England, Scotland).

⁶ The sample consisted of 11 transactions under direct management; and 6 under shared management in the Czech Republic, Greece, Spain, Poland and the United Kingdom.

⁷ All requirements for SMRs 6-8 (concerning the identification and registration of animals) and obvious non-compliance with SMRs 1 (Birds Directive), 2 (Groundwater Directive), 4 (Nitrates Directive), and 16 and 18 (animal welfare).

⁸ Articles 16, 17 and 30 of Commission Regulation (EU) No 65/2011 of 27 January 2011 laying down detailed rules for the implementation of Council Regulation (EC) No 1698/2005, as regards the implementation of control procedures as well as cross-compliance in respect of rural development support measures (OJ L 25, 28.1.2011, p. 8).

⁹ Except in cases where Member States had already found the irregularity without applying the due reductions/exclusions.

¹⁰ The paying agencies and

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| | <p>key controls were selected on the basis of a risk analysis.</p> <p>¹¹ The Commission's Directorate General for Health and Consumers (DG SANCO).</p> <p>¹² The Commission's Directorate General for Agriculture and Rural Development (DG AGRI).</p> <p>¹³ The Commission's Directorate General for Maritime Affairs and Fisheries (DG MARE).</p> | |
| 4.1 | <p>The Court examined the impact that these corrections have on its audit findings :</p> <p>(a) Financial correction for Spain (see Box 1.1) aims to remedy the problems that had been identified by 2008. However, it will continue making payments in 2013 (and possibly in subsequent fiscal years) , and may be subject to review by the Court during the normal cycle of its audit work .</p> <p>(b) corrections on the implementation of ERDF ESF in Romania and the Czech Republic were flat-rate . They are not trained to carry out recovery (see Box</p> | <p><u>Romania:</u></p> <p>Please also refer to the reply in box 1.2.</p> <p>Romanian authorities have been taking steps to determine the financial corrections at the level of beneficiary pursuant to the Romanian legislation in force (Government Emergency Order No 66/2011, as further amended and added) according to which managing authorities have the obligation, further to the findings in the audit/control reports, to initiate the activity to find the irregularities and to determine and recover the budgetary receivables. In the relation with the European Commission (EC), the expenditure determined to be eligible by the managing authorities for each individual operation (project), when certified and submitted to the EC, is reduced by the 25 % flat-rate financial correction. We emphasize that in some cases a double correction is applied: first, by the managing authority in determining the eligible expenditure and second, by the certification authority certifying the expenditure decreased by the flat correction. In addition, within the certification process, the expenditure related to projects affected by the suspicion of fraud is deducted 100 %.</p> <p>Other remarks: MMFPSPV – AMPOSDRU (Ministry of Labour, Family, Social Protection and Elderly – Managing Authority Sectoral Operational Programme Human Resources Development)</p> <p>Please also refer to the reply in box 1.2.</p> |

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| | <p>1.2) from the beneficiaries or the application of detailed corrections to the projects . The errors identified by the Court continues to affect chelteilile21 declared by Member States to justify reimbursement.</p> <p>(c) Correction Romania applied for ERDF and some correction on the ERDF applied Slovakia (see Box 1.3) were performed during 2012 and involved making detailed corrections to the projects . Court took this into account in evaluating projects that have been affected by the correction , as a result, the Court has not quantify the errors that were found in these projects , they are therefore excluded from the calculation of the error estimate</p> | <p>Romanian authorities have been taking steps to determine the financial corrections at the level of beneficiary pursuant to the Romanian legislation in force (Government Emergency Order No 66/2011, as further amended and added) according to which managing authorities have the obligation, further to the findings in the audit/control reports, to initiate the activity to find the irregularities and to determine and recover the budgetary receivables. In the relation with the European Commission (EC), the expenditure determined to be eligible by the managing authorities for each individual operation (project), when certified and submitted to the EC, is reduced by the 25 % flat-rate financial correction. We emphasize that in some cases a double correction is applied: first, by the managing authority in determining the eligible expenditure and second, by the certification authority certifying the expenditure decreased by the flat correction. In addition, within the certification process, the expenditure related to projects affected by the suspicion of fraud is deducted 100 %.</p> |
| <p>Box 4.1</p> | <p>An example of an eligibility: non-fulfillment of environmental commitments</p> | <p><u>Greece:</u></p> <p>THE MEMBER STATE BELIEVES THAT THE POOR AGRICULTURAL CONDITION IS NOT LASTING IN NATURE AND, THEREFORE, AID FROM PREVIOUS YEARS WAS NOT RECOVERED. THE RATE OF 3 % PROVIDED FOR WAS APPLIED TO THE BENEFICIARY AS A CROSS-COMPLIANCE PENALTY FOR 2011. IN PARTICULAR, AS TO THE SANCTIONS UNDER MEASURE 2.1.4 (REGARDING NON-FULFILMENT OF THE SPECIFIC COMMITMENTS OF AGRICULTURAL BENEFICIARIES), THE</p> |

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| | <p>APPLICABLE INSTITUTIONAL FRAMEWORK WAS AMENDED BY JOINT MINISTERIAL DECISION NO 2333/17.09.2013 TAKING INTO ACCOUNT THE PROPORTIONALITY OF PENALTIES UNDER ARTICLE 18 OF COMMISSION REGULATION (EU) NO 65/2011 (ERROR RATE ACTION PLAN).</p> <p><u>Poland:</u></p> <p>On 24 January 2013, by the letter no. P-195-DPB-071-9/WPRN-EK/13, the Agency addressed to the Ministry of Agriculture and Rural Development (MARD) comments to the draft agri-environment regulation, requesting the introduction of penalties for leaving uncut, in the subsequent year, the same area of parcel or an area of parcel other than that indicated in the attached diagram - the request to amend the provisions resulted from the Court's findings.</p> <p>Appendix 7 to the Ordinance of the Minister of Agriculture and Rural Development of 13 March 2013 on detailed conditions and procedures for granting financial aid under the "Agri-environment Programme" covered by the Rural Development Programme for 2007-2013 provides for a penalty for leaving uncut the inappropriate part of parcel, in particular other than that specified in the attached diagram, - a penalty of a 50% reduction in payments for the respective parcel.</p> <p><u>UK:</u></p> <p>The beneficiary identified in England had not been previously been subject to on-the-spot visits therefore it could not be expected to identify those deficiencies determined by the Court by means of administrative checks alone. However, following the serious findings identified in the full inspection following the Court's visit, full recovery of monies paid has commenced and no further payments will be made unless the beneficiary can explain how they will rectify the shortfall in points. The recovery letter sent following the inspection requests that the beneficiary explains how they will meet the basic obligation of the scheme that the agreement is able to achieve its target points. If they fail to do this then Natural England will consider termination and no further payments will be made as this is not a valid agreement.</p> |
| 4.14 | <p><u>Poland:</u></p> <p>On 24 January 2013, by letter no. P-195-DPB-071-9/WPRN-EK/13, the Agency sent the Ministry of Agriculture and Rural Development (MARD) comments on the draft agri-environment regulation, requesting the introduction</p> <p>Attempt 160 transactions took 43 agri-environment transactions. The Court</p> |

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| | <p>found that in 11 cases (26%), farmers have not fulfilled their agri-environmental commitments. Box 4.1 shows an example of such an error identified by the Court.</p> <p>4.14 The Commission's reply:</p> <p>The Commission has carried out an implementation of agri-environmental measures in all Member States in the programming period 2007-2013. Despite the persistent weaknesses, the overall quality of implementation has improved during this period.</p> <p>The example in Box 4.1 will be subject to follow-up by the Commission together with the Polish authorities. Despite this error, the Commission states in its overall assessment of the system in Poland that made some improvements.</p> | <p>of penalties for leaving uncut, in the subsequent year, the same area of parcel or an area of parcel other than that indicated in the attached diagram - the request to amend the provisions resulted from the Court's findings.</p> <p>Appendix 7 to the Ordinance of the Minister of Agriculture and Rural Development of 13 March 2013 on detailed conditions and procedures for granting financial aid under the "Agri-environment Programme" covered by the Rural Development Programme for 2007-2013 provides for a penalty for leaving uncut the inappropriate part of a parcel, in particular other than that specified in the attached diagram, - a penalty of a 50% reduction in payments for the respective parcel.</p> <p><u>Czech-Republic:</u></p> <p>The particular case described above has not been identified in any of the audit missions carried out in the past two years.</p> <p>In general the following rules apply:</p> <p>The sampling of applicants for on-the-spot checks takes place every year based on a risk analysis and at random, with 75–80 % being selected on the basis of risk analysis and 20–25 % at random. For the purposes of risk-based sampling, the risks are derived from the information provided by the applicants in their grant applications, from the characteristics given in the LPIS as regards the user relationships, and also from the outcome of past inspections. On-the-spot checks are then carried out on a selected percentage of applicants (minimum 5 %). In 2012 this percentage was increased owing to a large number of findings established in the preceding year.</p> <p>In 2012 the most common finding was infringement of the GAEC rules by the applicants. For example, 206 land parcels covered by grassland were ploughed for purposes other than renewing the grassland. The most common findings linked to compliance with agri-environment requirements were errors on the part of applicants, such as the total area not being the same as the total area declared, or the applicant's failure to meet the requirement to declare all land used.</p> |
| 4.24 | <p>1.1. In relation to these five Member States</p> | <p><u>Bulgaria:</u></p> <p><u>Reply to 4th indent:</u> On-the-spot checks are being carried out as required by European legislation. The</p> |

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| | <p>, the Court stated the following main weaknesses:</p> <p>1.2. - Weaknesses in the administrative controls relating to the eligibility conditions and commitments in all five Member States , such as the failure to detect ineligible VAT or double funding;</p> <p>1.3. - Insufficiently comprehensive assessment of the reasonableness of the costs (Germany (Brandenburg and Berlin) , Poland , Romania and Sweden) ;</p> | <p>inconsistencies identified are due to the lapse of time between the paying agency's checks and those of the audit authority.</p> <p><u>Reply to 5th indent:</u> In 2011 only the standards for good agricultural and environmental condition (GAEC) had to fulfil the cross-compliance requirements. In connection with the European Commission's audits and in line with the recommendations, the 2012 cross-compliance control was supplemented and extended, with the evaluation of non-compliances, the inspection report and the inspection procedure being brought into line with the EU's provisions.</p> <p><u>Poland:</u></p> <p>1. Applies to the Agri-environment Programme</p> <p>Appendix 7 to the Ordinance of the Minister of Agriculture and Rural Development of 13 March 2013 on detailed conditions and procedures for granting financial aid under the "Agri-environment Programme" covered by the Rural Development Programme for 2007-2013 provides for a penalty for leaving uncut the inappropriate part of a parcel, in particular other than that specified in the attached diagram, - a penalty of a 50% reduction in payments for the respective parcel. Therefore, the surface area left uncut is verified during the administrative checks.</p> <p>2. Applies to measure 112</p> <p>A sample card was made to verify the reasonableness of the costs incurred in order to preserve the audit trail of verification of the reasonableness of expenditures (investment costs) incurred by the beneficiary. A procedure was introduced in the case of negative verification of the costs incurred by the beneficiary (KP-611-144-ARiMR/11/z).</p> <p>3. Applies to measures 121, 126, 311, 312, 413_311, 413_312 RDP 2007-2013 (re insufficient comprehensive evaluation of the reasonableness of the costs)</p> <p>In view of the Court's findings concerning the verification of the reasonableness of operation costs, the ARMA specified the provisions of the Books of Procedures for processing applications for aid KP-611-135-ARMA (version 18z was implemented on 27 May 2013) with regard to measures 121, 126, 311, 312, 413_311, 413_312.</p> |
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| | <p>1.4. - Failure to comply reductions or recovery measures in all five Member States ;</p> <p>1.5. - Unsatisfactory quality of on-site inspections in all five Member States , for example, those checks did not cover all the commitments and requirements or not detected in all cases of non-compliance ;</p> <p>1.6. - Weaknesses in the design and implementation of the control system of cross compliance in all five Member</p> | <p>The changes concern the verification of the reasonableness of the costs incurred, including tenders submitted, as well as the manner of using sources from which information on the prices of machinery and equipment is derived. The changes consist in, inter alia, binding the beneficiary with the selected tender, as well as specifying the procedure of evaluating the reasonableness of the operation in the context of leaving the audit trail of checks conducted.</p> <p>Changes were also made in the procedure at the stage of evaluating payment claims. It involves, in particular, a more thorough verification of the prices of machinery and equipment in the case of purchase by the beneficiary of another model of the machinery/equipment, or purchase from another supplier/ tenderer than that originally indicated when applying for aid. Relevant provisions were included in the Book of Procedures KP-611-136-ARiMR/11.</p> <p>With regard to measures 321 and 322, the ARMA does not agree with the finding of insufficient comprehensive evaluation of the reasonableness of the costs which is reflected in Poland's reply to the Court's finding ref. no. ECA 13.P.NR2.1510-05 (PF-5633).</p> <p>4. Applies to measure 123</p> <p>In view of the Court's findings concerning the verification of the reasonableness of operation costs, the ARMA specified the provisions of the Books of Procedures for processing applications for aid in respect of measure 123 KP-611-283-ARiMR (version 2z was implemented on 29 April 2013). The changes related to leaving in the documentation audit trails of all actions taken in the evaluation process. Changes were made in the form of an agreement for granting aid, in terms of being bound by the selected tender. Changes were also made in the procedure at the stage of evaluating payment claims. They concern in particular the re-evaluation of the reasonableness of costs (changes included KP-611-284-ARiMR/3z, which was implemented on 26 August 2013).</p> <p>These changes were made based on the amended Ordinance of the Minister of Agriculture and Rural Development of 7 March 2013 amending Ordinance on detailed conditions and procedures for granting financial aid under the measure "Adding value to agricultural forestry products" covered by the Rural Development Programme for 2007-</p> |
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| | <p>States , such as inadequate national standards for GAE or incorrect implementation of the directive on nitrates.</p> <p>These deficiencies were very similar to those detected and reported for six other Member States audited last year</p> | <p>2013.</p> <p>5. Recommendations were made and the entities delegated were required to properly apply procedures for the verification of the application of penalties in the form of reductions and in-depth verification of the reliability of the statistics. Furthermore, the scope of control in respect of monitoring the correct application of procedures by the AP to verify the correctness of the application of penalties in the form of reductions was extended.</p> <p>Only two comments were submitted by the EC with respect to the on-spot-check conducted in 2013 on the implementation and control of cross-compliance in Poland in 2011-2013. Once the explanations regarding these comments were submitted by Poland, the procedure was closed without financial corrections being imposed. Given that, the above reply of the EC should not apply to Poland.</p> <p><u>Romania:</u> APDRP (Paying Agency for Rural Development and Fishery)</p> <p>As regards the verification of the procedures for the award to public (and private) beneficiaries of the National RDP through on-the-spot checks, APDRP already took measures to amend and complete the procedure manuals back in September 2012. These checks are carried out at the beneficiaries' premises and include full checks as recommended by the Commission and the ECA.</p> <p>According to APDRP procedures, double funding is thoroughly checked against the databases available to us or information we have received from other institutions with which it has concluded cooperation agreements, and also on site.</p> <p>Since we do not have an updated database with reference costs, we use the call for three tenders when applying for funding for goods, and for the works we use the designer's statement with the price source from that area or Government Decision No 363/2010 on standard costs for certain types of works financed with public funds. These costs are checked again in the purchase stage. There is the procurement procedure that has been improved</p> |
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particularly to detect certain nonconformities.

Also, during the stage of payment application authorisation there has been introduced a complex on-the-spot check both of the documents in the payment application dossier and of the acquisition dossiers.

From the administrative standpoint during the payment authorisation stage there takes place a re-check of the eligibility and selection criteria and of the potential situations creating artificial conditions.

Other remarks: MADR –APIA (Ministry of Agriculture and Rural Development – Agency for Payments and Intervention in Agriculture):

APIA has implemented and applies the cross-compliance norms as defined by the Council Regulation (EC) No 73/2009. In 2013, a Commission audit was conducted on the matter of cross-compliance, concerning the 2010-2012 years of application. Following this mission, APIA has taken immediate action to improve the implementation of cross-compliance rules and their on-the-spot controls, starting with the following campaign of receiving the applications for payment per area. The European Commission has not yet set the financial sanctions applicable to the deficiencies found.

At the same time, we support the EC view that “The observance of the cross-compliance requirements is not an eligibility criterion for payments under the CAP and penalties for violating the cross-compliance requirements should not be taken into account when calculating error rates for CAP.” Therefore we consider that the error rate should be corrected including the recovering of undue payments made further to the subsequent findings.

Sweden:

- The Court of Auditors commented that Sweden had no checks on the eligibility of VAT in the case of technical assistance. It stated that neither the county administrative board nor the paying agency checked whether the 'other expenditure' heading included ineligible VAT. The Swedish Board of Agriculture will revise its procedures. The Court of Auditors also pointed out that Sweden had inadequate administrative checks in the area of public procurement. The Board of Agriculture is working on updating and improving its public procurement procedure. The Court of Auditors wrote that Sweden's administrative checks were insufficient to prevent double

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| <p>financing and that it was not sufficient that the paying agency and the county administrative boards relied exclusively on information provided by beneficiaries. The Board of Agriculture has introduced a new procedure.</p> <ul style="list-style-type: none"> - The Court of Auditors pointed out failings in Sweden's evaluation of whether costs were reasonable. It took the view that the requirement for an applicant to submit more than one tender for only 25% of the total budgeted cost of the project was not sufficient to be able to judge whether the costs of the project as a whole were reasonable. A new procedure for evaluating the reasonableness of costs has been in force since the spring of 2013. Among other things, it sets out how the evaluation of reasonableness should be documented for the different levels of costs in relation to the total budget. - The Court of Auditors considered that the way in which Sweden applied the rules on the application of reductions was incorrect. According to the Court, the paying agency applies a reduction only in relation to the request for final payment, which in some cases gives a lower reduction than if a reduction were applied for each part-payment. For each payment, whether a part-payment or a final payment, the granting authorities apply a reduction for the costs that are not eligible expenditure under the rules in force and in accordance with any restrictions in the aid decision. For the final payment, the reductions and penalties from all the payments are added up and Article 30(1) of Commission Regulation (EU) No 65/2011 is then applied to the total declared expenditure. - In the case of on-the-spot checks, the Court of Auditors considered that such checks were of insufficient quality in all five Member States. In its report the Court stated that the checks were fit-for-purpose. However, it stated that during on-the-spot checks the inspectors do not check whether the investments are carried out in accordance with the dimensions and technical specifications stated in the project application and aid decision and that this is in contravention of the rules. The Board of Agriculture has changed its instructions on checks in relation to recording the serial numbers on machinery, for example. - On cross-compliance, the Court of Auditors stated that Sweden had limited implementation of three standards for good agricultural condition and management and that the report on cross-compliance checks did not contain all the requisite information. The Board of Agriculture has taken no action on these two points as we believe that our interpretation is correct. - The Court of Auditors also took the view that not all the cross-compliance requirements had been checked, | |
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| | | <p>that there were shortcomings in the recording and follow-up of inspection results and that repeated infringements had not been satisfactorily dealt with. The Board of Agriculture has updated its instructions for carrying out checks, dealt with individual cases and changed the wording of its guidelines on repetition.</p> |
| <p>4.25</p> | <p>The most important deficiency detected by the Court was by ineffective controls on procurement rules, this problem is evident in all the five states. By way of illustration, the Court examined 40 procurement in these five Member States and found that 16 of them (40%) were affected by the error. In six of the 40 cases were identified ineligible.</p> | <p><u>Romania:</u> MADR – APDRP (Ministry of Agriculture and Rural Development – Paying Agency for Rural Development and Fishery)</p> <p>The Romanian legislation on public procurement states that the responsibility for the implementation of public procurement procedures lies with the Contracting Authorities. However APDRP perform their own checks on the correctness of their application. We note that minor deviations may occur which cannot lead to the cancellation of an award procedure or major deviations for which the procedure has to be canceled in accordance with the legislative provisions. Examples: - The preparing of feasibility studies and technical projects by the same economic operator. Subject to the award procedures this cannot be considered a deviation, contrary to the ECA opinion, because there are no legal provisions to forbid it. – The Contracting Authorities’ omission to publish the award notices in the SEAP (Electronic System for Public Procurements) is a minor deviation which cannot lead to the annulment of the award procedure. This deviation is sanctioned by a fine in accordance with stipulations laid down in the Romanian legislation.</p> <p>Thus, we consider that some errors identified by the ECA with regard to procurement concerning EAFRD Romania refers to the violation of the tender rules or other legal requirements that impact the eligibility and are non-quantifiable errors. These non-quantifiable errors according to the ECA’s DAS methodology should not have been extrapolated to the entire population.</p> <p>MADR – APDRP (Ministry of Agriculture and Rural Development – Paying Agency for Rural Development and Fishery)</p> <p>Romania has developed and implemented an action plan that also included measures of compliance with the norms on public procurement. For audits conducted by the EC in Romania the EC observations have also been reviewed, additional information and arguments have been submitted in order to support the verifications made and the actions taken to correct the deficiencies. At this point a procedure for account verification and clearance is being</p> |

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| | <p>Overall, the audit, were detected ineligible expenditure of over 9 million, resulting in non-compliance with procurement. A case involving ineligible shown in box 4.6.</p> | <p>conducted by the EC.</p> |
| <p>Box 4.2</p> | <p>Example of eligibility error: non-respect of eligibility requirements for an investment project</p> | <p><u>Spain:</u></p> <p>During the visit paid by the Commission to the Autonomous Community of Andalusia in the month of June last year in order to audit payments of axes 1 and 3 (measure 123), said Paying Agency informed the Commission that it had agreed commencement of the reimbursement of this case as a result of the breaches detected.</p> <p>In response, the Commission requested that new verifications be performed in order to ascertain whether other similar projects were affected by the same error, and to recover any ineligible payment. Significant information was likewise requested with regard to these additional checks.</p> <p>The Paying Agency for Andalusia presented the Commission with the information requested on 03/12/13, awaiting possible comments or decisions adopted by the Commission following receipt thereof, of which the Paying Agency might be informed.</p> <p>The key aspects reported to the Commission are:</p> <ul style="list-style-type: none"> <input type="checkbox"/> That the deficiencies detected in the audited case do not affect any other case, and the error is therefore not systematic in nature. This assertion is based on the fact that: |

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| <ul style="list-style-type: none"> • All beneficiary entities of the subsidy covered by the context of the 2007-2013 EAFRD held a water concession title, providing accreditation in their assistance application, and also bylaws approved by the River Basin Agency. Likewise, the projects presented for modernisation and consolidation of irrigation by the Irrigation Associations were in all cases consistent with the corresponding concession titles and bylaws. • No case of assistance to Irrigation Associations involved a surface area affected by the planned works covered by the assistance greater than the official concession surface area for water exploitation. <p>As a corrective measure, a plan was approved to control compliance of the water savings objective set out in the subsidised irrigation improvement or consolidation projects, to supplement the EAFRD control plan, dated 27/02/13.</p> <p><u>Italy:</u></p> <p>The attached replies (see Annex II) to the EU Court of Auditors offer counter-arguments concerning the findings on the action of the paying agencies concerned.</p> <p>Lithuania:</p> <p>A corrected payment request was submitted regarding the repayment into the European Agricultural Fund for Rural Development (EAFRD) of misused Fund finances.</p> <p><u>Poland:</u></p> <p>As part of the implementation of the RDP - measure 123, Poland has developed a highly detailed, multi-layered system of evaluation of cost reasonableness further broken down to overheads, construction works as well as acquisition of machinery and equipment for the price of PLN 100 000 and in excess thereof. At the same time, regardless of the results of audit number PF 5005, Poland takes steps, on a continuous basis, to improve the process of evaluating the reasonableness of such costs. For instance, on 29 April 2013 The book of procedures for processing applications for aid in respect of measure 123 under the RDP 2007-2013 KP-611-283- ARiMR/2/z. entered into force, which was revised, inter alia, in respect of an even more accurate method of documenting the results of the reasonableness of costs evaluation.</p> | |
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All projects are subject to re-evaluation of the reasonableness of costs before any payment is made.

