



Council of the
European Union

Brussels, 27 September 2017
(OR. en)

12352/17

FIN 560
FSTR 63
FC 73
REGIO 89
SOC 590
CADREFIN 94

OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council
On: 25 September 2017
To: Delegations

No. prev. doc.: 11929/1/17 REV 1 + COR 1

Subject: European Court of Auditors' Special Report No 4/2017 "Protecting the EU budget from irregular spending: The Commission made increasing use of preventive measures and financial corrections in Cohesion during the 2007-2013 period"
- Council conclusions (25 September 2017)

Delegations will find in the annex the Council conclusions on Special Report No 04/2017 "Protecting the EU budget from irregular spending: The Commission made increasing use of preventive measures and financial corrections in Cohesion during the 2007-2013 period", adopted by the Council at its 3560th meeting held on 25 September 2017.

**Council conclusions on Special Report No 4/2017 by the European Court of Auditors:
Protecting the EU budget from irregular spending: The Commission made increasing use of
preventive measures and financial corrections in Cohesion
during the 2007-2013 period**

THE COUNCIL OF THE EUROPEAN UNION:

- (1) WELCOMES Special Report No 4/2017 by the European Court of Auditors (hereafter referred to as "the Court") and the Commission's observations to the Report;
- (2) TAKES NOTE of the findings of the Report, in particular that:
 - a) Overall, the Commission has made effective use of the measures at its disposal during the period 2007-2013;
 - b) During that period, the Commission imposed its preventive measures and financial corrections in a proportionate manner while making more extensive use of such measures compared to the 2000-2006 period;
 - c) The Commission faced difficulties during the period 2007-2013 in monitoring the implementation of financial correction;
 - d) The reporting of the Commission on preventive measures and financial corrections, spread over several non comprehensive reports, makes it difficult to get a comprehensive overview;
 - e) As issues subject to corrective measures are often complex and their resolution is time consuming, the related payment interruptions and suspensions represent a significant financial risk for Member States;
 - f) The regulatory provisions for the 2014-2020 period significantly strengthen the position of the Commission on protecting the EU budget from irregular expenditure;

- (3) TAKES NOTE of the Commission estimates included in the Report which indicate that for the period 2000-2006 financial corrections ensured that no material irregular expenditure had been paid from the EU budget and that after financial corrections the cumulative residual risk to the EU budget for the 2007-2013 operational programmes was below the materiality threshold of 2%;
- (4) NOTES that the Commission has accepted all the recommendations of the Court included in the Report, and WELCOMES, with regard to the implementation of the recommendations, the readiness of the Commission to
- a) issue an ad-hoc report on the financial corrections and status of closure of the European Regional Development Fund, the Cohesion Fund and the European Social Fund programmes 2007-2013 similar to a previous report on the 2000-2006 period;
 - b) set up an integrated monitoring system for the 2014-2020 period covering both preventive measures and financial corrections;
- (5) UNDERLINES, however, that the recommendations of the Court should be implemented efficiently, and WELCOMES the intention of the Commission to implement the recommendations without additional costs or administrative burdens for Member States' authorities;
- (6) STRESSES, that more emphasis should be placed on measures which prevent errors from occurring in the first place and therefore reduce the financial risk and the administrative costs related to both errors and financial corrections at all levels, and RECALLS the role of Member States, the Commission and the Court in this respect;
- (7) Therefore, INVITES the Commission to
- a) devise and extend, in cooperation with Member States, measures which aim at preventing errors before they occur;
 - b) apply a consistent approach to preventive and corrective measures;

- c) ensure that such measures are proportionate to the errors and risks they entail and that the treatment of cases across programmes and Member States is harmonised;
 - d) communicate in time towards Member States' authorities on potential errors to facilitate solutions at an early stage, thereby diminishing financial risks;
 - e) keep existing guidance notes up to date, and therein further develop methodologies and tools which help Member States to prevent and correct errors, in particular those related to non-compliance with public procurement rules, and inform Member States without delay of any changes;
 - f) set up transparent and predictable rules on proceedings in case corrective measures are applied, especially as regards communication with Member States and deadlines;
- (8) **ACKNOWLEDGES** that many errors are a direct consequence of the complex regulatory framework and that the simplification of implementation rules will be key for preventing such errors in the future; **CALLS**, in this context, on the Commission to reflect, when preparing its legislative proposals for the period post-2020, on the recommendations of the High Level Group on monitoring simplification for beneficiaries of European Structural and Investment (ESI) Funds.
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