



Council of the
European Union

Brussels, 15 December 2014
(OR. en)

16798/14

AGRI 795
AGRISTR 74
AGRIFIN 165
AGRIORG 171

NOTE

From: General Secretariat of the Council
To: Delegations

No. prev. doc.: 16229/14

Subject: Council conclusions on the error rate for agricultural expenditure

Delegations will find attached, in the Annex, the Council conclusions as adopted today by the Council (Agriculture and Fisheries).

Council conclusions on the error rate for agricultural expenditure

THE COUNCIL OF THE EUROPEAN UNION

- (1) RECALLING the Council conclusions on Special Report No 18/2013 from the European Court of Auditors entitled "The reliability of the results of the Member States' checks of the agricultural expenditure" of 13 October 2014¹, TAKES the financial management of the EU funds extremely seriously and supports efforts to improve the way the budget is managed;
- (2) CONSIDERS that it is important to improve the quality of management and control systems for the CAP and to decrease the error rate as an ongoing process;
- (3) CONSIDERS that when implementing the reformed CAP, national administrations should also bear in mind the verifiability and the error risk of different measures and schemes financed from the EAGF and the EAFRD;
- (4) HIGHLIGHTS, however, the need to respect the principle of proportionality and, in this regard, to balance legality and regularity with the achievement of policy objectives, and to take into account the proportionality between the costs for Member States and the expected benefits as regards the protection of EU financial interests when improving the quality of administration and control systems;
- (5) IS AWARE that 2015, as the first year of full implementation of the CAP, will be difficult for farmers and national administrations, especially in the implementation of the new direct payment schemes and new rural development measures;

¹ 14553/14.

- (6) CONSIDERS that given the high cost of management and controls and the current pressure on national budgets, any increase in the level of on-the-spot controls beyond current levels would not be cost-effective;
- (7) CONSIDERS that administrative checks should be improved and performed with more flexibility, using the relevant information available to the paying agencies in order to detect and correct errors contained in the applications. When the quality of administrative checks is appropriate, the internal control system functions and the error rate is under control, the level of the on-the-spot checks should be adapted in order to reduce their cost;
- (8) UNDERLINES the paramount importance of a timely and smooth communication between Member States and the Commission so as to ensure that Member States and the Commission share the same understanding of the legislation in question, since a lot of errors are due to a lack of clarity of definitions;
- (9) WELCOMES, in this regard, the initiatives taken and the resources dedicated to supporting Member States by the Commission through guidelines, seminars and exchanges of best practices between Member States, and ENCOURAGES the Commission to develop these further, including the provision of specific practical examples, and clear and prompt answers to questions and queries from national administrations;
- (10) INVITES the Commission to focus, in 2015, on advice, prevention measures, such as preventive visits, and learning activities in the context of a benevolent and pragmatic approach, without prejudice to the rules on the clearance of accounts which take due account of the nature of the infringement and of the financial damage caused to the Union;

- (11) RECALLS that the European Court of Auditors' estimate of the error rate is not, as such, an indicator of fraud, inefficiency or waste of funds and CONSIDERS that errors should be assessed on the basis of their actual impact on expenditure;
- (12) CONSIDERS that the method employed by the Commission to calculate the adjusted residual error rate at paying agency level requires more explanation and needs to be further discussed with Member States experts;
- (13) ACKNOWLEDGES that the three existing methods, namely of the Commission, of the Court of Auditors and of the Member States, each serve a different purpose and INVITES the Commission to further clarify its method with a view to optimising the error rate estimation for the legality and regularity of the CAP expenditure and properly identifying the amounts under reservation;
- (14) RECALLS that certification bodies in Member States are now required to audit the legality and regularity of expenditure and believes that the results of these audits should in future provide a more accurate assessment of the level of error;
- (15) RECALLS that rural development measures are closely tailored to and targeted at the situation in the Member State or region in question. Such "made to measure" approach might make them much more complex than certain other policy tools in terms of eligibility conditions, execution and audit, which increases the risk of error;
- (16) IS therefore CONCERNED that for rural development expenditure, the materiality threshold set at 2 % by the Court of Auditors might not be realistic to achieve;

- (17) IS AWARE that the simpler the rules, the less prone they will be to errors, and CONFIRMS its readiness to simplify the CAP, while maintaining the achievement of the policy objectives;
- (18) WELCOMES therefore the Commission's intention to put forward concrete initiatives, together with a realistic plan for their implementation, to simplify the rules governing direct payments, rural development and the single market organisation, including possible suggestions to reduce the costs of control and by making management and control systems more cost-effective, without putting the effectiveness of the policy and its sound financial management at risk and without restricting neither the flexibility of the CAP nor the choices available to Member States. In so doing, INVITES the Commission to involve appropriate experts, including representatives of the paying agencies, from the earliest stages of the discussions.
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