Tenders are submitted directly by manufacturers, dealers or sole representatives of the brand in Poland (rather than retail or wholesale stores).

Therefore, the problem does not lie in the credibility of the tender itself, the tenderer or the indicated value of the equipment. Hence, in order to fulfil the requirement for the verification of the reasonableness of the prices submitted for funding, the Agency uses its own database (CRT-Central Register of Goods, MS Excel file Sector Operational Programmes Machine Database and RDP Machine Database), updated on a regular basis, in particular for standard machinery/equipment, vehicles, etc. and those offered for sale on a frequent basis. These databases have been used from the beginning of the implementation of the previous programme called SOP ROL 2004-2006. Accordingly, the Agency for Restructuring and Modernisation of Agriculture (ARMA) has a system for evaluating the reasonableness of the costs submitted, which consists in:

1. For each task, the cost of which exceeds PLN 100 000 - comparing three tenders, verifying costs in the available databases, using the knowledge of experts in technology evaluation in accordance with the four eyes principle;
2. For each task, the cost of which does not exceed PLN 100 000 - the reference costs and the knowledge of experts in technology evaluation, reinforced by double-checking the accuracy of verification in accordance with the four eyes principle.

This confirms that in the case of payment of EUR 636 202.23, the reasonableness of the costs submitted by the beneficiary, in accordance with Article 24(2) of Commission Regulation (EU) No 65/2011, the Applicant classified the purchase of laboratory equipment to a group of tasks and consequently, divided it into individual, homogeneous tasks. This resulted in the occurrence in the "purchase of laboratory equipment" task group of several tasks constituting a single device. We would like to draw attention to the fact that these devices work independently of one another and they are not an inseparable process line. The evaluators found such form of presentation of the costs to be correct despite the fact that only one tender had been submitted for all devices, and the total value of

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| <p>such devices had exceeded PLN 100 thousand. This was a single case in which the Applicant was not forced to participate in the entire tender procedure. This event was classified as one-off event and does not affect the whole application evaluation system, and in particular the reasonableness of costs verification system (the prices of the devices were verified based on base prices). The reasonableness of prices submitted in the projects is verified, in each case, regardless of the value of the task, taking into account the fact whether the price is lower than PLN 100 thousand or exceeds it.</p> <p>In accordance with the evaluation principle, in case of the tasks which values exceeds PLN 100 thousand, the Applicants are required to submit a tender procedure (three requests for quotes with confirmation of sending / receiving them and three corresponding tenders for the respective task). In turn, in case of lower value tasks, the Agency is provided with one sample tender (scope, eligibility and price). The reasonableness of prices is verified in each case.</p> <p>In tender procedures conducted, not only the price but also the formal and substantive correctness of the tender procedure are subject to analysis. Among others, the credibility of tenderers and the prices of devices to be purchased are verified. The Agency continues to expand the databases of prices of machinery and equipment. In addition to the CRT database, its own databases (SOP machine database and RDP machine database) are expanded on an ongoing basis. This database has been expanded for eight years (separately for the SOP 2004-2006 and created separately for the RDP, measure 123). The database contains about 3700 records (machinery, equipment and technological lines). At the same time, copies of tenders which, due to their complexity and scope, are difficult to store in electronic form, are stored separately. The database is used to monitor the current level of prices.</p> <p>The case of Grupa Producentów Zbóż Rolmax Sp. z o.o. designated in PF 5005 with no. 12P.T05.NR2.1507-01 constitutes a single case - it involves an administrative error as a result of an employee error.</p> <p>Given the specific nature of tasks (laboratory equipment), which are standard and repeatable, the reasonableness of the price of laboratory equipment was verified based on base prices and substantive knowledge of the persons involved in the verification and checking.</p> <p>The Agency verified the reasonableness of costs. The costs were verified based on the databases of tenders and transaction prices derived from the CRT database and the database of the RDP machinery and equipment for the</p> | |
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| <p>devices specified in the tender for laboratory equipment. Printouts and specifications of prices presented to the Court during its audit mission confirmed the correctness of the investment costs. The Court did not challenge the reasonableness of the level of device prices accepted by the AP. Only in one case (the apparatus for determining the falling time - PERTEN 1350), the Court addressed the issue of a slight overestimate of the price. However, the Court was wrong in comparing the prices denominated in Polish zloty, as the prices for this device were denominated in Euro. The comparison in Polish zloty of prices denominated in Euro is incorrect due to significant changes in foreign exchange rates. The cost of the device contained in the databases of prices denominated in Euro was comparable to that presented in the application for aid. However, due to large fluctuations in foreign exchange rates, prices denominated in Polish zloty differed.</p> <p>In the application submitted by Rolmax, the price of the apparatus for determining the falling time (alpha amylose activity) produced by Perten Instruments was €5350.</p> <p>Prices denominated in Euro ranged from €4950 to €5800. The accepted price fell in the range of prices for this device. In mid-2008, the foreign exchange rate was approximately 3.5 PLN/€, while in 2009 it was more than 4 PLN/€. Thus, tenders submitted in subsequent years have a higher value in the national currency. These costs fell in the range of reference market prices.</p> <p>As a result of the imposition of penalties, the Agency requested the Beneficiary for clarification and a new analysis of the reasonableness of costs. The analysis confirmed the absence of the tender procedure while the prices adopted to account for the investment were verified based on actual commercial transactions (it was confirmed that the adopted prices were market prices).</p> <p>In addition, an on-the-spot check was carried out in respect of the Beneficiary in the period in which the objective was binding. The check confirmed the durability of operation - the beneficiary uses it for its intended purpose and in accordance with the project's objective.</p> <p>The proceedings for the recovery of unduly paid amounts of aid was initiated against the Beneficiary based on the Court's findings. The Agency has no other arguments in support of the need to return the funds. Recovery proceedings are pending.</p> | |
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At the same time, it should be noted that the error rate was calculated incorrectly.

This project was implemented in two stages, the amount of PLN 1 457 576.50 was disbursed for the implementation of the first stage, and the amount of PLN 2 880 087.50 was disbursed for the implementation of the second stage. The total amount of aid was PLN 4 337 664. The Court referred to the amount of error in the amount of aid earmarked for the second stage of the project, and not to the amount of aid disbursed for the entire operation.

The correct calculation: the amount of error determined by the Court is PLN 83 600, the amount of aid disbursed for the operation is PLN 4 337 664, and therefore $83\ 600/4\ 337\ 664 = 1.92\%$. The Court audited the entire operation carried out under the application accounted for and the amount of error should have been referred to the total amount of aid, and not to the amount of aid paid in respect of the implementation of the second stage of the project.

Portugal:

For the cases specific to PT, see comments in Annex II.

UK:

The UK Authorities concur that the usual procurement requirements were not followed, although there was evidence that the single supplier was the only source of the equipment and aftercare taking account of the innovative nature of the project. A retrospective exercise was undertaken to ascertain whether the cost of the equipment funded was reasonable when compared to quotes for similar equipment. The projects used to provide comparative data were of a different scale and quotes provided at different times to the project audited, therefore a direct comparison was not possible and to some extent confirms each project in this sector is of a specialist nature. However, by turning the quotes into unit costs, the majority of the equipment purchased by the audited project would have been cheaper. Where this was not the case, the difference in grant funding amounts to £3,072/€3,845.86 (the difference in grant between that paid for the project and the theoretical lowest other quote) which over the whole project, amounts to a potential risk to the Fund of 7.32%.

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| 4.22 | <p>S'agissant de la France, la Cour a fait observer dans son rapport annuel 2010 que les systèmes n'étaient pas efficaces¹⁹. Une mission de suivi a été effectuée dans le cadre de la DAS 2012 pour vérifier si les insuffisances relevées pour l'exercice 2010 avaient été corrigées. La Cour a constaté que quatre²⁰ des sept déficiences relevées ne l'avaient toujours pas été, ou ne l'étaient qu'en partie, dans la région visitée (Midi Pyrénées). En outre, les résultats des tests des opérations concernant trois autres régions en France montrent également la persistance d'une cinquième déficience²¹ dans ces régions.</p> | <p><u>France:</u></p> <p>Les autorités françaises souhaitent apporter les précisions suivantes :</p> <p>- sur l'absence de réexamen systématique des contrôles administratifs : L'article 11 du règlement (CE) n° 65/2011 dispose que des contrôles administratifs sont effectués pour toutes les demandes d'aides, demandes de paiement et autres déclarations et doivent couvrir tous les éléments qu'il est possible et opportun de contrôler. L'annexe 1 point 2 A ii) du règlement (CE) n° 885/2006 de la Commission impose que : « il est en outre certifié que le travail a été revu par un membre de l'encadrement supérieur ». Au vu de cette disposition, les autorités françaises considèrent que la réglementation oblige à une supervision du travail effectué par l'agent chargé de l'ordonnancement afin de s'assurer de la qualité et la fiabilité de son action par échantillonnage et non pas une supervision de l'instruction de toutes les demandes d'aide et de paiement.</p> <p>L'exigence d'exhaustivité du contrôle administratif est bien remplie par les autorités françaises et fortement sécurisée par le développement d'un nombre important de contrôles embarqués lors de l'instruction et mis en place dans les logiciels ISIS et OSIRIS qui sécurisent ainsi la procédure d'instruction des dossiers.</p> <p>Concernant l'exigence de supervision de la hiérarchie du travail effectué par tout agent, les autorités françaises ont mis en place une procédure par la diffusion de notes annuelles imposant une démarche de supervision portant sur un échantillon aléatoire de 1 à 3 % des dossiers pour chaque année.</p> <p>Les autorités françaises estiment donc que les instructions mises en œuvre par l'Agence de Services et Paiements (principal organisme payeur français) permettent effectivement d'assurer un contrôle de supervision et un contrôle sur la qualité de l'instruction effectuée par les Directions départementales et des territoires tel que demandé par la réglementation communautaire. Ceci est confirmé par le fait qu'aucune anomalie avec impact financier n'a été détectée par les auditeurs de la Cour des comptes européenne. Les autorités françaises considèrent que la mise en place d'un contrôle de supervision sur 100 % des demandes de paiement irait donc au delà de la réglementation communautaire.</p> <p>- sur l'absence de vérification du caractère raisonnable des coûts : une note de service en date du 20 mars 2013</p> |
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| | | <p>fournit une méthode permettant de contrôler le caractère raisonnable des coûts afin de respecter l'article 24.2 d) du règlement (UE) n° 65/2011.</p> <p>- sur l'absence de contrôles concernant une condition d'éligibilité pour la mesure «paiements compensatoires destinés aux agriculteurs établis dans les zones à handicaps naturels » : L'article 10(2) du règlement (UE) n° 65/2011 mentionne que « la vérification du respect des critères d'admissibilité est effectuée au moyen de contrôles administratifs et de contrôles sur place ». Les plages de modulation ICHN reposent sur des taux moyens annuels sur l'exploitation. Or lors d'un contrôle sur place, seul le chargement instantané peut être constaté compte tenu des animaux présents ce jour-là. Ainsi, seul le contrôle administratif permet de vérifier ce critère de taux de chargement annuel maximum ou minimum. C'est la procédure appliquée par les autorités françaises.</p> <p>Ce contrôle administratif du taux de chargement présente un haut niveau de fiabilité puisqu'il prend en compte la présence des animaux sur l'exploitation chaque jour de l'année. C'est la Base de Données Nationale d'Identification (BDNI) des bovins, outil agréé par la Commission qui sert de base pour le nombre d'animaux. Enfin, ce point fait l'objet d'un recours pendant devant le TUE.</p> |
| <p>Box 4.3</p> | <p>Example of eligibility error: breach of public procurement rules</p> | <p><u>Spain:</u></p> <p>With regard to the findings presented by the Court of Auditors, it should be indicated that on the date established by the ECA said body was presented with all documentation supporting the opinion of the PA, confirming compliance with the Procurement Act in the selection and awarding of the project, and also confirming compliance with the principles of abstention and challenge.</p> <p>Notwithstanding the above, the Andalusia PA has approved a Special Plan of corrective measures regarding measures 411, 412 413, corresponding to Axis 4, as the enhancement framework in order to correct incidents and respond to recommendations for management and control highlighted or established by the Certification Body and the Internal Audit Service of the Paying Agency for Andalusia. Within this context, one of the corrective measures implemented is the review of the establish</p> <p><u>Lithuania:</u></p> <p>The Rules of procedure of the National Paying Agency's Public Procurement Commission under the Ministry of</p> |

Agriculture have been amended to incorporate the requirement that during the tender assessment procedure (when assessing the cost efficiency of tenders), where the number of assessment points awarded by Commission members differs by 30 per cent or more, Commission members must substantiate their assessments.

Poland:

Infringements were detected in the area of public procurement related to the delegated activities:

1. The project documentation published on the website was not complete as of the date of publication of the contract notice because it did not include the design documentation or the technical specification for the performance and acceptance of the works;
2. In the bill of quantities attached to the tender documentation, the beneficiary included trademarks and producers, not using the term "or equivalent";
3. The Contracting Authority required that the drivers held, as of the date of the submission of tenders, valid certificates of membership in an appropriate Regional Chamber of a Professional Society;
4. The Beneficiary obliged economic operators established or domiciled outside Poland to provide a certificate of criminal record or a certificate certified by a civil law notary confirming that such a document is not issued in the country of origin of the respective economic operator. Economic operators established or domiciled in Poland were not required to provide such a certificate.

All implementing entities were informed of the Court's findings. Increased supervision over employees evaluating public contracts and exercise of due diligence in evaluating documentation related to public procurement were recommended and, in the event of detection of any violations concerned, a detailed analysis to determine whether the identified error affects the outcome of the procedure was recommended. The case files should include an audit trail of the analysis conducted.

Romania:

Other remarks: MADR – APDRP (Ministry of Agriculture and Rural Development – Paying Agency for Rural Development and Fishery):

APDRP maintains its views on the way public procurement is carried out in terms of the feasibility study and technical design being developed by the same economic operator. There is no legal basis to reject such acquisitions. Pursuant to the public procurement legislation in Romania, all information relating to an auction are available on the SEAP website in the tender documentation, for all economic operators wishing to participate, so there cannot be a restriction of information in the feasibility study. To conclude, a contracting authority cannot restrict the access of economic operator who has prepared the feasibility study for the tender on the technical project development.

Slovenia:

Reply from the Ministry of Agriculture and the Environment: In examining procedures for checking public procurement rules (Rural development programme of Slovenia, Measure 322 – Village renewal and development), the Court's auditors found that the Slovenian Agency for Agricultural Markets and Development (AKTRP) has introduced checklists for public procurement procedures, but does not carry out substantive checks on supporting documents at the application approval stage.

After examining the Court's findings, the Slovenian authorities have amended the checklist so that it now includes reliable information on the substantive checks carried out on supporting documents regarding the fulfilment of public procurement requirements.

AKTRP has adopted the following solutions:

1. In the public invitation to tender for Measure 322 – Village renewal and development (published on 4.1.2013), we specified in detail in Chapter IV.3, 'Conditions to be met by the beneficiary on submitting payment applications', the essential supporting documents on the public procurement procedure which the applicant must submit, in particular the decision opening the contract award procedure and a copy of the tender of the selected contractor/supplier together with a copy of the contract. The following also constitute essential supporting documents relating to the public procurement procedure: a copy of the publication or invitation to submit tenders, a report on the contract award procedure, the public procurement notice and a copy of the published results of the contract award procedure (where provision is made for this). The inventory of works in the payment application

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| | | <p>must correspond to the inventory of works in the public tender procedure and the project documentation.</p> <p>2. AKTRP has drawn up a 'Checklist for verifying proper conduct of public procurement procedures' (Form PRP 10a), which is published on the website and must be attached to the payment application. It is filled in by the custodian of the contract on behalf of the party that is bound to implement the contract (the applicant) on submission of the first payment application. AKTRP thereby obtains assurance from the applicant that the award procedure was conducted in accordance with the Public Procurement Act (ZJN-2, Official Gazette of the Republic of Slovenia No 12/2013).</p> <p>3. During administrative checks on payment applications, each AKTRP official checks the entries in the 'Checklist for verifying proper conduct of public procurement procedures'. He or she enters the data in checklist PRP 15.0 – Section 3.2 Verification of documentation on the selection of contractors in accordance with the Public Procurement Act (ZJN-2 and ZJN-2A).</p> <p>We have the following reply to make regarding the recommendation on public procurement – mention of brand names:</p> <p>Regarding the Court's findings on the proper use of brand names in public procurement procedures, we would stress that AKTRP carries out strict checks on the correct use of such references. After carrying out such checks, AKTRP has already had occasion to reject certain costs and apply penalties in accordance with Article 24 of Regulation (EU) No 65/2011.</p> |
| <p>Box 4.4</p> | <p>Exemple d'erreur récurrente concernant l'éligibilité: TVA inéligible incluse</p> | <p><u>Spain:</u></p> <p>With regard to subsection 4.4, it should be indicated that the AC of Andalusia is held to be wrongly cited with reference to the inclusion of VAT not eligible for subsidy. This is because there has been no confirmation in Andalusia of the inclusion of VAT not eligible for subsidy in any expenditure declaration.</p> <p><u>France:</u></p> <p>Concernant le dossier mentionné par la Cour, les autorités françaises ont précisé que la demande de subvention avait été déposée par le CREN , le 28 juillet 2009 mais le conservatoire régional des espaces naturels (CREN) a été</p> |

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| <p>reconnu Organisme de Droit Public uniquement en 2010 après le dépôt de la demande. Par conséquent, lors de l'instruction de la demande d'aide, le CREN n'était pas encore reconnu comme organisme de droit public. Lors de la certification des comptes de l'organisme payeur de l'exercice financier 2011, la CCCOP (organisme de certification) a validé les modalités d'identification des bénéficiaires reconnus de droit public définies par les autorités françaises afin d'évaluer le montant de TVA inéligible ayant appelé du Feader sur cet exercice. L'état français a été apuré de ce montant.</p> <p>En l'espèce, il a été décidé de mettre le dossier en contrôle orienté dans son ensemble. Une régularisation du montant du dossier a été engagée sur le ou les paiement(s) restant(s).</p> <p><u>Italy:</u></p> <p>The attached replies (see Annex II) to the EU Court of Auditors offer counter-arguments concerning the findings on the action of the OPPAB paying agency.</p> <p><u>Poland:</u></p> <p>The application examined during audit no. PF 5005 was an isolated case in which the applicant was not enforced to comply with the requirement to conduct the entire tender procedure. The event caused by the employee's error occurred on a one-off basis and does not affect the whole application evaluation system, in particular the reasonableness of costs verification system. Therefore, such case should be considered an incident and not a repeated error of eligibility. Regardless of the results of the audit, the ARMA made changes to the Books of Procedures aimed at strengthening control processes, inter alia, by obliging employees making verifications to leave in the documentation an audit trail of all actions taken in the evaluation process.</p> <p><u>Romania:</u></p> <p>With the EAFRD fund in Romania there have been no cases of recurrent error concerning the inclusion of ineligible VAT. It is a typographical error in the ECA report.</p> <p>There has been no audit report or letter of observation to APDRP (Paying Agency for Rural Development and Fishery) to include such a deficiency.</p> | |
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| Box 4.5 | Example of eligibility error: non-respect of the principle of complementarity | <p><u>Hungary:</u></p> <p>The report contains the following response from the European Commission on the matter (p. 116):</p> <p>'The aid quoted by the Court does not directly or indirectly concern the LIFE project or specific action within it, but represents compensation to land owners deriving from specific provisions of the Rural Development scheme. This compensation does not refer to any specific actions included in the project. It is of different scope and different purpose from the LIFE project. The Commission considers that these amounts may not be treated as direct or indirect financing for the project.'</p> <p>We do not understand why this example is cited in the report, especially as an eligibility error, firstly because the Commission and the Court clearly disagree and also because the LIFE project in question is not yet complete (the Commission will examine the eligibility of project expenditure after implementation, once the final report has been submitted). So we feel that this should not be given as an example of 'the beneficiaries [not respecting] the eligibility requirements', or to claim that 'due to non-respect of the complementarity principle, the expenditure concerned is partly ineligible'. This example should therefore not have been given in the report.</p> <p>Also, the LIFE programme provides direct EU funding, so the Commission decides on applications and reviews project implementation in direct correspondence with the beneficiaries. The Hungarian Ministry of Rural Development is thus not competent to act on the LIFE project in question (before the report appears, neither the Conservation Department of the Office of the Secretary of State responsible for the Environment in the Ministry of Rural Development, which is the national LIFE+ contact point, nor the beneficiary was notified of the Court's finding).</p> |
| 4.36 | In 2012, the Court's audit included four of the five states that have applied this procedure: two | <p><u>Romania:</u></p> <p>Reply: Certifying Body Romania AA</p> <p>Pursuant to the European Commission document AGRI/D/413722/2009-Rev1, detailed in Commission documents no AGRI/D(2010) 248617 Rev1 and no AGRI/D(2010) 251540 Rev1, during the financial year 2012, the EAFRD Certifying Body in Romania opted for the carrying out of the audit on the reinforcement of assurance as to the</p> |

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| | <p>Member States EAFRD (Bulgaria and Romania) and two Member States EAGF [Luxembourg and the United Kingdom (Northern Ireland)] . Court found serious deficiencies in the implementation of the procedure.</p> <p>- As regards the EAFRD , the Court noted that the data reported by the two certification bodies were not reliable . For example, in Romania , the Court re-performed inspections and certification body identified causes of ineligibility in 5 of the 10 control cases .</p> <p>- Regarding EAGF , the Court found significant</p> | <p>legality and regularity of payments made for the IACS population by the Agency for Payments and Intervention in Agriculture (APIA), at the level of EAFRD final beneficiaries (for crop year 2011).</p> <p>The objective of this audit has resulted in the confirmation by the Certifying Body by the validation and verification of control statistics reported to the Commission that the representative error rates (those referring to the on-the-spot checks randomly selected) established by the paying agency have been declared correctly.</p> <p>Thus we emphasize that throughout year 2012 within the exercise regarding the validation and verification of control statistics reported to the Commission, the Certifying Body in Romania applied the substantive procedures on a sample comprising 229 hits for 217 transactions (195 applications for aid) of the IACS population, selected pursuant to document no AGRI/D (2010)248617Rev1, also performing site visits to 195 applicants for EAFRD aid. In addition, within the audit on the certifying of 2012 EAFRD accounts, substantive tests were conducted on another 299 transactions from the IACS population, plus 299 transactions selected from the non-IACS population.</p> <p>As regards the statement issued by ECA auditors that the data reported by the Certifying Body in Romania were not reliable, that ECA conducted again the inspections of the Certifying Body and identified causes of ineligibility in 5 of the 10 cases controlled, we make the following clarifications:</p> <ul style="list-style-type: none"> • - In all cases, the issues raised by the ECA auditors targeted one single parcel with each farmer checked, not the entire area verified by the Certifying Body hence APIA. We mention that farmer beneficiaries of EAFRD support have requested aid over the entire farm they use, which consists of several parcels larger than 0.3 ha. Pursuant to the Community rules by carrying out again the administrative and on-the-spot checks the Certifying Body targeted agricultural parcels for which aid was requested and which were initially checked by the paying agency. Where the parcels checked were more than 10 the checks carried out again by the Certifying Body were generally limited to 25 % of the parcels verified on site by the paying agency (but not less than 10 parcels in all). Parcels were selected using non-statistical methods; • - In all cases described, the surfaces of the parcels confirmed by the ECA auditors were equal to those |
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differences after examining a sample of payments audited by certification bodies concerned and reepectuării a series of measurements made by these bodies. For example , if 12 of the 47 re-performed measurements of the Court in the United Kingdom (Northern Ireland) between the results obtained by the Court and the results reported by the certification body there is a difference that exceeded the tolerance applicable

confirmed by the Certifying Body auditors. With the differences highlighted by the ECA it is worth mentioning that they were within the limits of the tolerance allowed by the procedures. Here are some examples:

RO002288767, Kokenyes Dalmic Compossessorate, parcel 4a - 400 sqm as compared to the tolerance allowed of 1,000 sqm;
 RO484825135, Forras Agricultural Cooperative – 720 sqm as compared to the tolerance allowed of 1,400 sqm;
 RO252074901, Nagyvesz Compossessorate - 353 sqm as compared to the tolerance allowed of 2,700 sqm;
 RO254452679, Batanii Mari Compossessorate – 3,300 sqm as compared to the tolerance allowed of 6,150 sqm.

