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'I/A' ITEM NOTE

From: Working Party on Own Resources
To: Permanent Representatives Committee/Council
Subject: Council conclusions on the European Court of Auditors' special report No 25/2022: Verification of Gross National Income for financing the EU budget – Risks in data compilation well covered overall, but scope for increased prioritisation of actions
- Approval

1. On 20 December 2022, the Permanent Representatives Committee instructed the Working Party on Own Resources to examine the European Court of Auditors' special report No 25/2022 entitled "Verification of Gross National Income for financing the EU budget – Risks in data compilation well covered overall, but scope for increased prioritisation of actions"¹ and to draw the relevant conclusions².
2. On 25 January 2023, the Working Party on Own Resources reached an agreement on the draft Council conclusions annexed hereto, on the basis of a proposal presented by the Presidency.
3. It is, therefore, suggested that the Permanent Representatives Committee advise the Council to approve the draft Council conclusions in the Annex as an "A" item on the agenda of a forthcoming meeting.

¹ OJ C 471, 12.12.2022, p. 14.

² Doc. 16003/22.

DRAFT COUNCIL CONCLUSIONS**on the European Court of Auditors' special report No 25/2022: Verification of Gross National Income for financing the EU budget – Risks in data compilation well covered overall, but scope for increased prioritisation of actions****THE COUNCIL OF THE EUROPEAN UNION:**

1. WELCOMES the Special Report No 25/2022 by the European Court of Auditors (hereafter referred to as "the Court") and the replies of the Commission to the Report;
2. NOTES that Eurostat verifications in multiannual cycles comprise a detailed analysis of the GNI data reported by Member States to ensure comparability, reliability and exhaustiveness of the data; however, the longer the process and the greater the number of issues identified by Eurostat, the lower the predictability of Member States' contributions;
3. TAKES NOTE of the findings of the Report, in particular that:
 - Eurostat's risk assessment process is well designed and effectively served for identifying the high-risk issues for GNI data compilation; however, Eurostat did not make full use of the risk assessment results to prioritise its verifications, particularly for the highest-risk issues;
 - Eurostat provided adequate support to Member States for addressing high-risk issues, but it did not react to the issue of globalisation in a timely manner;
 - the Commission completed the GNI verification cycle as planned and provided Member States with timely information on adjustments to their contributions resulting from GNI verifications; however, many issues were open at the end of the verification cycle, thus potentially affecting Member States' contributions. Eurostat checked many issues proving to have a low impact on GNI and inefficiencies were found regarding the documentation tools used;

4. STRESSES the importance of effectively targeting verifications to the most important issues, and of closing the verification cycle as quickly as possible considering the importance of predictability of Member States' contributions to the budget;
5. ACKNOWLEDGES the fact that the Commission has accepted most of the Court's recommendations and Eurostat is already taking steps to facilitate an overview of the impact on GNI of the action points and reservations placed and addressed during the 2020-2024 cycle;
6. BROADLY SHARES the replies of the Commission to the findings and recommendations included in the Court's Report, in particular that Member States are well placed to judge the complexity and potential impact of action points and to plan and prioritise the work on them accordingly;
7. Considering the Court's recommendations INVITES the Commission (in particular through Eurostat, where relevant), by the start of the next verification cycle at the latest, to:
 - prioritise work addressing those transversal issues most likely to have a very high impact on most Member States, as well as systematically target verifications in high-risk Member States;
 - better document the reasons to select areas for direct verification and analyse, in close cooperation with National Statistical Institutes, ways to improve the prioritisation of work on action points;
 - improve the timeliness of the support and guidance provided to National Statistical Institutes when a new high-risk issue is identified and adequately justify decisions to limit the period for reservations;
 - further enhance the efficiency of the verification cycle, in particular by analysing the appropriateness of the current materiality threshold, in close cooperation with the National Statistical Institutes, and by analysing the possibility of improving IT tools to allow for a more efficient follow-up of relevant information concerning the verification process.