- In all cases the on-the-spot check conducted by the ECA auditors was held at calendar intervals different from that of the Certifying Body, so that the actual situation on the site was much influenced by the weather conditions.

The table below presents the dates when the Certifying Body and the ECA carried out the control:

| Farmer ID | Date of control carried out by CB | Date of control carried out by ECA | Time gap (days) |
|-----------------------------|-----------------------------------|------------------------------------|-----------------|
| RO484825135 | 23 May 2012 | 07 November 2012 | 168 |
| RO252074901 | 10 May 2012 | 07 November 2012 | 181 |
| RO002288767 | 13 June 2012 | 07 November 2012 | 147 |
| RO254452679 | 05 June 2012 | 07 November 2012 | 155 |
| RO25553975 | 08 June 2012 | 07 November 2012 | 152 |

- - The issues raised by the ECA auditors are related to how to deal with particular situations in conjunction with the professional judgment of the person assessing the situation. Under these circumstances, as also stated at

paragraph no 2 above, as long as there no significant differences between the findings of the ECA evaluations and those of the CB we consider that the statement that there are “significant deficiencies in the carrying out of the on-the-spot checks by the certifying body” is not entirely grounded.

- Please find below the issues raised by the ECA auditors with the five farmers checked:

1. With the farmer identified with RO484825135, Forras Agricultural Cooperative (Covasna County), at parcel no 17 the ECA has identified three wetlands covered with specific vegetation on which there were no signs of mowing or grazing. These areas had a surface of 248 sqm, 222 sqm and 251 sqm, respectively. The parcel consisted of a narrow strip of land located in a small valley between two sloping parcels.

According to the CB auditors, the areas in question are eligible given the Guide for inspectors carrying out the on-the-spot control, controls performed by means of classical field measurements, version 4.6, 2011, Chapter 7 “Checking the areas declared” which states that temporarily flooded areas are landscape features eligible for the payment of the SAPS. The farmer received in the 2011 campaign compensation payments related to package P1 “High nature value grasslands”, which required him to comply with the management requirements applicable to this package. According to these requirements presented in the Guide mentioned above, flooded grasslands should not be grazed earlier than two weeks from the waters withdrawal and the situation found by the Court’s auditors proves such compliance. Furthermore, mention should be made that on the inspection date the parcel in question was not affected by a commitment to observe the agri-environment conditions;

2. With the farmer identified with RO252074901, at parcel no 8 the ECA identified an area of 210 sqm covered with trees. Another area of 143 sqm, where a torrent was occurring in case of precipitation, does not show signs of vegetation or grazing.

The analysis carried out by the Certifying Body showed that the area declared by the farmer for parcel 8a was 10 hectares. This area was confirmed both by the field measurement conducted by APIA and the measurements made

by the Certifying Body and ECA representatives. In the case of the measurement made by APIA, for parcel 8a, a 9.91 ha surface was measured, confirming an area of 10 ha, taking into consideration the falling under the tolerance allowed of + 0.28 ha. In the case of the measurement performed by the Certifying Body, an area of 9.88 ha was measured, the area confirmed being again 10.00 ha, taking into consideration the falling under the tolerance allowed of 0.18 ha. In the case of the measurement made by the Court representatives the area of 9.96 ha was measured, confirming for this parcel the area of 10 ha, taking into consideration the falling under the tolerance allowed of + 0.27 ha.

The overall areas considered ineligible by the Court representatives is 0.035 ha which, being less than the tolerance allowed of + 0.27 ha, does not affect the parcel area confirmed.

Thus, we consider that the differences between the three measurements reveal deficiencies neither in the case of the measurement made by APIA nor in the case of the CB measurement since the area confirmed by the ECA auditors and the area confirmed by APIA and the Certifying Body were the same.

3. With the farmer identified with RO002288767, at parcel no 4 the ECA identified a moist area, with an area of 418 sqm, covered with specific vegetation. The topology of the parcel indicates that the area in question represented the point where all the water from precipitations accumulated.

From the standpoint of the assessment performed by the Certifying Body, given the Guide for inspectors carrying out the on-the-spot control, controls performed by means of classical field measurements, version 4.6, 2011, Chapter 7 “Checking the areas declared”, the temporarily flooded areas are landscape features eligible both for the payment of the SAPS and from the EAFRD. In the case of payments for P1, it should be taken into account that flooded grasslands should not be grazed earlier than two weeks from the waters withdrawal. The existence of specific vegetation does not imply the ineligibility of the area concerned. From the CB auditors’ perspective, that area has agricultural usage being favourable for grazing and there is no procedural basis to justify the exclusion of that area from payment. Moreover, the area determined as ineligible by the Court auditors is 0.04 ha (less than the tolerance calculated by APIA of 0.1 ha and than that calculated by the CB of 0.1 ha), which implies the confirmation of the parcel area declared by the farmer.

4. With the farmer identified with RO254452679, at parcel no 37 the ECA noted that due to heavy rains, the parcel under agri-environment commitment was divided into three (in 2010): - two distinct parcels, separated by a watercourse on whose bank there had been built a concrete protection wall against floods (the area between the parcels was 0.12 ha) and an “island” separated from the main parcel by the watercourse, with an area of 0.21 ha. The paying agency made no changes in the system, not to penalize the beneficiary (because it was not his fault), instead of modifying the procedure so as to allow such changes. The Certifying Body agreed with this approach.

The assessment performed by the Certifying Body with regard to the 0.21 ha island was the fact that in 2011, given that there were no clear boundaries between the parcels, APIA measured up to fixed boundary points and confirmed the area requested by the farmer, by applying code PA13 (there was considered the Guide for inspectors carrying out on-the-spot control, controls performed by means of classical field measurements, version 4.6, 2011, Chapter 12.1 How to apply the non-compliance codes on site, Applying code PA13). The result was an area of 13.95 ha with a perimeter of 4,962.93m, excluding an area of 0.17 ha with a perimeter of 247.08m. The area requested by the farmer was confirmed (Guide for inspectors carrying out on-the-spot control, controls performed by means of classical field measurements, version 4.6, 2011, Chapter 8.2. Technical tolerance and area delimitation, Chapter 12.1 How to apply the non-compliance codes on site, Applying code PA15, Deducting the ineligible elements). The CB measured in 2012 an area of 13.48 ha with a perimeter of 4,920.03m, an area excluded of 0.19 ha with a perimeter of 249.63m. At time when the CB carried out the control, the stream flow did not justify the separate measurement of this island, that area being grassland and easily accessible. Exclusion from payment of the 0.21 ha area is not justified given the fact that the demarcation between “the island” and the parcel is visible only during heavy rain. Thus, the Certifying Body confirmed correctly that the 12.55 ha are the area of the parcel requested by the farmer and that the APIA measurement was performed taking into account the procedural provisions applicable.

As regards the existence of the dam the following need to be outlined:

- Embankment works were not completed (letter no 6705/SL/12.11.2012 issued by Administrația Națională “Apele Române” - the “Romanian Waters” National Administration);
- The width of each wall is less than 2 m;

- The right bank of the creek is grazing area (photo 1407);

- The two embankment walls help on the one hand to protect the waters by avoiding run-offs and on the other hand they protect the pasture from flooding during rainy periods and prevent land slipping;

- Pursuant to Article 34, Determining the areas in R1122/2009, the total area of the parcel includes any feature mentioned in the acts listed in Annex II to R73/2009 or that can be related to the good agricultural and environmental conditions referred to in Article 6 of the said regulation and Annex III thereto, and the existence of the dam was necessary particularly to meet the good agricultural and environmental conditions referred to in Article 34 of R1122/2009.

Thus, it was considered that a procedure should not be changed when encountering a particular situation. For the exceptional cases there has to be applied a professional judgment not to be against the procedures, laws, or regulations governing the area concerned. Consequently, the farmer should not be penalized because of the existence of the dam on parcel no 37, the confirmation of the area of 12.55 ha declared by the farmer being correct.

5. With the farmer identified with RO254553975, at parcel 11 the ECA noticed two paths over two meters wide, not covered with vegetation: a part of the parcel was separated from the rest by a wire fence and showed no signs of grazing:

At the time when the Certifying Body carried out the control, there was taken into consideration the Guide for inspectors carrying out on-the-spot control, controls performed by means of classical field measurements, version 4.6, 2011, pursuant to which the trails created by animals and the paths inside the parcels with a width less than 2m are eligible items.

It is also necessary to take into account that the on-the-spot check was conducted by the CB during abundant vegetation and that the re checking by the ECA auditors was conducted in the vegetative dormant period. For this reason it is natural to be minor differences between the display of the grazing areas and the dirt roads on the date of the CB control and those on the date of the ECA representatives' control.

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| | <p>6. With the farmer identified with RO002288767, at parcel 6 the ECA considered that between the time of the visit of the paying agency and that of the visit of the certifying body, some groups of trees located on the parcel had been felled by the beneficiary. Standard no 9 on good agricultural and environmental condition (“GAEC 9”) prohibits the felling of solitary or group trees, except for the justified cases and subject to a permit from the Forestry Department. During its field visits, the certifying body noticed that trees were felled after the paying agency visit, but it did not request the farmer the permit from the Forestry Department to be able to assess whether or not there was a breach of GAEC 9.</p> <p>The Certifying Body monitored the repeating of the work done by APIA. At the time when the measurement was performed again, 12 June 2012, the felling permit could not provide relevant information since the date of the tree felling could not be determined with certainty. Therefore it could not determine with certainty whether the tree felling affects the financial year 2012 or the financial year 2013 (which was not the subject of the audit in progress). Further to the checking of the permits issued by the Forestry Department Covasna the farmer was found to have not breached GAEC 9, since there tree felling permits for years 2011 and 2012 (financial years 2012 and 2013, respectively).</p> | <p>28 Articolul 34 alineatul (1) din Regulamentul (CE) nr. 1122/2009.</p> <p><u>UK:</u></p> <p>The introduction of a new LPIS and ongoing refresh will address this issue in the future due to systematic updates taking place.</p> |
| 4.42 | <p>Regarding this policy group - Transaction testing</p> | <p><u>Romania:</u> MADR - APDRP (Ministry of Agriculture and Rural Development – Paying Agency for Rural Development and Fishery)</p> |

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| <p>indicates that the error most likely exists in the population is 7.9% and</p> <ul style="list-style-type: none"> - Monitoring and control systems examine 30 are assessed as partially effective. Regarding the rural development schemes of the six Member States audited, a system was ineffective (Romania) and the other five were partially effective [Bulgaria, Germany (Brandenburg and Berlin), France, Poland and Sweden.] - Ensemble audit evidence indicates that spending supported are affected by material error. | <p>Starting February 2013 thorough checks are carried out at all stages of project implementation, including ex-post, particularly to detect the potential irregularities. Having in view the deficiencies identified by the audits, APDRP has developed an Action Plan that is updated constantly and that has been submitted to the EC. We specify that the ECA audit covered payment instalments/projects checked before APDRP updated the procedures.</p> <p><u>Sweden:</u></p> <p>In 2012 the National Board of Agriculture carried out an extended audit into payments of EU funds from the European Agricultural Fund for Rural Development (EAFRD – not IACS). The audit covered 24 deciding authorities, all the county administrative boards, the Sami Parliament, the Swedish National Board of Forestry and the National Board of Agriculture. It was made up of both a substantive audit and a systems audit. The substantive audit found a financial error of 3.32% in wrongfully granted aid. To manage the financial risk arising from the result of the audit, Sweden corrected its accounts. The National Board of Agriculture asked the authorities with serious flaws in their audit findings to establish an action plan to deal with the failings identified.</p> <p>The authorities with serious or very serious failings were followed up in 2013. For other action taken see answer to question 4.24.</p> |
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France:

Les autorités françaises contestent les conclusions tirées par la CCE sur l'efficacité du système de contrôle considérant qu'elles sont fondées sur un échantillon (20 transactions pour 2012) dont la taille est très limitée. A cet égard, les travaux de certification qui portent sur des échantillons beaucoup plus importants n'ont pas mis en évidence des défaillances systèmes telles que celles pointées par la CCE.

Romania:

MADR – APDRP (Ministry of Agriculture and Rural Development – Paying Agency for Rural Development and Fishery)

APDRP considers that the findings of the checks carried out by the ECA are very scrupulously evaluated. Romania has in place a perfectible control system, in balance with the administrative efforts of the Romanian State. The Romanian State will make further efforts to find technical and financial solutions to ensure an effective control of EU funds, but it considers that for a more effective implementation of some of the controls joint efforts of Member States and European Commission are required to find effective solutions.

Examples of actions that can be implemented at EU level:

- databases with reference prices;
- shareholders' verification system for the EU and non-EU companies for the inclusion in the microenterprise category

For the audit conducted by the ECA for DAS 2012 related to the EAFRD there have been verified projects where specific errors were found. Thus this category of projects may be the subject of further checks under another audit, but they are not systemic errors. Therefore the findings of these audits cannot be extrapolated.

Therefore we consider that it would be useful for the ECA methodology to enable:

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| | | <p>- a better correlation between the deficiencies found and the level of control/responsible structure at the level of the Member State;</p> <p>- the extrapolation errors to be based on a classification of errors depending on the nature of deficiencies, as deficiencies representing deviations from the standard cannot be combined only with the existing control at the level of the paying agencies. For instance, deficiencies are found for cases of subjective interpretation and they do not necessarily represent a risk to the Fund, as well as specific cases, abnormalities, which cannot be extrapolated.</p> |
| <p>Chapter 5 – Regional Policy; Energy and Transport</p> | | |
| <p>5.25.</p> | <p>Annex 1.1, part 2, of chapter 1 describes the Court's overall audit approach and methodology. For the audit of regional policy, transport and energy, the following specific points should be noted:</p> <p>(a) the audit involved examination of a sample of 180 transactions ^[9] as defined in, Annex 1.1, paragraph 6. The sample is designed to be representative of the entire range of transactions within the policy areas. In 2012, the sample consisted of payments to projects in 17 Member States ^[10],</p> <p>(b) The assessment of</p> | <p><u>Austria:</u> Footnote 10 merely contains an exhaustive list.</p> <p><u>Spain:</u> There are no comments as this is the specific methodology employed by the Court in its scrutiny.</p> <p><u>Finland:</u> This point provides a description of the operation carried out by the Court of Auditors. Finland has no comments in this respect. The reported audit results of the Court will be discussed below.</p> <p><u>Greece:</u> THE FINAL FINDINGS REPORT, BASED ON WHICH EDEL WAS FOUND 'EFFICIENT', WAS TRANSMITTED BY ECA DOCUMENT OF 03.10.2012 (CA REF. NO 56077/17.10.2012). UNDER COMMISSION DOCUMENT ARES (2013)544870/04.04.2013 (FURTHER TO THE ECA'S LETTER OF 03.10.2012) CASE PF 4317 IS CONSIDERED CLOSED.</p> <p><u>Malta:</u> The necessary action is being implemented, and by the end of December 2013 all of the proposals submitted will have been put into practice and reflected in the ACR.</p> |

systems examined:

- (i) four audit authorities (and, where applicable, delegated audit bodies) for the three cohesion policy funds (i.e. the ERDF, CF and ESF) in the 2007-2013 programming period in four Member States: Belgium (Wallonia), Malta, Slovakia and the United Kingdom (England) ^[11];
- (ii) the Commission's supervisory activities of AAs as a whole; and
- (iii) the annual activity reports (AARs) of Directorate-General for Regional and Urban Policy, Directorate-General for Mobility and Transport and Directorate-General for Energy.

⁹ This sample comprises 180 transactions related to 168 regional policy projects (138 ERDF and 30 CF), 9 transport and 3 energy projects (see Annex 5.1). Of the 168 regional policy transactions to ERDF/CF projects, the 145 relate to the 2007-13 programming period and 23 to the 2000-06 period. The sample was drawn from all payments, with the exception of advances. The sample was drawn from all

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| | <p>payments, with the exception of advances which amounted to EUR 1.9 billion in 2012.¹⁰</p> <p>Belgium, Czech Republic, Germany, Greece, Spain, France, Italy, Luxembourg, Hungary, the Netherlands, Austria, Poland, Portugal, Romania, Slovakia, Finland, and the United Kingdom.</p> <p>¹¹ This is part of an examination of AAs which started in 2010 (see the 2010 annual report, paragraphs 4.37 to 4.44) and continued in 2011 (see the 2011 annual report, paragraphs 5.35 to 5.51). Overall, 19 AAs in 15 Member States have been audited between 2010 and 2012.</p> | |
| Box 5.1 | <p>Examples of serious failures to comply with public procurement rules</p> | <p><u>Germany:</u> No action has yet been taken since the European Commission has reserved the right to carry out further audit and follow-up work in respect of the audit findings.</p> <p><u>France:</u> La passation du marché a en fait été réalisée dans le respect de la libre concurrence et aucune mesure n'est donc à prendre à ce titre.</p> <p>Le marché de maîtrise d'oeuvre comportait en effet, au-delà de la tranche ferme pour les études, une tranche optionnelle pour la partie travaux (cf avis JOUE en pièce jointe).</p> <p>La conduite de la maîtrise d'oeuvre des travaux présentait par ailleurs de réelles difficultés techniques avec des marchés en conception-réalisation nécessitant une solide connaissance du projet, des difficultés d'accès aux études</p> |

auraient été créées du fait des questions de propriétés intellectuelles en cas de maîtrise d'œuvre différentes entre les parties études et travaux, RFF se serait également trouvé dans l'impossibilité de responsabiliser la maîtrise travaux si cette dernière avait eu la possibilité d'arguer de défauts de conception du préécesseurs.

Hungary:

Cannot be interpreted at project level without a specific project title or identification.

If contracts are irregularly awarded (due to incorrect application of award criteria), Hungary, as a Member State, generally takes the following action:

- Under Chapter 23 (Public Procurement) of Government Decree 4/2011 (28 January 2011), all procurement procedures initiated and carried out in Hungary are audited for eligibility and legality by the relevant intermediate body or the National Development Agency (Department of Public Procurement Control).
- Audits may be ex-post or ex-ante (built in). Both types of audit are capable of highlighting irregular awarding of contracts and incorrectly applied award criteria and, in the case of ex-ante audits, preventing them.
- For irregularities highlighted and requiring correction, both the intermediate body and the National Development Agency may and must initiate and carry out an irregularity procedure, the conditions and rules for which are also laid down in Government Decree 4/2011. An irregularity procedure reveals the specific circumstances of a suspected irregularity; if substantiated, the irregularity may be ascertained and a correction imposed.
- The parties provided for in Act CVIII of 2011 on public procurement (operators concerned, beneficiaries, audit bodies, aid agencies, etc.) may also appeal to the Public Procurement Arbitration Board if they detect an irregularly awarded contract.
- Under Regulation 1083/2006/EC, Member States must also notify the Commission or OLAF of highlighted irregularities (including irregularly awarded contracts), as Hungary does.

Poland:

Particulars of individual cases are presented below:

Project title: "Construction of the bypass of the city of Goleniów within the provincial road no. 113".

Beneficiary: West Pomeranian Province

Grant Agreement No: UDA-RPZP.02.01.01-32-003/09-00 as of 29 January 2010

Award of direct agreement contract for quality laboratory testing to Laboratorium Drogowe GP ZZDW in Koszalin.

Actions taken: Yes 0 No X

Actions completed Yes 0 No X

Completion date: dd/mm/yyyy

Other comments:

The Managing Authority of the Regional Operational Programme of West Pomeranian Province for 2007-2013 agrees with the standpoint of the European Commission expressed in the Summary of findings - transactions and in the analysis of replies submitted, and maintains its standpoint as to the correctness of the procedure conducted by the beneficiary. The Commission believes that the procedure in respect of which reservations were made by the Court was an 'in-house' (internal) procedure, and requested the Court to invalidate the finding.

Project title: "Bypass of Śródmieście Szczecin - Phase V - Construction of the road from Duńska Street, along Krasieńskiego Street to Arkońska Street".

Beneficiary: Municipality of Szczecin

Grant Agreement No: UDA-RPZP.02.01.01-32-003/09-00 of 29 January 2009

Award of direct contract under Article 67(1)(1)(b) of the Public Procurement Law concerning "Exercise of the Engineer's Supervision over the project entitled "Bypass

of Śródmieście Szczecin - Phase V - Construction of the road from Duńska Street, along Krasińskiego Street to Arkońska Street".

Actions taken: Yes X No 0

Actions completed Yes 0 No X

Completion date: dd/mm/yyyy

Other comments:

In response to the findings of the Court and the Audit Authority, the Managing Authority of the Regional Operational Programme of West Pomeranian Province for 2007-2013 carried out an ad-hoc control of the project, under which an irregularity was found related to the award of a direct contract under Article 67(1)(b) of the Public Procurement Law concerning the "Exercise of the Engineer's Supervision over the project entitled "Bypass of Śródmieście Szczecin - Phase V - Construction of the road from Duńska Street, along Krasińskiego Street to Arkońska Street". The post-audit report was forwarded to the Beneficiary. After receipt of the report and the explanations of the beneficiary, in the absence of circumstances resulting the beneficiary's action being found correct in this respect, the MA WP ROP considers expenditures incurred as 100% ineligible in accordance with the Guidelines of the Ministry of Regional Development entitled "The imposition of financial corrections for violations of public procurement law public related to the implementation of projects financed by the EU funds."

Project title: "Treatment Centre with bed facilities in the Provincial Polyclinical Hospital Complex in Szczecin"
Beneficiary: Autonomous Public Provincial Polyclinical Hospital (Samodzielny Publiczny Wojewódzki Szpital Zespolony) in Szczecin

Grant Agreement No: UDA-RPZP.07.03.01-32-005/09-00

Award of the direct contract under Article 67(1)(b) of the Public Procurement Law - the exercise of the engineer's supervision over the project entitled "Treatment centre with bed facilities in the Provincial Polyclinical Hospital in Szczecin".

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| | | <p>Actions taken: Yes X No 0</p> <p>Actions completed: Yes 0 No X</p> <p>Completion date: dd/mm/yyyy</p> <p>Other comments:</p> <p>In response to the Court's findings, the Managing Authority of the Regional Operational Programme of West Pomeranian Province for 2007-2013 carried out an ad-hoc control of the project, under which an irregularity was found related to the award of a direct contract under Article 67(1)(1)(b) of the Public Procurement Law concerning the exercise of the engineer's supervision over the project entitled "Treatment Centre with bed facilities in the Provincial Polyclinical Hospital in Szczecin". The post-audit report will be soon forwarded to the Beneficiary. After receipt of the report and the explanations of the beneficiary, in the absence of circumstances resulting from the beneficiary's action being found correct in this respect, the IZ RPO WZ considers expenditures incurred as 25% ineligible in accordance with the Guidelines of the Ministry of Regional Development entitled "The imposition of financial corrections for violations of public procurement law public related to the implementation of projects financed with the EU funds."</p> |
| Box 5.2 | Examples of declared ineligible costs | <p><u>Austria:</u></p> <p>See Austria's observations on these cases in Annex II, Chapter 5.</p> <p><u>Finland:</u></p> <p>The Ministry of Transport and Communications has repaid EUR 103 702.85 of TEN-T support that was intended for the E18 motorway between Helsinki and Vaalimaa (project 2010-FI-92239-S). The TEN-T support was repaid in respect of six invoices that did not fall within the eligibility period.</p> |
| 5.41 | In 3% of the tested 180 operations co- | <p><u>Germany:</u></p> <p>At two events organised together with representatives of DG REGIO, BMWi (the German Federal Ministry of Economics) informed representatives of the Managing Authorities about the public aid rules and the main sources</p> |

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| | <p>financed projects not related to the rules on State aid rules. If the Court found in such cases that this led to an erroneous EU funding, he has quantified the error. These quantified errors account for 5% of all quantifiable errors and about 9% of the estimated error rate for this policy. Other cases of non-compliance with the State aid rules, in which the impact on the EU funding at this stage could not be quantified, are not taken into account by the Court, the</p> | <p>of error and their causes. Information exchange and knowledge-sharing will be continued in the future, e.g. at ad-hoc meetings and events.</p> <p><u>Greece:</u></p> <p>IN THE CLOSURE REPORT FOR THIS AUDIT, THE ECA ACCEPTED THAT THE OBLIGATION TO NOTIFY INFRASTRUCTURE PROJECTS WAS LEGALLY UNCLEAR UNTIL THE LEIPZIG/HALLE JUDGEMENT AND DESCRIBED THIS FINDING AS SERIOUS BUT NON-QUANTIFIABLE.</p> |
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| | <p>error rate (see Box 5.4). In a judgment of the Court of Justice of the European Union from the year 2011 it was confirmed that the State aid rules also apply to infrastructure projects that are operated commercially sollen</p> | |
| <p>Box 5.3</p> | <p>Example of incorrect calculation of the funding gap in income-generating projects</p> | <p><u>Spain:</u> The calculations undertaken in order to perform the financing deficit correspond to an estimate of these figures, which can be specified only once the works project is operational. General estimated calculations have been performed for the project on the basis of the type of infrastructure, objectives, demand, etc., and upon completion of execution an analysis will be performed for the purpose of adjustment to comply with the terms of Article 55 of Regulation 1083/2006, regarding the justification and monitoring of revenue generated by the project</p> <p><u>Poland:</u> A violation in the incorrect calculation of the funding gap for revenue-generating projects was identified within the framework of the Infrastructure and Environment Operational Programme (Court's Audit Mission PF-5135). The finding related to the project under priority axis VII (POIS.07.01.00-00-009/09) entitled "The modernisation of the railway line E65/C-E65 at the section Warsaw Gdynia – the area of LCS Ciechanów. The Managing Authority of the Infrastructure and Environment Operational Programme presented its standpoint on the finding in its letter ref.</p> |

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| | | <p>no. DWI-II-82115-2-12-AST/12 nk 64796/13 dated 31 May 2013. It did not support the standpoint or agree with the Court's finding</p> <p><u>Portugal:</u></p> <p>The recommendation was accepted by the MS and the beneficiary has recalculated the financing gap. This will be duly taken into account during the final verification of the economic and financial viability study when the operation is concluded, given that the significance of the adjustments is minimal.</p> |
| Box 5.4 | <p>Example of not standing with the State aid rules into line projects</p> | <p><u>Germany:</u></p> <p>See remarks on PF-4982 (Annex II)</p> <p><u>Greece:</u></p> <p>IT IS NOT AN IRREGULARITY NOT TO INFORM THE COMMISSION ON STATE AID FOR THE SPECIFIC PROJECT, FIRST, BECAUSE THE PROJECT REVIEWED BY THE ECA CONSTITUTES THE COMPLETION OF A LARGE PROJECT FUNDED PRIMARILY UNDER THE 3RD CSF AND APPROVED BY THE COMMISSION, AND SECOND, AS THE COMMISSION STATES ALSO IN POINT 5.41, THE RESIDUAL IMPLEMENTED PROJECT WAS APPROVED BEFORE THE LEIPZIG/HALLE JUDGEMENT.</p> |
| 5.43 | <p>The sample contained payments this year closing two PO (Austria and Poland) and seven projects FC (Spain) for the period 2000-2006</p> | <p><u>Spain:</u></p> <p>The errors detected by the Court either corresponded to circumstances which had already been corrected and rectified, or were otherwise the result of individual formal errors</p> |

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| | <p>which were audited in total twenty projects ERDF and CF. The Court identified errors in twelve of these twenty projects. In a PO ERDF, the Court found that not all payment closing costs were regular (Austria). However, the commission closed the PO in 2012 without any financial correction. With regard to the seven CF projects in Spain, no financial corrections imposed by the errors detected by the Court.</p> | |
| 5.46 | <p>Annex 5.2 contains the results of the individual key requirements tested and the overall assessment of the four AAs examined: Belgium (Wallonia), Malta, Slovakia and the United Kingdom (England). The</p> | <p><u>Belgium:</u> Autorité d’audit de Wallonie : Mesure prise : oui Action achevée : oui Date d’achèvement : 01/10/2013 Les conclusions de la Cour des comptes européennes (rapport définitif du 18 septembre 2013) relatives à l’Autorité d’audit en Wallonie ont bien été prises en compte. Un avis avec réserves sur les programmes Convergence et Compétitivité et Emploi a été injecté dans SFC 2007 par l’Autorité d’audit et cette opinion d’audit révisée a fait l’objet d’un courrier d’acceptation par les services de la Commission. Par ailleurs, la Commission a confirmé l’assurance qu’elle avait placé dans les travaux de l’Autorité d’audit si bien qu’aucune autre mesure ne devait être</p> |

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| | <p>Court paid particular attention to the ACRs and annual opinions and the parts of the AAs' work which had a direct and significant effect on their conclusions.</p> | <p>mise en œuvre par l' Autorité d' audit en Wallonie.</p> <p><u>Malta:</u> The necessary action is being implemented, and by the end of December 2013 all of the proposals submitted will have been put into practice and reflected in the ACR.</p> <p><u>Slovakia:</u> Ministry of Finance – Audit Authority</p> <p>As, in Annex 5.2, the Slovak audit authority is evaluated as compliant and the system is efficient with the key requirements tested by the Court of Auditors, we make no comment on this point.</p> |
| <p>5.52</p> | <p>The Court concluded , on the basis of the information available to the Commission as well as additional information that was of the audit for all three funds (ERDF / CF and ESF) requested , to the following conclusions :</p> <ul style="list-style-type: none"> - The room for maneuver of the Commission with regard to the validation and | <p><u>Germany:</u> The remarks relate to European Commission practices, therefore no response is required from Germany.</p> |

possible adjustment as reported by the audit authorities in their annual control reports error rates is limited because the audit authorities are not obliged to provide information on their audits on the Commission

- In 51 of the 138 tested OP , the Court found that the Commission already in the assessment of annual inspection reports do not have sufficient information to accept the data reported by the audit error rates (or recalculate) . This includes cases in which the audited expenditure mentioned in the annual control report

is not completely covered with the investments made in the relevant year for the operating expenses or in which the specified in the annual control report error rates of the audit were not calculated correctly.

- In 16 of the 138 OP, the audit reported non-representative error rates (ie, rates that are based neither on a statistical nor a formal non-statistical sampling approach in accordance with the guidelines of the Commission) . Such rates should not be used by the Commission in the course of its procedure for

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| | <p>obtaining security in terms of the regularity of transactions in order to draw conclusions on the overall error rate of the OP. The Court found that the Commission applied in only two of these 16 OP as prescribed flat rate quotas.</p> <p>- Five of the 138 OP is the newly calculated from the courtyard error rate (taking into account the multiannual financial corrections) over 2%.</p> | |
| 5.62 | <p>The policy areas covered by this Chapter,</p> <p>- Results of transaction testing that the most likely error rate in the</p> | <p><u>Slovakia:</u> Ministry of Finance – Audit Authority</p> <p>As, in Annex 5.2, the Slovak audit authority is evaluated as compliant and the system is efficient with the key requirements tested by the Court of Auditors, we make no comment on this point.</p> <p>Ministry of Finance – Audit Authority</p> <p>In accordance with Article 73 of Regulation No 1083/2006, the Slovak audit authority provides the Commission</p> |

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| | <p>population is 6.8%, - And examined supervisory and control systems are assessed as partially effective.</p> | <p>with full cooperation during the Commission’s audit missions in reviewing the annual control reports and opinion under Article 62, takes measures on the basis of the Commission’s recommendations and continuously updates its procedures and processes in order to improve the management and control of operational programmes in the Slovak Republic.</p> |
| <p>Annex 5.2</p> | | <p><u>Belgium:</u> Autorité d’audit de Wallonie : Mesure prise : oui Action achevée : oui Date d’achèvement : 01/10/2013 Autres observations : cf point précédent</p> <p><u>Malta:</u> Analysis of the audits of operations: The Department issued a recruitment notice in 2013. The outcome of the interviews was made known in November 2013 and the successful applicants are now being contacted to set a date for them to begin work in the Department. Re-performance of audits on operations: During 2013, the Department began to check the checking system used by Malta Enterprise (Intermediary Organisation). The aim of this exercise was to ascertain the level of the quality of checks in the said organisation. Concerning the suspected cases of fraud that were reported to the police, the case has begun to be heard in the Maltese Courts but has not yet reached a conclusion. The IAID (AA) is following the case. Annual control report and audit opinion The Department (AA) has taken note of the comments identified by the Court of Auditors and these will be</p> |

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| | | <p>reflected in the Control Report and Audit Opinion for this year, 2013.</p> <p><u>Slovakia:</u> Ministry of Finance – Audit Authority</p> <p>As, in Annex 5.2, the Slovak audit authority is evaluated as compliant and the system is efficient with the key requirements tested by the Court of Auditors, we make no comment on this point.</p> |
| <p>Chapter 6 – Employment and Social Affairs</p> | | |
| <p>6.9</p> | <p>The overall audit approach of the court and its audit methodology are described in Part 2 of Annex 1.1 (Chapter 1). For the test of ' Employment and social affairs' attention is drawn to the following specific points:</p> <p>(a) It has been studied a sample of 180 Vorgängen⁶ as defined in paragraph</p> | <p><u>Germany:</u> See remarks on PF-5430 (Annex II)</p> <p><u>Spain:</u> There are no comments as this is the specific methodology employed by the Court in its scrutiny.</p> <p><u>Slovenia:</u> Reply from the Ministry of Labour, Family, Social Affairs and Equal Opportunities: Slovenia was included in the sample of countries. No irregularities were found in the implementation of the European Social Fund for the 2007–2013 programming period.</p> |

6 of Annex 1.1. The sample was selected so that it is representative of the full range of processes within the policy area . In 2012, the members of the transactions sampled payments (or advances invoiced) for ESF projects in the context of 21 operational programs (OP) in 15 Member States7 , three EU institutions and other covered directly managed by the Commission projects or actions.

(b) the assessment of systems was referring to

(i) two in the programming period 2007-2013 for the

management of ESF expenditure
competent testing authorities : United Kingdom (England) and Slovakia , which was - as explained in Chapter 5 (see paragraph 5.25) - part of the examination of a total of four AAs for three Cohesion Policy funds (ERDF, CF and ESF) ;

(ii) the supervision of the audit by the Commission and in particular by the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) above assessment of reliability of the information and conclusions in the

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| | <p>annual control reports and audit opinions (opinions) of the audit ;</p> <p>(iii) the Annual Activity Report of DG EMPL</p> | |
| Box 6.1 | <p>Examples of ineligible costs and projects</p> | <p><u>Spain:</u></p> <p>Receipt from the European Commission is pending of the corresponding debit note in order to implement the reimbursement from the ESF of the total cost of €51,226.81, representing 2.27 % of the amount audited. Reimbursement of this sum has been agreed by the end beneficiary.</p> |
| Box 6.2 | <p>Exemples d’infractions aux règles de passation des marchés publics</p> | <p><u>France:</u></p> <p>Le montant déclaré par le bénéficiaire correspond aux dépenses pour l’année 2010.</p> <p>Les dépenses pour l’année 2009 ont été contrôlées par la Cour des comptes européenne dans le cadre de la DAS 2011, et ont fait l’objet d’un retrait intégré dans le dernier appel de fonds 2012.</p> <p>A la suite de ce contrôle, l’autorité de gestion déléguée a initié une procédure pour déterminer les erreurs similaires pour les dépenses déclarées en 2010.</p> <p>La vérification a eu lieu pour les prestations dépassant le seuil établi dans le code des marchés publics pour passation sans publicité ni mise en concurrence (art.28 CMP). Le seuil était de 20.000€ jusqu’au 30/04/2010 et de 4.000€ à partir du 01/05/2010.</p> <p>Après examen, l’autorité de gestion déléguée a constaté que les dépenses de prestations n’ont pas fait l’objet d’une mise en concurrence et de publicité et a déterminé un montant total de prestations inéligibles de 1.468.761,75€.</p> <p>Le calcul de la correction financière a été fait en appliquant le pourcentage de 25% prévu par la note COCOF 07/0037/03 et donne un total de 367.190,44€.</p> |

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| | | <p>Ainsi, les autorités françaises n'ont pas attendu le contrôle de la cour pour identifier les irrégularités du dossier 2010 : le montant de cette correction de 367.190,44€ a été saisi dans l'application Présage le 01 février 2013, et intégré au premier appel de fonds 2013, alors que l'audit de la Cour des comptes européenne dans le cadre de la DAS 2012 s'est déroulé du 7 au 22 mars 2013. La correction a été intégrée en avril 2013.</p> <p>A l'avenir, les tranches annuelles 2011 et 2012 seront corrigées lors de l'établissement du contrôle de service fait, et les dépenses retenues seront exemptes de toute irrégularité.</p> |
| 6.3 | <p>While the Slovakian AA is rated as effective, the English AA in the UK is rated as partially effective in complying with key regulatory requirements and in ensuring the regularity of transactions. The scope and specific results of the Court's audit of the AAs for all three funds (ERDF, CF and ESF) are reported in chapter 5 (paragraphs 5.46 to 5.49).</p> | <p><u>UK:</u></p> <p>The Court made observations on the AA's processes for auditing procurement and State Aid. As a result we have revised our checklists and included these in an update to our audit manual. We also revised our approach to these audits for our 2013 audits of operations. We also agreed to review one of the audits included in the Court's "re-performance" audit. This was completed on 06/11/13 and the results will be reported in the 2013 Annual Control Report.</p> <p>There were no other issues raised by the Court that required action.</p> |
| Box 6.3 | <p>Examples of ineligible participants</p> | <p><u>Spain:</u></p> <p>The end beneficiary is performing the necessary activities in order to establish, by means of a review of a significant sample of this type of expenditure, the sum which is to be recovered. Once this sum has been established and validated by the European Commission, the EU budget will be reimbursed by means of the crediting of the corresponding debit note issued by the Commission.</p> |

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| | | <p>For the operational programme over the period 2007-2013, the intermediate body established an action plan intended to rectify deficiencies in the handling of employment assistance certified to date, and the quantification of corrective measures comprising a review of all employment assistance certified to date, and the quantification of this systemic error, together with decertification. Meanwhile, preventive measures were adopted in order to prevent a repeat of this type of error, comprising modification of the employment maintenance monitoring system, reinforcement of administrative verification procedures (the expenditure is not certified until the employment maintenance period has elapsed) and a reduction to maintenance periods through modification of the regulations governing such assistance, establishing one single period of 2 years (published in the Official Journal of the Valencia Region in June 2011).</p> |
| 6.26 | <p>The sample included 16 operations Tribunal final payments for the closure of two PO 2000-2006. The Court identified quantifiable errors in 5 operations of a program that was closed without financial corrections</p> | <p><u>Spain:</u></p> <p>Receipt of the corresponding debit notes is pending, in order to perform the deposit in those cases in which the irregularities have been quantified, and the Intermediate Body has registered its approval. In those cases where no irregularities were detected in the maintenance of employment, even if the irregularities have been quantified, the Intermediate Body is performing the activities required in order to establish the sample, out of the total certified for employment assistance, requiring review and calculation of the percentage to be withdrawn.</p> |
| Box 6.4 | <p>Examples of non-compliance with procedural requirements</p> | <p><u>Portugal:</u></p> <p>The comment relating to Portugal is based on the audit of an INOV JOVEM project, which is a traineeship programme developed by the IEFP as the body responsible for implementing public policies (Organismo Responsável pela Execução de Políticas Públicas – OREPP). National legislation governing this type of support does not regard this as support for business, but rather as support for the unemployed. Traineeship programmes aim to improve the employability of trainees by giving them experience in a work environment. As a result, the Portuguese government does not consider that these measures can be regarded as covered by state aid rules. However, a formal position was requested from the IEFP, I.P., as the public body responsible for these public</p> |

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| | | policy measures. The POPH does not yet know the European Commission's final position on this issue, which is not limited to Portugal, as indicated above. |
| Chapter 7 – External aid, development and enlargement | | |
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| Chapter 8 – | | |
| 8.42 | <p>Based on this analysis and the findings and conclusions of the Commission for 2012 Court makes the following recommendations :</p> <p>- Recommendation 1 : You should step up its efforts to address the identified in interim and final payments, and in unsettled advances errors, especially by reminding the beneficiary and the independent auditors to the eligibility rules and</p> | <p><u>Germany:</u> These are ongoing accompanying measures such as training sessions, workshops and Federal Government-Länder meetings on various topics, which were organised at national level and will continue to be organised in years to come. In Germany, an event was organised by the European Commission in cooperation with the Federal Ministries on the topic of 'public procurement law' for the managing and audit authorities.</p> |

again indicating that the beneficiary for all reported cost vouchers need to teach .

- Recommendation 2 : You should remember , the RTD Framework Programme projects coordinators because they have to pass on the other project partners , the funds received immediately.
- Recommendation 3 : You should analyze the identified by the Court in the ex -ante controls weaknesses , in order to assess whether these controls need to be changed .
- Recommendation 4 : You should reduce the delays in the implementation of ex - post audits and increase the transposition rate

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| | <p>extrapolated corrections.</p> <p>- Recommendation 5: It should strengthen the monitoring and control systems for the Framework Programme for Growth and Employment associated program to support the ICT policy .</p> | |
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| Chapter 9 – Administrative and other expenditure | | |
| | | <p><u>Finland:</u> This point provides a description of the operation carried out by the Court of Auditors. Finland has no comments in this respect.</p> <p><u>Hungary:</u> Hungary is to be included in the module in 2014.</p> |
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| Chapter 10 – Performance issues | | |

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| Box 10.3 | Examples of indicators | <p><u>Austria:</u></p> <p>The travel times given for the St. Pölten-Vienna and Lower Inn Valley routes are the travel times before the infrastructure projects jointly financed by the EU entered into service. The corresponding newly constructed St Pölten - Vienna and Kundl/Radfeld - Baumkirchen sections entered into service in late 2012. This improved the respective average journey times compared to 2011 and the reduction in journey times targeted for 2020 was thus already achieved at the end of 2012. In particular, the following may be noted regarding the two sections:</p> <ul style="list-style-type: none"> • St Pölten–Vienna: The entry into service of the newly constructed section between Vienna and St Pölten, including the Wienerwald Tunnel and the Lainzer Tunnel (100 km), which now allow speeds of up to 230 km/h, reduced journey times by 17 minutes. The Vienna-St Pölten section now takes 24 minutes by train compared with 41 minutes previously. Thus the travel time between St Pölten and Vienna has been reduced by around 40 %. • Brennerachse, Lower Inn Valley: Since the new line that entered into service in late 2012 (Kundl/Radfeld-Baumkirchen) allows higher speeds than the existing line, the approximately 40 km long section can be covered in less time and thus a reduction in the average travel time of 20 % was also achieved on this section. |
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ANNEX III A

Questions put to Member States concerning policy areas Agriculture and Cohesion

Part A. Please reply to the general questions below

1) Since the financial year 2010 the European Court of Auditors has published a Chapter on the performance of EU programmes (Chapter 10: Getting results from the EU budget). One main focus of the Court's audits of EU programmes refers to the establishment of SMART objectives to monitor their achievement and RACER indicators allowing the monitoring of performance of activities towards the achievement of objectives.

1) Do you use SMART objectives and RACER indicators to monitor and assess the outcome of co-financed programmes at national level?

Yes

No

2) Is the definition of objectives and indicators for co-financed programmes discussed with your counterparts at the European Commission?

Yes

No

3) At national level, how do you measure the performance of co-financed programmes and how do you report on the outcome of the evaluation?

2) The current legislative proposals for the Cohesion Policy (2014-2020 programming period) require the Managing Authority to put in place effective and proportionate anti-fraud measures taking into account the risks identified as regards the financial management and control of the operational programme.

Does your Member State currently carry out a fraud risk assessment of its management and control systems?

Yes No

If so, does your Member State subsequently ensure it has in place effective and proportionate anti-fraud measures to mitigate the fraud risks identified?

Yes No

Does your Member State report indicators showing the results of the controls aimed to detect and prevent fraud?

Yes No

3) Question addressed to **Spain, Austria, Portugal** (cf: The European Court of Auditor’s Annual Report 2012 – Chapter 3- box 3.1) and **the UK Northern Ireland** –(cf Chapter 3- box 3.3):

In your Member State, the Court found various inaccuracies with your national Land Parcel Identification System (LPIS) which stemmed from your LPIS not being regularly updated.

Are you now in a position to ensure that your LPIS is updated properly on a regular basis:

Yes

No

The measures required for updating are still at the implementing phase.

In your opinion, which further measures need to be taken in order to solve this recurrent problem?

When will the situation return to normal?

4) Question addressed to **Spain, Germany, Greece, France, Italy, Lithuania, Poland, Portugal, Romania and the UK** (cf: The European Court of Auditor’s Annual Report 2012 -box 4.2):

In the area of Rural Development the Court found serious cases of non-respect of eligibility requirements for investment projects, rendering the expenditure ineligible.

What is your opinion of the control of the eligibility requirements for investment projects:

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| <p><input type="checkbox"/> They are important, but not essential</p> <p><input type="checkbox"/> The eligibility requirements are too complex which leads to interpretation errors</p> <p><input type="checkbox"/> The controls are essential, but my Member State does not have the means to thoroughly check every investment project submitted;</p> <p><input type="checkbox"/> Other:</p> | <p>5) Question addressed to France, Spain, Italy, Poland, Portugal and Romania (cf: The European Court of Auditor’s Annual Report 2012 -box 4.4)</p> <p>Recurrent eligibility errors with a financial impact were found concerning ineligible VAT. VAT was included for bodies governed by public law in respect of the activities or transactions in which they engage as public authorities.</p> <p>Are your national paying agencies sufficiently familiar with the applicable legal basis when reimbursing such VAT?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If not, what could be done in order to address this problem:</p> <p><input type="checkbox"/> Provide training addressed to the staff of the paying agencies?</p> <p><input type="checkbox"/> Provide written guidelines addressed to the staff of the paying agencies?</p> <p><input type="checkbox"/> Any other measures (please describe).</p> <p style="text-align: right;">Reply: <input style="width: 150px; height: 20px;" type="text"/></p> |
| <p>6) In Chapter 6 (Employment and Social Affairs) paragraphs 23 and 24, the Court noted that no errors (either quantifiable or non-quantifiable) relate to the specific use of Simplified Cost Options (SCO). According to the Court, this indicates that projects which declare costs using SCOs are less error prone.</p> <p>Out of the total ESF operations selected for DAS 2012, only 26% had cost declarations which included SCOs.</p> <p>Does your Member State share the Court's opinion that the use of SCOs has a positive impact on the level of error?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No - if no give reasons</p> <p style="text-align: right;">Reply: <input style="width: 150px; height: 20px;" type="text"/></p> | |

Does your Member State envisage introducing SCOs (for Member States not yet using SCOs) and/or further extending the use of SCOs?

- Yes
 No- if No give reasons and identify, if possible, specific obstacles (concrete examples would be appreciated).

Reply:

In your opinion, did the Commission sufficiently and adequately promote the use of SCOs?

- Yes
 No- if No give reasons and suggest which actions could be put in place.

7) In Chapter 5 (Regional Policy, Energy and Transport), the Court makes several references to the pertinent risk of frequently unreliable information reported by Audit Authorities (AAs, Chapter 5 paragraphs 51, 52 and 57). Specifically, in recommendation 4 (Chapter 5 paragraph 65) the Court takes the view that "the Commission should "seek improvement in the work done by audit authorities and the quality and reliability of the information provided in ACRs and audit opinions".

Does your Member State plan to introduce arrangements to improve the situation?

- Yes -if yes, please specify:
(a) reinforce guidance to the Member States
(b) introduce more training for staff in the Member States.
(c) improve quality control measures within the AAs.
(d) provide for external evaluation/monitoring of AAs
(e) any other suggestions, please specify.

No

In the light of this recommendation, does your Member State consider useful the proposed guidance on the treatment of errors and the

seminars that have been organised by the Commission in 2012 and 2013?

Yes *Please give examples*

Reply:

No *Please explain why not*

Reply:

Member States replies to questions in Annex III

| MS | Q1 | Q2 | Q3 | Q4 | Q5 | Q6 | Q7 |
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| AT | <p>1/1 YES</p> <p>BMLFUW: The monitoring and evaluation of the Austrian EAFRD programme is based on the common CMEF system. Both the objectives and the indicators are in line with the SMART and RACER approach.</p> <p>1/ 2- YES</p> <p>BMLFUW: The discussion takes place both in the Programme Monitoring Committee as well as in the annual meeting</p> | <p>2/1- YES</p> <p>BMLFUW: The entire management and control system will be used again for the coming period. The redesign will draw on experiences from the current period and/or prior periods.</p> <p>BKA: is taken into account in the course of programme development.</p> <p>2/2- YES</p> <p>BKA: will be implemented in the course of programme implementation in the period</p> | <p>3/1- YES</p> <p>BMLFUW: The Austrian LPIS is updated properly and at regular intervals. Since 2009 and especially from 2012, great efforts have been made to improve in the area of aerial photography.</p> | N/A | N/A | <p>6/1- YES</p> <p>6/2- YES</p> <p>6/3 NO</p> <p>In principle, the Commission has tried to promote the introduction of SCOs. The past has shown, however, that the key factor for the successful use of SCOs is that the Member State can be 100 % confident that when using SCOs the costs are accepted by the Commission and/or the audit authority. This is precisely where the main problem lay in the Structural Funds period 2007-13.</p> | <p>7/1- NO</p> <p>for the ERDF, the European Commission has, in its review of the audit authority, made no finding as to the reliability of the audit results of the audit authority, except for an existing resource shortage.</p> <p>Answer: basically any form of knowledge exchange between audit authorities in the various Member States is welcome. Individual matters that are not assessable according to the Commission guidance needed in to be addressed in</p> |

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| | <p>with the European Commission.</p> <p>1/ 3- BMLFUW: The performance of the Austrian EAFRD programme is measured using the common CMEF system. Reporting also follows this approach.</p> <p>BKA: The achievement of the individual indicators specified in the various Operational Programmes is evaluated. The EK is informed in the annual implementation reports on the achievement of objectives.</p> | <p>2014-20.</p> <p>2/3- YES</p> <p>BKA: will be implemented in the course of programme implementation in the period 2014-20.</p> | | | | <p>cooperation between the Commission and audit authorities. However, when there are questions, the Commission confines itself to concrete answers to concrete questions.</p> <p>Although the flat-rate schemes laid down in law offered a theoretically wide latitude in implementation, in practice a series of interpretations restricted this scope again and increased the risk for the implementing agencies that in the context of SCOs the costs charged would not be accepted by the Commission or the audit authority. This could be remedied by ensuring that the application of SCOs does not require complex additional</p> |
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| | <p>BMASK: The objectives of the 'Employment Austria 2007-13' Programme co-financed by the ESF and 'Phasing out Burgenland' are continuously monitored by means of the indicators set in the programme. Monitoring is supplemented by an ongoing evaluation of the programme. The financial implementation is likewise monitored continuously. The results are reported in a standardised form submitted</p> | | | | <p>requirements (such as complicated estimates/calculations) that are subsequently exposed to the risk of audit. The more simply SCOs are constructed and the less room for interpretation in the application of the rules, the lower the risk for the implementing agencies in the application of SCOs.</p> <p>From the perspective of the audit authorities, the Commission has stepped up the use of SCOs. If there had been very careful consultations,</p> | |
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| | <p>to the Commission once a year (in accordance with Regulation (EC) 1083/2006).</p> | | | | | <p>the issue of SCOs and the possibilities given to Member States in the guidelines would have been correctly applied, which would then also have been accepted by the Commission and the audit authority. SCOs require careful preparation prior to implementation; only then is it possible to ensure costs can be accepted in the event of a downstream audit. The basic principles must be adequately documented to ensure reproducibility. If these</p> | |
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| BE | <p>1/1- Oui 0 Non 0 Autorité d'audit Communauté germanophone : non Beheersautoriteit D2 EFRO Vlaanderen : non Beheersautoriteit D2 EFRO Vlaanderen : non</p> | <p>2/1- Autorité d'audit Communauté germanophone : non Beheersautoriteit D2 EFRO Vlaanderen : non ESF Vlaanderen : non 2/2- Autorité d'audit de Wallonie : néant FOD Financiën : néant Vlaamse Auditautoriteit : néant</p> | N/A | N/A | <p>Autorité d'audit Communauté germanophone : oui Beheersautoriteit D2 EFRO Vlaanderen : oui ESF Vlaanderen : oui Vlaamse Auditautoriteit : non Antwoord VAA: Op basis van de weinige projecten die werken met vereenvoudigde kostenopties die door de VAA werden onderzocht lijkt dit in eerste instantie een positieve beïnvloeding van het foutenpercentage te bewerkstelligen. Echter dient bv.</p> | <p>7/1- Vlaamse Auditautoriteit : oui (a-b-c) Compte tenu de cette recommandation, votre État membre considère-t-il que les orientations proposées au sujet du traitement des erreurs et les séminaires organisés par la Commission en 2012 et 2013 ont été utiles? Vlaamse Auditautoriteit : néant Autorité d'audit de Wallonie : néant Autorité d'audit Communauté germanophone : néant Beheersautoriteit D2 EFRO</p> |
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| <p>ESF Vlaanderen : oui 1/3- Autorité d'audit Communauté germanophone : Mon autorité n'est pas chargée d'une évaluation de la performance des programmes Beheersautorite it D2 EFRO Vlaanderen : Het normale indicatorenkad er op project- en programmaniv eau wordt gehanteerd & gecommunicee rd, conform de voorschriften in de regelgeving (eigen</p> | | | <p>bij het toepassen van standaardloonsc halen nog steeds onderzocht te worden of de betrokken medewerker wel een arbeidsovereenk omst heeft met de promotor of partner, van welk niveau die medewerker is en wat de anciënniteit is van de betrokken medewerker. De vereenvoudiging zit hem in de berekningen van het loon. Daarnaast dienen wel nog steeds urenregistraties gecontroleerd te worden. Daarnaast is het wel moeilijker</p> | <p>Vlaanderen : néant ESF Vlaanderen : néant FOD Financiën : néant</p> |
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| | <p>indicatoren & EU core indicators).</p> <p>ESF Vlaanderen : Op regionaal niveau in het Vlaams Monitoring Comité voor het ESF Vlaanderen.</p> | | | <p>om de cofinancieringen bloot te leggen gezien de bedoeling van deze vereenvoudiging is om steeds minder bewijsmateriaal te moeten voorleggen. En net bewijsmateriaal (zoals loonfiches, arbeidsovereenkomsten,...) is in sommige gevallen noodzakelijk om cofinancieringen aan te tonen. Daarnaast heeft de VAA op heden geen zicht op de totstandkoming van deze vereenvoudigde kostenopties en hun resultaat.</p> | |
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| | | | | <p>Voor de Auditauditoriteit wordt het werk er niet minder om.</p> <p>6/2-</p> <p>Autorité d'audit Communauté germanophone : oui Beheersautoritei t D2 EFRO Vlaanderen : oui ESF Vlaanderen : oui Vlaamse Auditauditoriteit : néant</p> <p>6/3-</p> <p>Autorité d'audit Communauté germanophone : oui Beheersautoritei t D2 EFRO Vlaanderen : oui</p> | |
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ESF Vlaanderen

: oui

Vlaamse

Auditauteiteit :

néant

Autorité d'audit

de Wallonie :

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FOD Financiën :

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| <p>BG</p> <p>1/1 – YES 1/2- YES 1/3-</p> <p>At national level, the results of the programmes co-financed with resources from the EU's Structural and Cohesion Funds (SCF) are measured by taking into account the target values achieved for the indicators used in the individual programmes and for the indicators used in the National Strategic Reference Framework (NSRF), and by taking into account the</p> | <p>2/1 YES 2/2 YES 2.3 YES</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>6/1 YES 6/2 YES</p> | <p>7/1- YES b, c</p> <p>Officials of the Audit of EU Funds Executive Agency (IA OSES) participated in the twenty-first and twenty-second meetings of the audit bodies for the Structural Funds (the Homologues Group) organised by the European Commission. At these meetings the statistical and non-statistical methods for taking samples of errors and error handling, and future updates of the European Commission's instructions in this regard were discussed, and conclusions were</p> |
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| | <p>financial implementation of the operational programmes (OP) (contracted amounts (including for priorities), certified amounts, instalments received from the European Commission, amounts actually paid under the operational programmes). The results are reported in the annual reports on the implementation of the individual operational programmes, and the assessments of</p> | | | | | | <p>drawn regarding the approaches that are necessary and useful for the individual Member States, and in particular for the audit authorities, during the next programming period from 2014 to 2020. The audit authorities' handling of errors in the context of the operational programmes was also examined during the annual technical meeting between the audit authorities and the European Community in connection with the closure of the 2007 to 2013 programming period. In 2013 an official from the audit</p> |
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the individual operational programmes and the NSRF. Two strategic reports for 2009 and 2012 have been drawn up regarding the contribution of the operational programmes to achieving the objectives of cohesion policy, the priorities of the Community strategic guidelines and the integrated guidelines on growth and employment. The reports have been published and have been the subject of public discussion. The

authority took part in a training course organised by the Directorate-General for Maritime Affairs and Fisheries on the sampling techniques for the European Fisheries Fund.

reports present an overview of the socio-economic situation and the general macroeconomic trends, as well as how they are affected by the implementation of the structural instruments. The achievements and perspectives are analysed in connection with implementing the EU's structural instruments, as well as the progress made with implementing the indicators in the NSRF

and the individual operational programmes. The implementation of the measures in the European Economic Recovery Plan is also analysed, as is the contribution towards the priorities of the Lisbon Strategy and the Europe 2020 Strategy. A meeting of the committee for monitoring the NSRF and the individual programmes is held annually to report on and discuss the progress made in

implementing the individual programmes, the progress made in implementing the indicators in the individual programmes and in the NSRF, the specific measures taken, and the implementation of the cohesion policy, including its effects and the associated reforms. With regard to the EAFRD, information is collected on the indicators (for product, result and financial indicators) which are

contained in the common framework for monitoring and evaluation and form an integral part of the annual reports. Information on the impact indicators is collected in the context of the interim evaluation drawn up in 2010, the ongoing assessments and the strategic implementation reports (2010 and 2012). Use is made of data from the National Statistics Institute (NSI) and the Ministry of

Agriculture and Food's Agricultural Statistics Unit, and information gathered from the projects. The SIBILA model has been developed and is used to assess the impact on the Bulgarian economy of the resources allocated from the Structural and Cohesion Funds (SCF). SIBILA is electronic and is completely adapted to the characteristics of the Bulgarian economic model, which it models taking into account

the effects of applying the OP to: GDP, private consumption, public consumption, private investments, public investments, exports of goods and services, imports of goods and services, employment, the unemployment rate, the average wage, inflation, the budgetary balance, public debt as a share of GDP and the current account balance as a share of GDP. The model examines the

economic growth in terms of two alternative scenarios: a basic scenario without the SCF and an alternative scenario showing the effect of the funding under the SCF. The difference between the results of these two scenarios with regard to a particular economic indicator is a measure of the net impact of the SCF. The four main sectors of the economy are covered: the real sector, the monetary sector, the

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| | <p>fiscal sector, and the external sector. Moreover, there are three additional blocks dealing with the accumulation of human capital, infrastructure and technology. The results obtained from the SIBILA model were used when drawing up the strategic report for 2012. The SIBILA model is also used to assess the impact of non-SCF public investment, such as investment under the</p> | | | | | | |
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| | <p>national programme Bulgaria 2020, and as a decision-making aid when allocating funds for the next programming period. This is comparable with the other models used by the EU, such as HERMIN, QUEST II, EZME, EcoMod, and others.</p> | | | | | | |
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| CY | <p>1/1 YES 1 / 2 YES 1/3- Answer: The performance of co-financed programmes is measured on the basis of output and result indicators for each programme project, and for the entire programme on the basis of Core Indicators. The Reports are submitted annually to the European Commission in the form of Annual Implementation Reports for each Operational Programme.</p> | 2/1 – NO 2/3 NO | N/A | N/A | <p>6/1 YES 6/2 NO</p> <p>Increased use of workshops and seminars for exchange of experiences between Member States and greater dissemination of models and best practices.</p> | <p>7/1 NO 7/2 NO Answer: The EU has expressed satisfaction with the level of annual audit reports of the Supervisory Authority</p> |
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As regards monitoring, the Annual Monitoring Report is prepared and is approved by the Monitoring Committee of the RDP and then sent to the European Commission. Regarding evaluation, the system provides for the preparation of an ex-ante evaluation report on the RDP which is annexed to the Programme and then a parallel validation process is provided for that includes preparation of annual

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| CZ | <p>evaluation reports and a Mid-Term Evaluation report. At the end of the programming period, an ex-post evaluation report is provided for.</p> | <p>2/1 – YES 2/2 – YES 2/3- NO</p> | N/A | N/A | N/A | <p>6/1- YES 6/2- YES 6/3- YES</p> | <p>7/1- YES E In 2012 the Action Plan to improve management and control system for Structural Funds in Czech Republic, which included centralisation of audit activities, was implemented in the Czech Republic. Since 1 January 2013 the only entity carrying out audits</p> |
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| | <p>ational level (for the National Strategic Reference Framework); they are the most appropriate ones to define the objectives of the National Strategic Reference Framework. Target and starting values have been set for the indicators. The fulfilment of the objectives of the National Strategic Reference Framework is evaluated by comparing the commitments and the values achieved. The outputs are</p> | | | | | | <p>in the Czech Republic pursuant to Article 62 of Council Regulation (EC) No 1083/2006 is the Ministry of Finance of the Czech Republic. In this respect, a new manual for audit activities has been drawn up and staff are receiving internal and external training. The audit authority has two departments for the coordination of audits and quality management (one for thematic operational programmes and the other for regional operational programmes). The above changes were</p> |
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regularly reported on in the Monthly monitoring report (published once a month).

communicated to the ECA by representatives of the audit authority (Ministry of Finance) in person during their mission in Luxembourg. The Czech Republic has adopted all measures proposed by the Commission, intends to continue to communicate with the Commission services in order to increase the quality and reliability of information and would welcome further seminars organised by the Commission with a view to improving the work of the audit authority.

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| | | | | | | | | | | | | 7/2- YES Bilateral Co-ordination Meeting, The Homologues Group, Seminar 'EC New GN on Sample Selection', 'Closure of Programmes 2007-2013', 'Additional Works', 'ECJ Judgements', 'CZ Annual Control Reports 2013'. |
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| <p>DK</p> | <p>1/1 – YES 1/2 – YES The results of Regional and Social Fund operations in Denmark are measured using the indicators laid down in the programmes and are reported in the annual reports for the two Funds. In addition, register data from the Danish Statistical Office are used to measure actual developments in the firms taking part and to estimate the impact of operations by comparing the</p> | <p>2/1- NO 2/3 NO</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>7/1 – NO The error rate was/is under 2 % and the Commission considered the information from the audit authority reliable. 7/2 – yes Material useful. Did not attend any seminars</p> |
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| EST | 1/1 – yes 1 / 2 – yes Evaluations are | 2/1 – yes 2/2- yes 2/3 - yes | N/A | N/A | N/A | 6/1 - yes 6/2 - yes 6/3 - Greater | 7/1 - yes A,b,c d, |
| firms taking part with control groups. In 2014-2020 the same type of measurements are expected to be applied for projects targeted at persons (primarily the Social Fund). | | | | | | | |

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| | <p>regulated under Articles 47 and 48 of Council Regulation (EC) No 1083/2006. These Articles have been implemented by Section 24 of the 2007-2013 Structural Assistance Act, which lays down that evaluations of the granting and use of assistance within the meaning of Article 47 are organised by the 1st level intermediate bodies and 2nd level intermediate bodies. Evaluations covering operational</p> | | | | <p>attention should be given to the issue of implementing simplified cost options – simplification should not only be easy on paper and conceptually, but implementation should also be easy (both for the administration and the beneficiary).</p> | <p>7/2- yes DG REGIO's technical audit working groups</p> |
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| | <p>programmes must be carried out by the managing authority. More specifically, Government of the Republic Regulation No 276, which is implemented by means of Minister for Finance Order No 158, establishes a managing committee for evaluations which convened on 25 April 2008. The committee is made up of the managing agency and representatives of all the 1st level intermediate bodies and 2nd level</p> | | | | |
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intermediate bodies.

The managing committee for evaluations approves the working plan for evaluations, i.e. it decides which evaluations are needed, and if necessary it orders an evaluation with the bodies concerned in cooperation with the MA.

The managing committee for evaluations also decides whether to involve other bodies in specific evaluations, and the members of the managing

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| | <p>committee comment on all technical specifications. The managing committee for evaluations is also informed of the results of all evaluations carried out as well as of progress with subsequent follow-up so that all bodies have an overall picture and where necessary have the opportunity to refer the findings from evaluations for a management decision.</p> <p>All evaluation reports without exception are public and are available on</p> | | | | | | |
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the central website [struktuurifondid.ee](http://www.struktuurifondid.ee) - <http://www.struktuurifondid.ee/hindamistetooplaan-ja-aruanded/> as well as on the websites of the bodies concerned.

In Estonia evaluations are usually carried out by external experts, i.e. evaluations are outsourced, with the exception of the Ministry for Economic Affairs and Communications where the analysis department also carries out internal

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| | <p>evaluations.</p> <p>The results of all evaluations and the progress in follow-up measures are set out in the annual monitoring reports for the operational programmes. The findings of all the evaluations are sent to the monitoring committee for the operational programme, which also reports on progress in following up the evaluations. The monitoring committee may also provide guidance on evaluation</p> | | | | | | |
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needs. In addition, since 2013 work has started to set up a central database of evaluation recommendations and follow-up, and this is regularly updated. All the evaluations and follow-up measures during the period were set out in an aggregated manner at the end of 2012 for the 2007-2013 reference period in the strategic report on use of the structural funds, which was approved by the Estonian Government

and sent to the European Commission. The body which carried out the evaluation sends on the results of the evaluation and recommendations for implementation, monitors compliance with the evaluation recommendations and informs the monitoring committee and the managing committee for evaluations. All the bodies have a constant overview of the results of evaluations and these can be used where necessary to

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| | <p>support decisions taken in policy making. The vast majority of recommendations made in the evaluations carried out in recent years have concerned planning the use of 2014-2020 structural instruments, and identified weaknesses in internal actions, the operational system and indicators. On the whole, all measures involving structural instruments were already evaluated during the period, and the</p> | | | | | |
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plan is to evaluate the targeted and effective use of larger infrastructure items in 2014 and 2015. At the end of the period, i.e. in 2014 and 2015, the focus will mainly be on carrying out impact assessments to obtain an overview of whether sufficient progress has been made towards the objectives of the National strategy for the use of structural funds 2007-13 (RSKS) which is also part of the objectives

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| | <p>for review laid down at national level given that the RSKS is part of RES.</p> | | | | | | |
| <p>FIN</p> | <p>1/1- yes 1 /2 – no</p> <p>The programme of the European Agricultural Fund for Rural Development defines reporting and evaluation procedures. Evaluation is carried out through annual regulatory reporting in follow-up meetings, in specific reports (concerning e.g. environmental aid) and in</p> | <p>2/1- no 2/3 - no</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>6/1 – ye 6/2 – yes 6/3 – yes</p> | <p>7/1- yes</p> <p>In connection with the annual audit report the audit authority for the ESF and ERDF programmes in Mainland Finland has provided the most relevant audit-specific observations concerning the audits of the support measures (see the Court's observation in point 5.52). The audit authority has also completed all the audits before the annual reporting and the annual declaration.</p> |

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| | <p>individual seminars. Measurement/e valuation is also carried out in connection with monitoring of the national budget. European Fisheries Fund: The Fund Regulation defines the order in which the monitoring of and reporting on the measures under the Fund are carried out. The Ministry of Agriculture and Forestry is the Managing Authority of the Fund and reports to the Commission once a year on the progress</p> | | | | | | <p>The audit authority has great reservations about classifying detected errors as individual errors. So far there have been no errors regarded as individual errors during the programming period, but all the errors have been random. The Commission does not, therefore, have to correct the error rate mentioned in the audit report in this respect.</p> <p>The audit authority follows faithfully the statistical audit sampling models and calculation method defined by the Commission</p> |
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| | <p>and effectiveness of the programme. On the national level, the Ministry reports on the implementation of the programme to a monitoring committee established by the Government. A more comprehensive evaluation of the impacts of the programme will be carried out by an external evaluator at mid-term and at the end of the programming period.</p> | | | | | | <p>for project audits. The Commission does not, therefore, have to correct the error rate mentioned in the audit report in this respect.</p> <p>The audit authority considers that point 5.57 of the Court's annual report does not concern Finland.</p> <p>7/2- yes</p> <p>The Commission's 'Guidance on sampling methods for audit authorities' is an impressive document of 161 pages in the field of mathematical statistics and, as such, it is also used for teaching</p> |
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| | <p>1/1- no 1 / 2- no</p> <p>Le calcul de la performance n'est pas finalisée à ce jour</p> | N/A | N/A | <p>Les conditions d'éligibilité sont trop complexes, ce qui donne lieu à des erreurs d'interprétation.</p> | YES | <p>6/1 – YES 6/2 - YES 6/3 - YES</p> | <p>purposes at universities.</p> | <p>7/2- YES</p> <p>Réponse: - stabilisation des définitions des différentes catégories d'erreurs ;</p> <ul style="list-style-type: none"> - Précisions sur la prise en considération des mesures correctives - Description du traitement des erreurs potentiellement systémiques et connues. |
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| DE | <p>1) Nutzen Sie SMART-Ziele und RACER-Indikatoren für die Überwachung und Bewertung der Ergebnisse kofinanzierter Programme auf nationaler Ebene?</p> <p>Ja 1 (BMVBS) Nein 1 (BMAS)</p> <p>2) Haben Sie mit Ihren Ansprechpartnern bei der Europäischen Kommission über die Festlegung von Zielen und Indikatoren für kofinanzierte Programme gesprochen?</p> | <p>Ja1 Nein 0 2007-2013 Programming Period At the beginning of the programming period the Länder conducted a risk assessment of the Management and Control Systems and of the support activities. Using pre-defined criteria, the inherent risk and the control risk were assessed. This risk assessment is kept continuously up to date by the administrative checks carried out by the Managing and Audit Authorities.</p> | <p>N/A</p> | <p>Die Anforderungen sind zu komplex und führen deshalb zu fehlerhafter Auslegung.</p> | <p>N.A</p> | <p>Teilt Ihr Mitgliedstaat die Auffassung des Rechnungshofs, dass VKO sich positiv auf die Fehlerquote auswirken? 1 Ja 0 Nein - Falls nein, begründen Sie dies bitte.</p> <p>Plant Ihr Mitgliedstaat die Einführung von VKO (in Mitgliedstaaten, die VKO noch nicht nutzen) und/oder eine intensivere Nutzung von VKO? 1 Ja 0 Nein- Falls nein, nennen Sie bitte die Gründe und, soweit möglich, Hindernisse</p> | <p>Plant Ihr Mitgliedstaat Maßnahmen zur Verbesserung der Lage? 0 Ja - Falls ja, bitte ausführen: (a) 0 deutlichere Leitlinien für die Mitgliedstaaten (b) 0 mehr Schulungen für das Personal in den Mitgliedstaaten (c) 0 Verbesserung der Qualitätskontrolle bei den Prüfbehörden (d) 0 externe Evaluierung/Kontrolle der Prüfbehörden (e) 1 weitere Vorschläge, bitte ausführen: Systematic continuation of existing training</p> |
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| | <p>Ja1 (BMVBS, BMAS) Nein 0 3) Wie messen Sie auf nationaler Ebene die Leistung kofinanzierter Programme und in welcher Form berichten Sie über das Ergebnis der Bewertung? BMVBS: Progress made on each project is measured regularly against the established indicators. The data collected is summarised in annual reports and transmitted to the European Commission. Furthermore, in</p> | <p>Systems audits, on-the-spot checks on beneficiary premises and project sampling also serve as an ongoing assessment and a means of reducing the risk of fraud. With a view to promoting continuous improvement, the findings and observations of audits conducted by the European Commission and the European Court of Auditors also help further develop the management and control systems in order to reduce and prevent errors. Furthermore, the</p> | | <p>(nennen Sie möglichst konkrete Beispiele). Hat die Kommission die Nutzung von VKO Ihrer Meinung nach ausreichend und adäquat gefördert? 0 Ja 1 Nein - Falls nein, nennen Sie bitte die Gründe und mögliche Abhilfemaßnahmen. Answer: very long, drawn out authorisation procedure for flat rates at the beginning of the 2007-2013 programming period.</p> | <p>activities in Germany Erachtet Ihr Mitgliedstaat angesichts dieser Empfehlung die vorgeschlagenen Leitlinien für den Umgang mit Fehlern und die von der Kommission in den Jahren 2012 und 2013 organisierten Seminare für sinnvoll? 1 Ja Geben Sie bitte Beispiele an Answer: In addition to the seminars, contact persons from the European Commission are readily available to provide detailed answers to individual</p> |
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| | <p>2013 the existing aims and impact of the Transport OP were analysed and the interim evaluation report on the implementation status of the Transport OP report was attached in annex to the 2012 Annual Implementation Report. BMAS: Annual Implementation Reports and Evaluations</p> | <p>rules on detection and follow-up of errors must be complied with. 2014-2020 Programming Period Under Article 125(4)(c) of the (draft) General Regulation the Managing Authorities must put in place effective and proportionate anti-fraud measures taking into account the risks identified. Furthermore, during the negotiations on the implementing acts, a checklist was drawn up for the purposes of determining the risk of fraud (the Guidelines</p> | | | | <p>questions.</p> |
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| | <p>are at the drafting stage). This will enable the relevant authorities to estimate the risk of fraud and implement the appropriate measures.</p> <p>Falls ja, ergreift Ihr Mitgliedstaat anschließend wirksame und angemessene Betrugsbekämpfungsmassnahmen, um die ermittelten Risiken zu mindern?</p> <p>Ja1 Nein 0 2007-2013 Programming Period</p> <p>From the assessment and analysis of audit findings and fraud cases, preventive and</p> | | | | |
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(re)active measures have been taken (the list is not exhaustive) .
 Preventive:

- Production of Guides, provision of guidance and development of checklists and minimum standards for audit documentation and control.
- Determination of the audit coverage rate for desk-based checks and on-the-spot controls, where desk-based checks are not covered 100%.
- Particular attention to and assessment of

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| | <p>public procurement and state aid legislation.</p> <ul style="list-style-type: none"> • Compliance with the separation of the authorisation, payment and control functions (minimum "four eyes principle", automated plausibility check by the IT system and the granting of rights) • Checking of the application and documentation, and obligation on the final beneficiary to cooperate; reference to the Subsidies Act • Information, | | | | | |
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communication, training and advanced training

- Administrative staff receive information and instructions on accepting rewards and gifts. In many cases administrative regulations or decrees exist at Lander level on the risk of corruption, and tackling and preventing fraud and corruption.

Active:

- Financial corrections, checks on timely implementation of financial corrections and elimination of the causes of

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| | <p>error</p> <ul style="list-style-type: none"> <p>Suspected fraud cases are handed over to the Public Prosecutor's Office.</p> <p>2010-2020 Programming Period</p> <p>The findings and measures from the previous programming period will also be applied in the future and will be further developed and improved on the basis of the new regulatory framework and newly available information.</p> <p>The information session organised by the European Commission on 3.12.2013 on the</p> | | | | |
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topic of combating and preventing fraud was attended by representatives at Federal and Länder level. Measures to reduce the risk of fraud were presented at the event.

Teilt Ihr Mitgliedstaat Indikatoren mit, denen entnommen werden kann, welche Ergebnisse die Kontrollen zur Aufdeckung und Verhinderung von Betrug liefern?
Ja0 Nein 1
No indicators are provided.
Audit results and action taken are, however,

documented. This also applies to recoveries, pending recoveries, legal action and appeals, which also have to be followed up. Furthermore, at the quarterly meetings of the ERDF Managing Authorities an exchange takes place about audits conducted (by the European Commission and the ECA) and the main sources of error and findings as well as any remedial action taken. The intensity varies in accordance with priorities and the need for dialogue. These exchanges also

contribute to the
fight against
fraud.

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| <p>GR</p> | <p>1/1- YES 1/2 – YES</p> <p>THROUGH ANNUAL REPORTS AND EVALUATIONS DURING THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMMES USING TOOLS SUCH AS INDICATORS (ECONOMIC, OUTPUT, OUTCOME)</p> | <p>2/1 –NO 2/3 NO</p> | <p>N/A</p> | <p>ELIGIBILITY REQUIREMENTS ARE COMPLEX, COMBINED WITH THE DIFFICULTY INVOLVED IN VERIFYING THE REASONABLE COST OF INVESTMENT PROJECT EQUIPMENT</p> | <p>N/A</p> | <p>6/1 – YES 6/2- YES 6/3 -YES</p> | <p>7/1 –YES B,c</p> <p>7/2- YES</p> <p>TECHNICAL MEETINGS WERE HELD FOR:</p> <p>1) THE ERROR HANDLING GUIDE</p> <p>2) THE SAMPLING METHOD GUIDE</p> |
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| <p>HU</p> | <p>1/1 – YES 1 /2- YES</p> <p>We use many methods to evaluate development policy intervention. For data collection – depending on the nature of intervention and the evaluation questions – we use both qualitative and quantitative/statistical tools. The most common qualitative tools are document analysis, interviews and focus groups; the most common quantitative/stat</p> | <p>2/1 – YES 2/2 – YES 2/3 - YES</p> <p>For purposes of coordination and organisation in the National Development Agency, it is extremely important to develop an anti-fraud strategy for the institutions involved in managing cohesion policy for the 2014-2020 planning period. The content of the anti-fraud strategy has been defined on the basis of evaluation group meetings involving experts from the competent</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>7/1 – NO</p> <p>The Commission found the information from the Hungarian audit authority in the annual audit reports to be reliable, so the aim is to maintain the current level of professionalism.</p> <p>6/1- YES 6/2- YES 6/3- YES</p> <p>Discussions were prolonged in the 2007-2013 period due to lasting questions for the ERDF on the use of SCOs for public procurement.</p> <p>7/2- YES</p> <p>Answer: technical meetings on current issues to help prepare audit authorities theoretically and practically</p> |
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| | <p>tistical tools are data base analysis and data collection via questionnaires. The methods of analysis are also manifold. The methodological portfolio includes logical testing of impact routes, process analysis (mainly used for institutional evaluation), panels of experts, multi-criteria analysis to help compare diverging views, as well as various types of cost-benefit analysis and risk analysis.</p> | <p>bodies – the Directorate General for Audit of European Funds, the OLAF Coordination Office of the National Tax and Customs Administration, the certifying authority, the managing authorities and the intermediate bodies.</p> <p>The strategy is currently under development. The process has been prolonged by the new measures proposed by the Commission; the new fraud prevention indicators; and the development and introduction</p> | | | | | |
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| | <p>Econometric methods using control groups for counterfactual impact analysis also deserve special mention. Our evaluations use this broad range of methods from pair tests to the difference of differences method to discontinuity models. The tests focus on problems raised and the evaluation demands of various institutions and professionals. We distinguish between strategic and operative evaluations.</p> | <p>of the new risk management information programme, Arachne; as well as ongoing organisational changes at the National Development Agency. We are planning further working group meetings and discussions to develop the strategy.</p> <p>The anti-fraud strategy under preparation contains general provisions on managing the risk of fraud. However, working group discussions have raised the need to work with institutions on the methodology</p> | | | | | |
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| | <p>Strategic evaluations mainly cover the objectives, progress, results and impact of intervention and resource allocation (based on available data). Operative evaluations mainly cover various aspects of practical implementation and institutional operation (including legislation).</p> <p>Evaluation projects are outsourced, generally for half a year to a year. At the beginning of the procedure,</p> | <p>for managing and analysing the risk of fraud to combat fraud more effectively.</p> <p>Moreover, paragraph 5.5 of Presidential Decree 33/2012 of 11 October 2012 laying down risk management rules for the National Development Agency states: 'Fraud, corruption: The budgetary institution shall give special attention to managing serious issues of non-compliance (fraud and corruption).'</p> | | | | |
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the institution ordering the evaluation gives contractors a list of tasks agreed with the other institutions involved. Then the evaluator checks the evaluability of intervention and identifies the stakeholders (stakeholder analysis). Next the evaluator produces an initial report with the results of the evaluability test, the evaluation questions, the methodology and the data needs for the evaluation, as

well as the timetable for the evaluation project and the projected use of capacity. The evaluation manager appointed by the institutions monitors the evaluation process and ensures quality. During the process, the evaluator submits at least one interim report before the final report.

We make the results of our evaluations public via a number of channels. We notify the Commission of evaluations in annual

implementation reports, at ARMs, at evaluation partner meetings in Brussels and at evaluation workshops and conferences called by Commission representatives. The Commission is also notified of evaluations in the English version of our evaluation yearbook and in English evaluation summaries on the National Development Agency's website. We also notify domestic professionals

and institutions of evaluation results via a number of channels. We discuss each evaluation at an interim and a final workshop with the managing authority and the institutions involved and other institutional, civil, scientific and policy-making stakeholders. We present evaluations at meetings of the operative programme monitoring committees and make evaluation reports public on our website. The

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| | <p>conferences and yearbooks mentioned above naturally provide information for domestic stakeholders as well. Our evaluations provide feedback via these channels both for implementation during the period in question and for planning for the next EU budget period.</p> | | | | | | |
| <p>IRL</p> | <p>Department of Education IE Certifying Authority (coordinating with AA & MA) 1/1- YES 1/2- YES</p> | <p>Department of Education IE Certifying Authority (coordinating with AA & MA) 2/1- YES 2/2 -YES 2/3 NO</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>6/1- YES 6/2 – YES 6/3- YES</p> | <p>7/1- NO 7/2- YES Reply: The guidance on the treatment of errors is very helpful particularly in relation to practical</p> |

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| | <p>Managing Authority holds two Programme Monitoring committee meetings each year where the performance of the Activities within the OP are examined for both financial and physical progress. The Managing Authority commissioned a Mid Term Evaluation of the Human Capital Investment OP 2007-2013 in 2010, which was completed in 2011. The evaluation examined the performance of all the</p> | <p>Public Expenditure and Reform 2/1- NO 2/2 –YES 2/3 NO</p> <p>The Audit Authority does not carry out specific risk assessment in relation to Fraud. It is considered that the programme of management verifications (both desk checks and on-the-spot checks) are adequate to provide reasonable assurance that the risk of fraud is mitigated. The managing authorities and intermediate evaluate general</p> | | | <p>examples. Seminars are useful/welcome (e.g. sampling) but general not specific so may need to be supplemented with Bilateral meetings.</p> |
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| | <p>Activities in the HCI OP. The final report can be found on the ESF website at: http://www.esf.ie/en/publications_evaluation.aspx The performance of the Activities within the HCI OP will also be re-examined as part of the ex-ante evaluation in preparation for the 2014-2020 programming period.</p> <p>on behalf of Department of Environment, Community & Local Government delegated by the Paying Agency</p> | <p>risks in the selection of projects for on-the-spot checks.</p> | | | | |
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| | <p>(Department of Agriculture Food and the Marine) for Axis 1 M123 and Axes 3 & 4 in Ireland</p> <p>1/1- YES 1/2 –YES</p> <p>Reply: Evaluation is done on whole programme by the Managing Authority not just axis 3&4 of the Rural Development Programme</p> <p>on behalf of Department of Agriculture Food and the Marine (Rural Development Division)</p> <p>1/1- YES 1/2- YES</p> | | | | | | |
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| | <p>Reply: The rural development programme for Ireland for the period 2007-2013 was prepared in accordance with the provisions of Council Regulation (EC) No 1698/2005 and Commission Regulation (EC) No 1974/2006 13 and in doing so reflected the appropriate objectives and performance indicator options under that legislation. Measurement of the performance of the programme was informed</p> | | | | | | |
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by ongoing evaluation which included an independent mid-term evaluation, consultation with the rural development monitoring committee, case studies and reports by the national rural network, value for money and policy reviews on selected subjects, amendments of the programme in accordance with budgetary requirements and also in response to the need for the re-allocation of funds from underperforming measures to

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| | <p>better performing.</p> <p>Department of Public Expenditure & Reform</p> <p>1/1- YES 1/2- YES</p> <p>Reply: Performance of co-financed programmes are measured as part of the mid-term and final OP evaluations. Evaluation reports are forwarded to the Commission, and discussed at the annual Monitoring Committee and the appropriate follow-up action is taken</p> | | | | | | |
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| <p style="text-align: center;">LV</p> | <p>1/1 – YES 1/2 – YES</p> <p>Comments relating to agricultural and rural development:</p> <p>Ongoing evaluation is carried out of the implementation of the rural development programme, and a mid-term evaluation is performed. Implementation reports are prepared annually. These evaluations and reports are approved by the programme's Monitoring Committee and</p> | <p>2/1- YES 2/2- YES 2/3 –YES</p> | <p>N/A</p> | <p>N/A</p> | <p>6/1 –YES 6/2 – YES 6/3- NO</p> <p>Comments relating to regional policy, energy and transport, and also employment and social affairs: Our opinion is that the application of simplified costs is still quite a new issue for Member States, and that insufficient encouragement is provided by the Commission to use them. We believe the EC guidelines do not provide sufficient clarity to Member States on their application.</p> | <p>7/1- YES A, b, 7/2 –YES</p> <p>1) Meetings of the expert group and discussions of the EC guidelines 2) Participation of the working group's auditors in the annual Homologues' Group meeting 3) Seminar on sampling (Riga, 16 December 2013)</p> |
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forwarded to the European Commission.

Comments relating to regional policy, energy and transport, and also employment and social affairs:

Quarterly reporting by the Managing Authority to the Cabinet on the absorption of EU funds; 6-monthly and annual reporting by the Competent Authorities to the European Commission.

To increase the level of interest among Member States, the Commission should distribute examples of best practice in the application of various types of simplified costs, provide information on specific areas in which these costs can be applied, and offer a standard methodology for specific areas and costs; such measures would reduce the administrative burden on Member States and encourage the wider use of simplified costs. It would also be useful if seminars,

practical forums and expert working groups were organised in relation to this subject. When assessing the possibilities for the wider application of simplified costs, account should be taken of whether this would not be in conflict with other EU and national legislation, including rules on State aid.

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| LITH | <p>1/1- YES 1/2- YES</p> <p>The progress made in implementing operational programmes is analysed in annual operational programme implementation reports, submitted each year to the European Commission and published on the EU structural support website www.esparama.lt. Before the reports are sent to the Commission they must be approved by the Operational Programme</p> | <p>2/1- NO 2/2- YES 2/3- YES</p> <p>Fraud risk assessment of management and control systems is not carried out in Lithuania. However, the detection, investigation and prevention of criminal offences in Lithuania, including those connected to the acquisition and use of EU and foreign support funds, is the responsibility of the Financial Crime Investigation Service under the Ministry of Internal Affairs (paragraphs 6 and 7 of the Law</p> | N/A | N/A | <p>6/1- YES 6/2- YES 6/3- YES</p> <p>N/A</p> | <p>7/1- YES A, b, 7/2 – YES</p> <p>Answer: Meetings held by OLAF's Advisory Committee for the Coordination of Fraud Prevention (COCOLAF) and the Committee's expert groups (notification and analysis of suspected cases of fraud and other offences, fraud prevention). Meetings and conferences held by OLAF's anti-fraud coordination services (AFCOS) (e.g. the conference on anti-corruption and anti-fraud in relation to the use of EU Structural and Investment</p> |
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| | <p>Steering Committee, composed of institutions responsible for administering EU structural support, along with various social and economic partners. For the purpose of drafting these reports, progress made in implementing operational programmes is analysed on the basis of the results of assessments of the use of EU structural support carried out by external experts commissioned by ministries and/or other</p> | <p>of the Republic of Lithuania on the Financial Crime Investigation Service (Valstybės žinio 2002, No 33-1250; 2003, No 101-4540)). Lithuanian legislation governing the administration of EU structural support lays down that where an authority administering support suspects a case of fraud, it must notify the Financial Crime Investigation Service, which is responsible for the detection, investigation and prevention of criminal offences, including those</p> | | | | <p>Funds held on 3 December 2013, organised by DG Regional and Urban Policy in coordination with DG Home Affairs, OLAF and Transparency International).</p> |
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| | <p>government authorities responsible for economic sectors co-financed by EU funds. Once these assessments have been completed, the results (conclusions and recommendations on the implementation of operational programmes) are compiled in assessment reports and then also presented to assessment target groups, including social and economic partners.</p> | <p>connected to the acquisition and use of EU and foreign support funds. The legislation also lays down that EU financial support cannot be granted to a project implementer or applicant who is subject to a conviction which has not yet expired or has not been revoked or who, within the last five years, has been the subject of an effective conviction for participation in fraud.</p> | | | | | |
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| LUX | <p>1/1- YES 1/2 –YES</p> <p>Tous les projets cofinancés par le FSE font l'objet de comités de pilotage semestriels entre les bénéficiaires et l'Autorité de gestion. Lors de ces comités sont notamment discutés et évalués :</p> <ul style="list-style-type: none"> - l'évolution générale du projet, - les indicateurs de suivi et de résultat, - la consommation budgétaire par poste et les indicateurs | 2/1 – NO | N/A | N/A | <p>6/1 – YES 6/2 – YES</p> <p>Remarque: L'Autorité de gestion du FSE a mis en place une présentation relativement simple qui est utilisée dès l'établissement de la candidature. Aussi, elle soutient activement les bénéficiaires dans l'élaboration des budgets lorsqu'ils en font la demande, afin d'éliminer toute source susceptible de causer des erreurs ou en vue d'une simplification administrative pour le bénéficiaire.</p> | 7/1- NO | <p>Non. L'IGF n'a pas fait partie de l'échantillon d'autorités d'audit sur lequel sont basés les constats et recommandations de la Cour</p> <p>Les rapports annuels de l'IGF correspondent parfaitement aux dispositions réglementaires en la matière</p> <p>Ces rapports ont toujours été acceptés par la Commission européenne</p> <p>Les systèmes de gestion en place au Luxembourg ont une structure très simple et transparente</p> <p>Les taux d'erreurs constatés au Luxembourg</p> |
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| | <p>financiers, - le suivi des recommandations émises lors du précédent comité ou rapport de contrôle. Dans le rapport annuel, de nombreux indicateurs demandés par la Commission européenne sont renseignés et commentés. Ce rapport et la situation générale du FSE font l'objet d'échanges au sein du comité de suivi qui réunit les partenaires sociaux, des représentants d'autres fonds européens et d'autres</p> | | <p>En outre, depuis décembre 2012 les projets sélectionnés par le comité de sélection font l'objet d'une réunion de mise en place qui vise à éclaircir avec le bénéficiaire tous les points qui pourraient soulever des questions ou des problèmes lors des contrôles financiers effectués suite à l'introduction de leurs demandes de paiement. Pour la période de programmation 2014-2020, l'Autorité de gestion poursuivra ses efforts en vue</p> | <p>sont en général faibles ou très faibles.</p> |
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| | <p>ministères ainsi que la Commission européenne.</p> | | <p>d'une simplification financière et administrative, sans compromettre la qualité des contrôles.</p> <p>6/3- NO</p> <p>Réponse: Alors que certains services de la Commission communiquent les mérites d'un tel système, l'Autorité de gestion doit constater que les contrôles effectués par la Commission, ainsi que ceux effectués par l'Autorité d'audit, et notamment les recommandations qui s'en suivent, et toutes</p> | |
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| | | | | | | <p>les informations, souvent très détaillées, qui doivent être transmises à la Commission en provenance des bénéficiaires, poussent clairement à un renforcement de la charge administrative et non à sa réduction. Ceci est d'autant plus flagrant que le Luxembourg a, et de loin, l'allocation financière la plus réduite parmi tous les États membres, même lorsqu'elle est exprimée PIB/habitant ou par rapport au PIB lui-même.</p> <p>Avec une</p> |
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| | | | | | | <p>réduction supérieure à 10% en ce qui concerne le FSE pour 2014-2020, une apparence simplification administrative prévue par les projets de règlements, dont son impact sur la gestion quotidienne demeurera à prouver, et l'un des taux d'erreurs du FSE les plus bas de toute l'Union, l'Autorité de gestion reste très prudente quant à la proportionnalité du niveau des allocations européennes et le niveau de charge administrative</p> |
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qui sera requise, notamment en ce qui concerne les contrôles et tout le suivi administratif.

Notons que depuis 2011 la Commission n'effectue plus elle-même des contrôles financiers sur place eu égard aux faibles montants alloués au Luxembourg et du fait que le Luxembourg a l'un des taux d'erreurs les plus bas de l'UE. Elle se base uniquement sur le rapport annuel de l'Autorité d'audit ainsi que sur les diverses informations qu'elle reçoit de

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| | <p>1/1- YES 1/2- YES</p> <p>Answer: At national level, the performance of the co-financed programmes is the subject of continuous monitoring and evaluations as agreed with the European Commission.</p> <p>A) As far as the monitoring of the two Operating Programmes in the area of the</p> | <p>2/1- YES 2/2- YES 2/3- YES</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>AT/la part de l’Autorité de gestion et de l’Autorité de certification (demandes de paiement et rapports annuels).</p> <p>6/1 – YES 6/2- YES 6/3- NO</p> <p>Answer: It is felt that the Commission should provide more guidelines on the use of SCOs in the light of other obligations, e.g. monitoring by the Management Authority.</p> | <p>7/1 – YES A, c, 7/2- YES</p> <p>Answer: (1) Technical Meetings organised by OLAF e.g. on fraud in the area of procurement. (2) Meetings organised by the EU Directorates General themselves, e.g. those organised by the Directorate-General for Agriculture.</p> |
| <p>MT</p> | | | | <p>N/A</p> | <p>N/A</p> | | |

Cohesion Policy is concerned, this is as set out below:

- a) Continuous, day-to-day monitoring at the payments level;
- b) Reports prepared by the project leaders twice a year on the progress and indicators of the projects under their responsibility;
- c) The Annual Report on Implementation in which, among other things, the stage of implementation of the

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| Operating Programmes, updates on the progress of a number of projects, and an explanation of how technical assistance has been used; | | | | | | | | | |
| d) The monitoring committee, which is responsible for monitoring the implementation and progress of the two Operating Programmes. This committee meets at least twice a year; | | | | | | | | | |
| e) The Steering Committee within the Ministry which is tasked, among other | | | | | | | | | |

things, with addressing problems that may result in full implementation of the projects not being able to continue as planned;

f) The Steering Committee of the Intermediary Body, which monitors the progress of the scheme;

g) Monitor ing meetings at strategic levels, which began in 2008 to ensure that problems identified during the course of implementation could be addressed as

quickly as possible;
h) The 'Structural Funds Database' (2007-2013) which serves as a financial mechanism for the management of the funds starting at receipt level and going up to the Programme level.

B) As far as the 'Solidarity & Management of Migration Flows' General Programme and the Fisheries Operating Programme are concerned, many of the monitoring

approaches referred to above also apply to these programmes. I will elaborate on some points of the first monitoring approach concerning the Solidarity & Management of Migration Flows Fund:

a) The monitoring process is continuous and uninterrupted at all levels of the implementation system. This ensures not only that the specific project is being developed as agreed in the Grant

Agreement, but also that the objective agreed at the start is being attained. Importance is given to the fact that whenever there is an element concerning which a recommendation is made, the recommendation is acted upon;

b) Monitoring at the 'Multi-annual Programme' and 'Annual Programme' level. These Programmes may be amended, with the approval of the European Commission,

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| | <p>in the light of new circumstances that were not present when the Programmes were drafted;</p> <p>c) Monthly bilateral meetings between the Competent Authority and the Beneficiary;</p> <p>d) The project leaders are under strict obligation to monitor the project entrusted to them, by means of (i) visits to the site where the project is being implemented followed by</p> | | | | | | |
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reports of the findings, (ii) reconciliation before payment for the work done on the project;

e) Halfway through the eligibility period, the project leader is to write an 'Interim Report'. These reports must be made available to the competent authority which, in turn, must write a Progress Report on the Implementation of the Annual Programme which, in certain situations, is sent to the

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| | <p>European Commission;</p> <p>f) A Final Report at project level by each Beneficiary, followed by the Report on the Implementation of the Annual Programme, which must state whether the objectives were not attained;</p> <p>g) Monitoring of the aspects (including minor ones) of the Programme through the Solid Information System;</p> <p>h) The Manual of Procedures, which is kept</p> | | | | | |
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up to date and can be used as a guide for monitoring all aspects of the implementation

i) The Competent Authority carries out checks to establish that actual events are reflected in what is written about the functioning of the system.

C) Monitoring of the Fisheries Operating Programme:

a) The monitoring committee, which is responsible for monitoring the Operating

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| | <p>Programme at strategic level;</p> <p>b) Reports prepared by the project leaders twice a year on the progress and indicators of the projects under their responsibility;</p> <p>c) From time to time the Managing Authority organises meetings with the intermediary unit and with the beneficiaries.</p> <p>Major emphasis is placed on those projects where it is felt that implementation is falling behind;</p> <p>d) Monitor</p> | | | | | |
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| | <p>ing of results makes significant use of indicators that are split into three: i) context indicators – indicate whether the physical output of the project or activity that has taken place because of the project is the same as devised at the start; ii) output indicators – indicate the imminent benefits obtained from the project, and iii) results indicators – indicate that the project not only has immediate benefits but</p> | | | | | |
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will have a greater impact over time at national level;

e) Monitor
ing using a
database
known as the
'European
Fisheries Fund
Database',
which is of
considerable
help when it
comes to
monitoring
provided
everyone
enters the data
punctually;

f) The
Manual of
Procedures,
which is kept
up to date and
can be used as
a guide for
monitoring all
aspects of the
implementation
;

g) The Competent Managing Authority carries out checks to establish that actual events are reflected in what is written about the functioning of the system.

D) Concerning the current Programming Period for the two Cohesion Policy Operating Programmes, evaluations of the Programmes in question have been made/are being made. The first evaluation took place half-way through the

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| <p>Programme and focused on the main objective of showing how everything is on track for the attainment of the objectives of the two Operating Programmes.</p> <p>Other evaluations being carried out are thematic ones. These are strategic in nature and target the two respective Operating Programmes. These are known as (i) Thematic Evaluation – Evaluation of the Contribution of</p> | | | | | |
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| | <p>the Initiatives of Operating Programme I to the enhancement of Competitiveness and to Improved Quality of Life' and (ii) 'Thematic Evaluation – Evaluation of the Contribution of the Initiative of Operating Programme II to Education and Lifelong Learning and to investment in employability and adaptability of workers'. These deal with the attainment of factors such as,</p> | | | | | |
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for example, improved quality of life, more people entering the world of work after education, etc.

Once the evaluation is complete it is presented to the Members of the Monitoring Committee and to the Evaluation Steering Committee. It is important to note that the members of the two Committees are not only informed at the end of the evaluation but are kept updated while

the evaluation is ongoing. The 'Evaluation Steering Committee', the members of which consist primarily of representatives of the Management Authority, the Ministry and the European Commission, is tasked with seeing that there is coordination during the evaluation process and ensuring that information is being received from the parties concerned.

E) In the framework of the General

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| | <p>Programme Solidarity & Management of Migration Flows' these evaluations were carried out as follows:</p> <p>(i) one by 30 June 2010 on the implementation of measures jointly financed by the External Borders Fund, Return Fund and Integration Fund;</p> <p>(ii) another evaluation by 31 October 2012 covering the period 2007/2008/200 9 and the year 2010, incorporating all four Funds.</p> <p>A further</p> | | | | | |
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| | <p>evaluation is still to be made by 15 June 2015, covering the years from 2011 to 2013 and also covering the four Funds.</p> <p>These evaluations are for use by both the European Commission and the Competent Authority.</p> <p>F) Looking at the evaluations within the Fisheries Operating Programme we note that there was a 'mid-term' evaluation in 2011 and that one will take place at the</p> | | | | | | |
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close of the Programme. The Management Authority reserves the right to carry out other evaluations, for instance where the monitoring system begins to indicate that there are deviations from the agreed objectives.

These evaluations are for use by both the European Commission and the Management Authority.

At the level of the Authorities, a questionnaire has been

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| | <p>developed which, after the conclusion of the project, examines, among other things, whether the objectives were attained and whether the project represented good value for money.</p> | N/A | N/A | N/A | | | |
| NL | <p>1/1- YES 1/2- NO</p> <p>Reply: The NL complies with the relevant EU regulations. As well as fulfilling these EU information requirements, such as the publication of annual reports, the Managing Authorities organise the</p> | N/A | N/A | N/A | | <p>6/1 – YES 6/2 – YES</p> <p>where possible. In the case of ERDF only wage costs appear to be suitable for this. where possible. In the case of ERDF only wage costs appear to be suitable for this.</p> <p>6/3 – YES</p> | <p>7/1- NO</p> <p>The Dutch audit authority has an excellent record, as acknowledged by the European Commission (score 1). The NL wholeheartedly supports the Commission in implementing the Court of Auditors' recommendations.</p> <p>7/2- YES</p> |

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| | <p>annual 'Europa Kijkdagen' publicity event with the Ministry of Economic Affairs.</p> | | | | | | <p>Reply: The Commission should ideally concentrate on AAs which have been found not to be performing well, or not well enough.</p> |
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| PL | <p>1/1 – YES 1/2 – YES 1/3 – Reply: The Managing Authority of Technical Assistance Operational Programme (MA TA OP): In the programming documents, the main objective of the TA OP 2007-2013 is to ensure efficient and effective implementation of the NSRF 2007-2013. The implementation of the main objective of the Programme (in the case of TA OP 2007-2013) is understood as the implementation</p> | <p>N/A</p> | <p>The eligibility requirements for investment projects are relatively complex, and therefore their control is not easy. However, Poland makes all efforts to ensure that the control is carried out in a comprehensive manner, using all available tools.</p> <p style="text-align: center;">N/A</p> | <p>7/1- YES A, B, C 7/2- YES Reply: - Conference on Anti-corruption and Anti-fraud measures in relation to the use of the European Structural Funds and Investment, 3.12.2013, Brussels; - Guidelines on the determination of financial corrections in relation to expenditure co-financed by the Structural Funds or the Cohesion Fund in the event of non-compliance with public procurement rules (COCOF 07/0037/03-PL); - Guidelines on</p> |
| | | <p>6/1 – YES 6/2- YES 6/3- NO In some cases, the procedure of agreeing simplifications with the European Commission took a very long time.</p> | | |

of specific objectives assigned to the axes and measured with 17 output indicators and 9 result indicators. Monitoring of the implementation of the TA OP objectives and appropriate measurement of progress in achieving the indicators are conducted based on the reporting part of payment claims submitted by beneficiaries on a regular basis and evaluation. In

treatment of errors disclosed in the annual control reports (COCOF_11-0041-01-PL)

the first half of each year, the evaluation entitled "Evaluation of the implementation of the TA OP 2007-2013 objectives" is made at the request of the MA TA OP. The evaluation results showing a progress in achieving the objectives of are presented to the EC in the annual reports of the European Commission, and posted on www.ewalaucja.gov.pl. In addition, measures to monitor the achievement of the Programme

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| | <p>objectives are included in the task budget.</p> <p>The achievement of measurement levels assumed for a given year is verified on a quarterly basis.</p> <p>The Managing Authority of Human Capital Operational Programme (MA HC OP) : Results of the implementation of projects co-financed by the ESF are measured primarily at the project level (based on the data held by the beneficiary collected in particular from the project</p> | | | | | | |
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| | <p>participants) and based on evaluation studies (e.g. a percentage of persons who were employed within 6 months from the end of the project participation). All effects are presented on the website www.efs.gov.pl, on which reports, analyses and reports concerning the programme implementation (in particular the annual reports submitted to the European Commission and the interim and quarterly information),</p> | | | | | | |
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information on the utilisation of funds and the results of the evaluation are published. In addition, a separate module presenting (in a simplified and transparent manner for the media and public opinion) the most important physical and financial effects of the Programme is included on the website.

The Managing Authority of Innovative Economy Operational Programme (MA IE OP):
The results of

co-financing of the IE OP from the EU funds are presented using financial (the value of contracted funds) and physical indicators (e.g. number of supported enterprises, the number of modernized laboratories). Physical indicators of the Programme implementation aggregate from lower levels of the implementation system, i.e. actions (operations) and the projects themselves. Reports and monitoring

specifications, including the interim report (semi-annual) and annual/final reports, as well as monthly/quarterly information on the IE OP implementation and other current monitoring specifications are tools used in the monitoring process. To monitor the implementation of the programme, the data contained in the National Information System SIMIK 07-13 (KIS) are used. The KSI enables

the collection and aggregation of data related to projects under the IE OP in the scope and format required by the European Commission and supports the ongoing management and monitoring system. In addition, throughout the period of the IE OP the evaluation process of the programme is carried out: the Managing Authority and selected Intermediate and Implementing Bodies outsource to

independent third party entities the evaluation of, inter alia, the effects of implementing different instruments under the IE OP, and the horizontal impact of the IE OP on different thematic areas (such as business innovation, research and development, job creation, etc.). The full assessment will be made at the stage of ex-post evaluation after the completion of the IE OP. The results of the above

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| | <p>actions include particular in:</p> <ul style="list-style-type: none"> • monthly information, semi-annual and annual reports on the implementation of the IE OP submitted to the European Commission and published on the MRD website; • evaluation reports published on the MRD website. The Managing Authority of Opole Regional Operational Programme (MA ROP): Data on the effects of the intervention of | | | | | |
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the EU funds are generated in the computer system KSI [SIMIK 07-13] from regional and national operational programmes. These data are used, among others, in monitoring materials (on www.mir.gov.pl website) and, above all, in the reports of the National Strategic Reference Framework 2007-2013.

The Managing Authority of Mazovia ROP: the results are measured using reports within the monitoring system + SFC.

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| | <p>The Managing Authority of West Pomerania ROP: The Ministry of Regional Development, as the Coordinating Institution of 16 Regional Operational Programmes, collects information on the achievement of individual ROP indicators based on the interim and annual reports. Annual reports are submitted to the European Commission for its approval. Each ROP meets the</p> | | | | | |
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European Commission, on a year-to-year basis, to discuss issues, best practices as well as physical progress. All reports are published on the website. The Ministry of Regional Development, as the National Evaluation Unit, collects information on the planned evaluation activities based on the Periodic Evaluation Plans, and information on ongoing evaluation and the resulting recommendations based on the Integrated

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| | <p>Management System for Applications and Recommendations. Information on the evaluation process is presented in the annual reports submitted to the European Commission for its approval. In addition, reports on evaluation are published on the website.</p> <p>The monitoring and assessment of the Rural Development Programme (RDP) 2007-</p> | | | | | | |
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2013 is conducted in accordance with the EU regulations and guidelines, including the Common Monitoring and Evaluation Framework (CMEF). Under each RDP 2007-2013 measure, indicators (output and result) required under the CMEF are monitored, as well as additional indicators set out in the Programme. The indicator values are measured at the level of individual projects. Then

data from the project level are aggregated at the country level. The implementation of indicators is presented in the interim, semi-annual and annual reports submitted by individual implementing authorities to the Agency for Restructuring and Modernisation of Agriculture (ARMA), and in the periodic summary reports submitted by the ARMA to the Ministry of Agriculture and Rural Development (MARD). The

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| | <p>managing authority shall submit to the European Commission information on the implementation of indicators in the annual reports. In accordance with EU legislation, ex-ante evaluation of the program was carried out, the ongoing evaluation activities are carried out under which the 2010 mid-term evaluation was carried out. In 2015, ex-post evaluation will be carried out. Synthetic results of</p> | | | | | | |
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| | <p>ongoing evaluation are part of the programme annual reports. In addition, reports on the ongoing evaluation activities are published on the MARD website and presented at the meetings of the Monitoring Committee.</p> | <p>2/1 – YES 2/2 –YES 2/3- YES</p> | <p>3/1 –YES</p> | <p>The eligibility requirements are too complex which leads to interpretation errors</p> | <p>5/1 –YES</p> | <p>6/1 – YES Resposta: Further to the Court of Auditors' findings, it is agreed that the application of simplified costs has helped to reduce the error rate. In this context and</p> | <p>7/1- NO The information provided in the AARs and audit opinions is felt to be of good quality and sufficiently reliable. 7/2 –YES They have ensured a better understanding of</p> |
| <p>PT</p> | | | | | | | |

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| | <p>with Community programming rules, using advanced monitoring and evaluation systems, in line with the reporting chains defined for this purpose (in particular using implementation reports and evaluation studies). The results are measured based on the physical and financial degree of implementation of each OP in view of the predefined objectives, particularly taking into account the</p> | | | | <p>based on the Court of Auditors' recommendation to the European Commission to encourage the MS to increase the use of such costs, PT started at the end of 2011 to apply the simplified costs system, by using the methodology of flat-rate costs calculated by applying standard scales of unit costs to double certification training offers for Professional Courses and Education and Training Courses provided by private professional</p> | <p>the regulations and harmonised understanding between the various MSs and the European Commission. They are assisting the work of the AAs.</p> |
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indicators and respective goals of each OP. The results of the evaluations are public and are communicated through various information channels, particularly by being published on the websites of the various stakeholders and through objective disclosure to various target publics.

colleges. This measure is applied to expenditure connected with training activities, while the actual costs system is still applied to trainee costs. The consequences of adopting new forms of eligible costs declaration, by extending the methods for calculating costs to include standard scales of unit costs, were as follows:

- This option simplifies the rules and processes, reduces the time and costs involved in meeting the set

objectives, and offers better guidance for achieving results.

- Although discontinuing the principle of analysis based on actual costs and replacing it with simplified costs results in a longer and more in-depth analysis of the technical and pedagogical dossier, focused more on obtaining the implementation results and less on the respective costs, it is still necessary to ensure the legality and regularity of the expenditure and compliance with the applicable

national and Community rules.

However, this option may entail risks, including:

- Essential costs for quality training could be reduced/eliminated.

• Verification of public procurement procedures is made more difficult.

- The risks associated with technological developments (e.g. electronic summaries / computerisation of cost support documents). Nevertheless, the advantages are undeniable,

in particular with regard to:

- Reduced error rates.
- Greater commitment of beneficiaries to the prevention of absenteeism and early school leaving.
- Reduction of procedures in financial process analysis, resulting in fewer hours/persons involved in audit work.
- More equal treatment of beneficiaries, i.e. fairer distribution of financing.
- Stability in the amounts granted.
- Greater security.

As a result, on weighing up the risks and advantages, the system is clearly simplified and improved, as evidenced by the better guarantee given by the systems in terms of reduction of errors and increased legal certainty.

6/2 – YES
: The simplified costs methodology is to be extended to other training offers in the area of initial qualification, and also to other types of projects, particularly in the areas of equal opportunities

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| SK | <p>n Report, they are published on www.evaluate-structurale.ro on Evaluation Library page MFE</p> <p>Reply: use of interim assessments of the Regional Operational Programme</p> | | | | | MMFPPV – AMPOSDRU- YES | |
| | <p>1/1- YES 1/2 –YES 1/3- The performance of the co-financed programmes is measured against indicators, for which baseline and target values are given. The output and impact</p> | <p>2/1- YES 2/2- YES 2/3- YES</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>6/1- YES 6/2- YES 6/2- NO Applies to the relevant operational programmes: The Operational Programme Transport does not employ simplified cost reporting due to the low setting of the lump-sum</p> | <p>7/1 – YES A,B 7/2- YES The DG MARE sampling seminar held on 20 May 2013 was viewed very positively by the Audit Authority because the various sampling methods were excellently presented and explained,</p> |

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| | <p>indicators and their values are part of the grant agreement. Compliance is mandatory for beneficiaries. The outputs are stated in annual/final reports.</p> | | | | <p>limit, which is not suitably configured when we consider the level of projects under the Operational Programme Transport. The Operational Programme Transport Managing Authority expects a greater degree of support from the Commission, along with adequate measures to expand opportunities for the use of simplified cost reporting in the 2014–2020 programming period.</p> <p>The Managing Authority of the</p> | <p>followed by a practical demonstration of the application of and evaluation of a sample.</p> |
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Operational Programme Employment and Social Inclusion contends that the Commission has failed to sufficiently promote the use of simplified cost reporting as the specifics relating to the supply of goods, works and services which need to be procured through public procurement procedures are ignored.

The Research and Development Managing Authority and the Education Managing Authority stated

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| | <p>1/1- MDDSZ- YES MGRT- NO</p> <p>1/2- YES</p> <p>1/3- Reply from MGRT: We measure the success of financial programmes by applying indicators and carrying out evaluations. We report on the results of</p> | <p>2/1- YES 2/2- YES 2/3- YES</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>that the European Commission had not approved the simplifications proposed for indirect expenditure.</p> | <p>7/1- NO</p> <p>7/2- YES Guidelines on sampling methods for audit bodies, Guidelines for closing cohesion policy operational programmes 2007–2013</p> |
| <p>SL</p> | | | | <p>N/A</p> | <p>6/1- YES 6/2- YES 6/3- YES</p> | | |

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| | <p>evaluations through public hearings, individual supervisory committees for operational programmes (on which the European Commission also sits), and information published on the managing authority's website.</p> <p>Reply from MDDSZ: In 2011 and 2012 MDDSZ conducted an evaluation of priority guidelines in the labour market field in the context of the Operational Programme of Human Resources</p> | | | | | | |
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| ES | <p>1/1- yes 1 / 2 – yes The indicator system provides a tool for monitoring the programmes and evaluating its results. To this end, we have performed evaluations of the implementation and of the impact in key areas of the programmes. In recent years, Member States, including Spain, are paying more attention to the development and implementation of impact assessment methodologies</p> | <p>N/A</p> | <p>Yes Some of the audits carried out by the European Commission under the proceeding regarding the settlement of accounts, have revealed certain aspects of the Land Parcel Identification System (LPIS) that can be improved. In response to the request made by the Commission to implement measures to correct these issues, in 2010 we drafted an Action Plan, incorporating the corrective measures that have been deemed necessary, as well as a specific</p> | <p>Other: The observed error is due to a single event as reflected in the reply to Annex I table 4.2.</p> | <p>5/1 - yes</p> | <p>7/1- yes A,b 7/2 – yes We believe that paragraph 8 of "Special cases" was helpful, however we feel that it should be extended to other cases, such as a variant of case 8.1.3 when the "de-certifications" are not linked to irregularities, or the large-scale projects which are finally not approved by the Commission.</p> <p>6/1 - yes 6/2 - yes 6/3 - yes</p> |
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| | <p>in order to measure the impact of the programmes. In particular, in the area of ERDF, we are working on the application of counterfactual methods (differences-in-differences) in order to identify the results of the co-financed interventions. Spain is applying these methodologies in proceedings relating to the sectors of water, waste and R&D+i.</p> <p>The results of the evaluations are communicated through the</p> | <p>timetable for their implementation. The measures contained in this Plan are applied on the basis of a land parcel identification system, the LPIS, fully consolidated and operational, fruit of a high level of investment sustained over time, which is both transparent and of quality.</p> <p>The implementation of these measures therefore leads to an improvement in the quality of the existing system. The measures contained in this Plan are as follows:</p> <ul style="list-style-type: none"> • Preparatio | | | |
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| | <p>sectoral networks defined in the NSRF 2007-2013 (R&D+i, Environmental Authorities, Equality, etc.), as well as through the website of the DG of Community Funds and the Committee on Strategic Monitoring and Ongoing Evaluation of the ERDF.</p> <p>There has been significant progress in the focus on results and evaluation of the programmes in 2007-2013, which in turn reflects on the future</p> | | <p>n and dissemination of information material to farmers. For each campaign, the FEAGA prepares promotional material to be disseminated to farmers, in order to inform them of the need to declare any changes that may occur in the boundaries or use of the reference parcels or enclosures for which they may be applying for direct aid, in order for this change to be reflected in the LPIS in time.</p> <ul style="list-style-type: none"> • Preparation of a guidebook for inspectors to carry out spot | | | | |
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| | <p>regulation of ERA Funds 2014-2020. However, there are real difficulties in implementing a truly results-oriented management as the results achieved in the different areas in which the Funds operate depend on external factors beyond the control of the bodies that manage the programmes. Similarly, the results achieved in the fields of innovation, new technologies or SMEs, do not depend solely on the actions</p> | <p>checks in the field. This guidebook is intended for the inspectors of all paying agencies. The content of the guidebook is pedagogical in nature, with illustrations and real examples, to give the inspectors a clear idea of the task, ranging from the most basic aspects of land inspections to the more technical and complex ones, and to allow them to follow a unique sequence of actions, where the prior work of preparing the inspections in the office should take on a special relevance, since many boundaries</p> | | |
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| | <p>co-financed by the Funds, since the latter are in many cases a small percentage of the national effort to invest in the sector. These difficulties have been experienced by the majority of the Member States during the negotiation of the Regulations 2014-2020, and this is confirmed by the fact that in the end the Performance Framework only includes performance-based objectives and indicators rather than</p> | <p>and changes of use can be performed previously at HQ and verified during the field visit.</p> <ul style="list-style-type: none"> • Provision of training courses to inspectors. <p>Every year, the FEGA organises training days aimed at inspectors from paying agencies and, furthermore, the paying agencies of the autonomous communities also provide other courses in order to raise awareness of the contents of the above guide.</p> <ul style="list-style-type: none"> • Increase in the number of spot checks in the field that are to be subjected to | | | | |
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results-based objectives and indicators.

quality control inspections, up to 1 % of the monitored applications. We have improved the current level of quality control. To do so, starting with the aid applications received for the year 2011, we have increased the number of inspections in the field, with respect to which the spot checks are repeated until reaching 1 % of the spot checks performed. In addition, the persons who perform the second spot check, enjoy functional independence from the unit that

carried out the spot check in the field, in order to achieve greater objectivity in quality control. It is further intended that quality control should be comprehensive and should include the verification that the LPIS accurately reflects the changes that may have been detected in the boundaries or the use of enclosures.

- Follow-up via the LPIS of the changes incorporated as a result of spot checks in the field.

Each year, the FEGA asks the paying agencies of the autonomous

communities, before 31 January of the year following the filing year, to send a computerized list of reference parcels or enclosures that have been subject to spot checks in the field. From this list a representative sample is extracted in order to verify whether the date on which the inspection was performed has been recorded in the LPIS. This is to ensure that, following the inspections in the field, the changes in the use or boundaries of the enclosures are incorporated effectively into

the LPIS.

- Review of the enclosures by photo-interpretation of the orthophotos published in the LPIS for which, for reasons of timing, it was not possible to perform this work previously. From the start of the 2010 campaign for aid applications, in order to make improvements in the process of photo-interpretation of the ortho photos, the FEGA modified the instructions for photo-interpretation contained in the "Procedure for conducting the review and update

of the information contained in the LPIS enclosures affected by a new orthophotography and review of areas with significant changes."

- Preparation of a new strategy for obtaining orthophotos such that it becomes possible to meet the established publication timetable in N+2. The FEGA has adopted a new strategy for obtaining orthophotos starting in 2011. This strategy is intended to ensure that new orthophotos are published in the LPIS in year "N

+2", with the FEGA assuming control of all ortho-photo production roles. Thus, the maximum period of time that shall elapse from the end of a flight over an area to the publication of the ortho-photo in the LPIS shall be 15 months, and it will be possible to publish a part of the territory flown over at the end of year "N" and the early part of "N+1".

- Establish ment of a process for incorporating public works into the LPIS.

The document "Strategy for Updating the Land Parcel

Identification System" includes, for each year, the amendments to the LPIS as a result of the construction of large public works. The changes are introduced as quickly as possible, bearing in mind that such public works are owned by different administrations, which makes their detection and gathering the necessary information difficult.

- Preparation of a new version of the "Compare" software tool for performing retroactive recoveries.

The FEGA has developed a new version of this "Compare" tool for use by the paying agencies, to systematically detect, on an annual basis, the changes that have occurred between the start of one aid application campaign and the following one due to any modification, such as orthophotos renewal, claims from farmers or the results of spot checks.

- Establish ment of a procedure associated with the use of the "Compare" software tool. Similarly, the

FEGA has prepared a procedure associated with the use of this tool, which is intended to be applied in the performance of retroactive recoveries due to changes in eligibility.

- Incorporate as a risk factor in the risk analysis, those declared parcels that have not been declared in the last three years.

In general, since 2010, the "National Spot Checks Plan" of the FEGA has foreseen as a risk factor for the selected risk analysis sample, all applications

containing undeclared enclosures in the past three years. For parcels for which aid has been requested that do not fall within the spot check sample, a review will take place at HQ, with a new photo-interpretation being conducted of the use assigned in the LPIS.

- Review of the declared grazing areas that should be considered forest areas.

The FEGA has conducted a review of the declared enclosures in the aid applications classified as "woodland"

pasture" (PA), in order to determine whether they are forest areas (FO use), on the basis of cadastral and forest maps.

- Additional spot checks of declared grazing areas which have not been reported in the last three years.

In relation to Measure 11, we have implemented this Measure for those grazing enclosures that have not been declared in the past three years and which are included in an application for aid, such that an additional control is incorporated that obliges the applicant to submit additional

documentation

- Establish
ment of objective
criteria for
applying an
eligibility
coefficient to the
grazing areas.
The FEGA has
worked with the
agencies of the
autonomous
communities to
establish
parameters for
estimating an
eligibility
coefficient to suit
all Spanish
agricultural
regions, and from
the 2013
campaign all
grazing
enclosures are
assigned their
corresponding
pasture
admissibility
coefficient in the
LPIS. Until this

year's campaign, only six Autonomous Communities had established that pasture admissibility coefficient. The grazing enclosures in the LPIS are assigned one of the following uses depending on their characteristics: PA (Woodland Pasture), PR (Bush Pasture) or PS (Grasslands). These types of enclosures, if they have areas without vegetation, steep slopes, or other characteristics that do not allow cattle to take advantage of the entire pasture, are assigned a

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| SW | <p>1/1- YES 1/2- NO 1/3- This is done in accordance with the Regulation. The authorities</p> | <p>2/1 –YES 2/2- YES 2/3 –NO</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>6/1- YES Comments from the managing authority: The Swedish ESF Council agrees with the Court of Auditors that</p> | <p>7/1- NO 7/2- YES The ESV (the Swedish auditing body) took part and says that it found the 'expert</p> |
| | <p>coefficient in the LPIS reflecting the percentage of admissible area of the said enclosure. By establishing this Action Plan, we believe that normality has been restored, but the measures should continue to be implemented to maintain the quality of the LPIS, meaning that this Plan of Measures for Improving the updating of the LPIS should be maintained over time.</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>N/A</p> | <p>6/1- YES Comments from the managing authority: The Swedish ESF Council agrees with the Court of Auditors that</p> |

responsible
compile special
reports.

increased use of
simplified cost
options will
bring benefits
for the rate of
both non-
quantifiable and
quantifiable
errors. This is
based on the fact
that the current
full-cost model
is by definition
too complicated
for many
structural fund
aid recipients.
Despite the
substantial
resources
provided for
administering
the projects, the
complexity of
the full-cost
model leads to
too many errors.
To eliminate the
risk of errors,
reduce the
administrative
burden for aid

meeting' useful.

recipients and increase the emphasis on the results of the projects/programmes, the simplified cost options must therefore become more widespread.

To achieve this aim, the Commission must be more proactive in reducing the uncertainty surrounding the simplified cost options. An important task is to make it clear what consequences the simplification measures will have in terms of controls and checks on aid

recipients. This will reduce the uncertainty as to how the Member States will deal with the overall legal framework, for example state aid, procurement and accounting separation in relation to the simplified cost options. It is therefore important for the Commission's auditors to provide clear information about the requirements imposed and to create a forum for conveying their position to the national audit authorities. For the simplified cost options to have

their full impact, it is important to reach a consensus on their auditing.

6/2- YES

Comments from the managing authority: The Swedish ESF Council has launched an initiative aimed at developing and implementing the simplified cost options in the operational ESF programme for 2014-2020. To give both recipients and the managing authority a chance to test and gain experience of a simplified budget calculation

model, a lump-sum model for preparatory studies was developed during the current programming period. The possibility was well received by the recipients in the call for proposals launched in the autumn of 2013. The call for proposals for preparatory studies resulted in approximately 300 proposals with budgets calculated as a lump sum. Development work is being carried out in advance of the 2014-2020 operational

programme to arrive at uniformly calculated standard costs for staffing expenses, for example. Work is also being carried out on developing a verified flat-rate model for indirect costs.

Both the Swedish ESF Council and the Swedish Agency for Economic and Regional Growth (Tillväxtverket – the managing authority for the Regional Fund) are planning to take advantage of the possibilities for simplified project

implementation provided by the proposal for new structural funds regulations and implementing and delegated acts. The work is being carried out in collaboration with the managing authorities for the EAFRD and EMFF.

6/2- NO : Sweden shares the Court of Auditors' view that the main barrier to extending the simplified cost options is the uncertainty regarding compliance with Article 11(3) of Regulation (EC) No 1081/2006.

It also agrees with the recommendation that the Commission should continue with and develop ex ante approval of the flat rates develope within the framework of the simplified cost options. Increased use of ex ante approval will certainly encourage the Member States to introduce the simplification measures more quickly and in that way lead to more efficient programme implementation in 2014-2020. To achieve this objective, the Commission must set aside

more resources for developing the simplified cost options with a view to increasing support to the Member States with regard to the approval of flat rates. Cooperation must also be developed with the Commission's auditors in order to clarify how the overall legal framework should be interpreted with regard to the simplified cost options. To that end, there must be an increase in the supply of information to and cooperation with the geographic

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| UK | <p>1/1- YES 1/2- YES 1/3 – Post Project Evaluation (NI)</p> | <p>2/1- YES 2/2 –YES 2/3 –NO</p> | <p>3/1- YES</p> | <p>In our opinion [Rural Payments Agency] the control of eligibility requirements for investment projects is essential but can be too restrictive for innovative projects or can be too complex where delivery is managed by Local Action Groups. As an example for projects that are nationally innovative, for a particular MS, to be supported effectively it is key that the controls regime is designed so that it offers flexibility of approach; therefore whilst the controls remain compliant throughout it</p> | <p style="text-align: center;">N/A</p> | <p>6/1- YES 6/2- YES 6/3 –NO : In the spirit of simplification, the Commission could have allowed more flexibility between SCO for ERDF & ESF i.e. why not have one set of rates/caps for all Structural Funds. Active encouragement from the Commission at an earlier stage in the 2007-2013 Programmes would have also been welcome.</p> | <p>7/1- YES B,C 7/2- YES Further guidance/training is always welcome.</p> |
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should be recognised by the administration that there are a number of ways of achieving these requirements successfully.

Part B. Please enter any general comments you have
concerning the 2011 Annual report
or general issues relating to the discharge procedure.

| MS | B |
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| AT | <p>Austrian Court of Audit (ACA) The financial and economic crisis has shown that the control of public finances, accountability and transparency are particularly important. The review of legality and regularity by the European Court of Auditors in the context of the DAS (statement of assurance) is valuable work, but to ensure the operation of the directives and regulations, the supervision architecture must be</p> |

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| <p>constantly developed. That is why the ECA conducts performance audits (see Chapter 10 of the ECA Annual Report concerning the financial year 2012), which the ACA welcomes and affirms it will make greater use of.</p> <p>The ACA would like to point out that in addition to the ECA all monitoring institutions make a contribution to the development of the supervision architecture. The Audit Offices of the Member States are of particular importance due to the financial, compliance and performance audit. The monitoring institutions of the Members States also exercise this responsibility by performing financial, compliance and performance audits at national level and identifying where weaknesses exist and making recommendations for improvement. For example, in 2013 the ACA conducted an audit entitled 'financial corrections in the agricultural sector', the results of which will be published in 2014.</p> <p>In addition, to safeguard the European dimension, the national Courts of Auditors of the Member States also conduct internationally coordinated audits, such as 'simplifying the regulatory framework of the Structural Funds'. In the course of this audit, the Courts of Auditors of twelve Member States, including Austria, examined the extent to which the Member States have implemented simplification measures in the area of the ERDF and the ESF OP and what experience has been gained. It was seen that simplification measures were little used and affected only a small portion of all projects funded with EU funds. The main reasons for this were the late introduction of the amending regulations, lack of resources for the implementation of the measures and the perception by the national authorities that there was lack of transparency and legal certainty.</p> <p>The efficient and appropriate use of public funds must be ensured in order for the European Union to be recognised. For this purpose, the corresponding supervision architecture must be extended at a number of levels.</p> | |
| <p>The infringements of the rules for awarding public contracts identified by the ECA in the Member States that were investigated are similar to the infringements established by the IA OSES during its audits. These include imposing discriminatory requirements and/or restrictive conditions in the invitation to tender, errors on the part of the evaluation committees - unjustified elimination of candidates, mixing selection and evaluation criteria, cases of a selected operator not fulfilling the contracting authority's requirements, and the public procurement notice not being published in the EU Official Journal.</p> <p>In connection with the reservations in respect of EAFRD in 2011 and 2012, the managing authority and the paying agency of the State Agriculture Fund are implementing an action plan drawn up in cooperation with the Directorate-General for Agriculture and Rural Development for the purpose of reducing the risk of errors. It is connected not only with the measures that are not area-related. The implementation of the plans is being jointly monitored with the European Commission. Additional checks are being carried out regarding the shortcomings identified during the European Commission's audits in order to ensure the reliability of the statement of income.</p> | <p>BE</p> <p>BG</p> |
| | <p>CY</p> |

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| CZ | |
| DK | <p>Denmark is pleased that for the sixth year running the Court of Auditors was able to give a positive opinion on the reliability of the accounts and thus considers that the EU's accounts give fair view of revenue and expenditure and of the EU's financial position.</p> <p>However Denmark is very unhappy that the Court had to issue a negative opinion on 6 out of 7 spending areas and regrets that the error rate has risen for the third year in a row.</p> <p>Denmark takes the view that both the Commission and the Member States bear responsibility for ensuring satisfactory implementation of the budget. Denmark therefore considers it important to make use of all available instruments to ensure proper implementation of the EU's budget. In this connection Denmark is pleased to note that the Commission has stepped up the effort to make financial corrections.</p> <p>Great importance is also attached to the chapter in the annual report on Getting results from the EU budget. That chapter confirms that there is a continued need to focus on building a robust system for results-oriented reporting and impact measurement. Not least, there is a need for greater transparency regarding the real European added value that EU funding creates. Denmark would welcome it if discussions on achieving results helped to strengthen the link between assessment of results and budgetary and legal adjustments in the various policy areas.</p> |
| EST | |
| FIN | |
| FR | |
| DE | |
| GR | |
| HU | |
| IRL | Ireland welcomes the publication of the Court's report. Obviously Ireland regrets the Court's overall assessment that payments from the EU budget continue to be affected by material error. |
| IT | |

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| LV | Following the introduction by the European Commission of the process for reducing the administrative burden, and the initiation by Member States of simplified EU structural support administration methods, auditors from the European Commission and European Court of Auditors frequently make recommendations during the course of audits relating to the reinforcement of EU structural support administration control processes. In our view, when an audit is being carried out, the focus should be on the effectiveness of the process and an assessment of the results achieved. |
| LITH | |
| LUX | |
| MT | |
| NL | |
| PL | <p>The most likely error rate in the total payments in 2012 estimated by the Court increased compared to 2011 by 0.9 pp, i.e. by 23.1% to 4.8%. In assessing this change, a significant increase in payments compared to 2011, from EUR 129.4 billion to EUR 138.7 billion (an increase by EUR 9.3 billion, i.e. by 7.19%) should be taken into account.</p> <p>In the Court's opinion, the biggest increase in the likely error rate in payments for 2012 compared to 2011 was observed in the following policy groups: (1) External relations, aid and enlargement (an increase from 1.1% to 3.3%), and (2) Employment and social affairs (an increase from 2.2% to 3.2%). Conversely, a moderate increase in the likely error rate (by approx. 30%) was observed in the following policy groups: (1) Agriculture: market and direct support (an increase from 2.9% to 3.8%), and (2) Research and other internal policies (an increase from 3.0% to 3.9%). Against this background, changes in the policy groups such as (1) Rural development, environment, fisheries and health (an increase from 7.7% to 7.9%), and (2) Regional policy, energy and transport (an increase from 6.0% to 6.8%) were insignificant. In the Court's judgment, a significant increase in the likely error rate in the case of External relations, aid and enlargement and other internal policies is primarily due to changes in the sampling approach adopted by the Court. Poland will continue to actively participate in the debate over acceptable error rates in the spending of funds from the EU budget, but most of all it will use efforts to ensure that the funds spent in Poland are free from any infringements.</p> <p>The Court's comments on the management of the EU budget should also be noted. In the Court's view, the Commission "has not been able to process all payment claims using the available budget", which is the result of payment deficits and the accumulation of payments in connection with the implementation of the multiannual investments. In recent years, the EU Council and the European Parliament tend to reduce the funds for commitments and payments in relation to the proposals made by the Commission. The Commission tries to complement measures by submitting proposals for amending budgets. At the end of 2012, the backlog of outstanding payment claims related to regional policy amounted to EUR 12.1 billion. In the Court's view, future needs for the disbursement of funds as at 31 December 2012 amount to approximately EUR 313 billion. In Poland's view, the implementation of</p> |

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| | <p>annual budgets should be sought by reducing payment deficits and implementing flexibility mechanisms established under the multiannual financial framework for 2014-2020.</p> |
| <p>PT</p> | <p>MADR – APDRP: APDRP considers that the results of checks carried out by ECA are very scrupulously evaluated. Romania has in place a perfectible control system, in balance with the administrative efforts of the Romanian State. The Romanian State will make further efforts to find technical and financial solutions to ensure an effective control of EU funds, but it considers that for a more effective implementation of some of the controls joint efforts of Member States and European Commission are required to find effective solutions. Examples of actions that can be implemented at EU level: - databases with reference prices; - shareholders’ verification system for the EU and non-EU companies for the inclusion in the microenterprise category</p> |
| <p>RO</p> | <p>For the audit conducted by the ECA for DAS 2012 related to the EAFRD there have been verified projects where specific errors were found. Thus this category of projects may be the subject of further checks under another audit, but they are not systemic errors. Therefore the findings of these audits cannot be extrapolated.</p> <p>Therefore we consider that it would be useful for the ECA methodology to enable:</p> <ul style="list-style-type: none"> - a better correlation between the deficiencies found and the level of control/responsible structure at the level of the Member State; - the extrapolation errors to be based on a classification of errors depending on the nature of deficiencies, as deficiencies representing deviations from the standard cannot be combined only with the existing control at the level of the paying agencies. For instance, deficiencies are found for cases of subjective interpretation and they do not necessarily represent a risk to the Fund, as well as specific cases, abnormalities, which cannot be extrapolated. <p>MADR – APIA: Romania supports the EC view that “The observance of the cross-compliance requirements is not an eligibility criterion for payments under the CAP and penalties for violating the cross-compliance requirements should not be taken into account when calculating error rates for CAP.” We also consider that the error rate should be corrected to include the recovering of undue payments made further to the subsequent findings.</p> |

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| | <p>At the same time, as regards ECA remark that the termination of the five-year commitment for beneficiaries of measure 214 was non-compliant, Romania does not support this view. Thus, pursuant to Article 46 of Commission Regulation (EC) No 1974/2006, “a revision clause shall be provided for commitments undertaken pursuant to Articles 39, 40 and 47 of Regulation (EC) No 1698/2005 in order to ensure their adjustment in the case of amendments, [...], and of other relevant mandatory requirements established by national legislation, beyond which the commitments go as provided for in those Articles. If such adjustment is not accepted by the beneficiary, the commitment shall expire and reimbursement shall not be required in respect of the period during which the commitment was effective.</p> <p>MDRAP – AMPOR:</p> <p>Please note that all findings of the ECA report on the Regional Operational Programme do not have financial impact as the corrective measures had already been taken by the Managing Authority for ROP by applying financial corrections for public procurement contracts under the financing contracts included in the sample.</p> <p>The annual report singled out the following main risks for direct payments in paragraph 8.3:</p> <ul style="list-style-type: none"> - the possibility that area aid will be disbursed for ineligible land or to ineligible beneficiaries, or to multiple beneficiaries for the same land; - claims are calculated incorrectly; - and animal premiums are disbursed for ineligible animals. <p>We consider the above risks to be unjustified because the Slovak Republic checks and disburses direct payments through the Integrated Administration and Control System (IACS), thus mitigating considerably any such risks. We also note that the legal conditions for the implementation of direct payments are fully within the competence of the European Commission, and are followed by the Slovak Republic.</p> <p>In response to indents 2 and 3, we observe that these measures do not concern the Slovak Republic because they are not applied.</p> |
| SK | |
| SL | |
| ES | |
| SW | <p>We would ask the Commission to consider the fact that some questions on this form are asked in general terms, but relate to the management and implementation of different funds within the Member State. As there may be differences in the way different funds are managed within the Member State, scope could be provided for using more than one reply option.</p> |
| UK | |

