

'Court of Auditors maintains reservations on reliability of payments' from the Europe Daily Bulletin (16 November 2005)

Caption: On 16 November 2005, the day after the submission of the annual report of the Court of Auditors to the European Parliament, the Europe Daily Bulletin echoes the Court's reservations about the operations of the European Union budget for 2004. For its part, the European Parliament is threatening not to approve the agreement on the forthcoming financial framework until audit and control procedures are improved in the Member States.

Source: Bulletin Quotidien Europe. Dir. of publ. Riccardi, Ferdinando ; Editor Gazzo, Marina. 16.11.2005, No 9068. Brussels: Agence Europe.

Copyright: (c) Agence Europe S.A.

URL:

http://www.cvce.eu/obj/court_of_auditors_maintains_reservations_on_reliability_of_payments_from_the_europe_daily_bulletin_16_november_2005-en-547db321-df1d-4407-b08f-cd70dd4da063.html

Publication date: 19/09/2012

Court of auditors maintains reservations on reliability of payments, despite improvements in the field of agricultural aid – parliament threatens to reject agreement on future financial framework

Strasbourg, 15/11/2005 (Agence Europe) – For the 11th consecutive year, the European Court of Auditors has refused to give a positive "Statement of Assurance" (SOA) on all operations of the EU budget for 2004. The annual report of the Court, which was presented to the MEPs in Strasbourg on Tuesday, notes that the "vast majority" of payment appropriations are still affected by errors in the legality of underlying operations, even though it shows improvements in the implementation of the control and monitoring system for agricultural expenditure. During the debate, many MEPs warned that the EP would not approve the agreement on the forthcoming financial perspectives until audit and control procedures improve in the Member States.

Hubert Weber, the president of the Court, noted with satisfaction that the under-use of credits, which characterised previous financial years, "has reduced considerably thanks to improved planning and management". With 2.7 billion EUR, the 2004 surplus was considerably lower- by around a half- than that of 2003. Mr Weber went on to outline the main messages the Court hopes to pass on in its SOA.

Reliability of the accounts: the Court takes the view that the consolidated financial states faithfully reflect revenue and expenditure in 2004, except where it relates to the heading of sundry accounts receivable. The accounting system used to establish the accounts does not ensure that all asset and liability elements are registered on the bottom line. However, the Commission has made significant process towards the implementation of year-end accounts, starting with the financial year 2005.

Legality of operations: the Court grants a positive SOA for revenue, commitments and payment appropriations in two fields only (administrative expenditure and pre-accession aid). For the remaining payment appropriations (agricultural expenditure, structural actions, internal policies and external actions), "once again, the Court is unable to give its opinion unreservedly: the implementation and functioning of the control and monitoring systems are not yet efficient, and payments are still significantly punctuated by mistakes", said President Weber.

There is, however, some good news: "for the first time ever", the Court is able to state that efforts made by the Commission and the Member States to implement the "integrated management and control system" (IMCS), which covers 59% of agricultural expenditure, has borne fruit. In its report, the Court points the finger at Greece, where the IMCS, the main tool for the management and control of "surface" aid regimes and "animal" premiums, "is still not in a position to guarantee the legality and regularity of payments". As in previous years, the Court highlighted a significant level of error on expenditure related to the common agricultural policy (CAP). Agriculture expenditure which is not covered by the IMCS, or in areas in which the IMCS had not been correctly implemented, "present greater risks of irregularity due to weaknesses in the control systems", Mr Weber told the plenary, going on to add that retrospective controls on payments carried out by the Member States relating to subsidies under the CAP and which were not covered by the IMCS- which represents 37% of all agricultural expenditure- "are not providing assurance that underlying operations are in line with Community rules".

In the field of structural actions, the Court revealed shortcomings affecting the management and control systems, and brought to light "several gaps" in the controls carried out by the Member States. In its sample of 167 projects paid for in this field, the Court noted a large range of problems, including, in many cases, the declaration of ineligible expenditure.

According to Mr Weber, improvements made to systems and controls at the level of the European Commission "have had no equivalent in the Member States". This means, therefore, that the Commission and Member States must bring together their efforts to detect weaknesses in the design and functioning of the internal control systems and make changes to them. According to the President of the Court, recent events- the rejection of the draft European Constitution by the voters of two Member States during referendums and difficulties encountered to reach an agreement on the financial perspectives 2007-2013-

are, to a certain extent, "*indicative of a feeling of mistrust on the part of the citizens towards the Union and its institutions*", Mr Weber said that he was "*firmly convinced that only the correct functioning of our institutions and high-quality management, both politically and in terms of expenditure, can seal the legitimacy of the Union*". The Member States must also take on their responsibilities in the administration and control of a sizeable proportion of the budget, the president of the Court of Auditors concluded.

The Commissioner in charge of relations with the European Court of Auditors, Siim Kallas, said that the report, which is "*objective and well-balanced*", acknowledges the fact that the Commission has improved its management systems, even though progress must still be made in "*many areas*". He was particularly pleased to note progress in agricultural aid and pre-accession aid. This development, compared to last year, allows the Court to return a positive SOA for around one-third of budget expenditure, compared to just 6% a year ago (for the 2003 budget). Mr Kallas regretted the fact that the Finance Ministers of the EU had refused, on 8 November, the certification by political declaration of the correct execution of EU expenditure at national level. He called for "*more cooperation on the part of the national and regional administrations*", with which the Commission co-manages 80% of expenditure under the budget of the EU.

During the debate, José Javier Pomés Ruiz (EPP-ED, Spain) observed that the verdict of the Court showed improvements which are, however, insufficient. The MEP spoke of a great de-motivation on the part of the EP, which is wondering why efforts are being made which always end up with the same result. He described as "*scandalous*" the fact that the UK Presidency was not taking part in this debate, given that 80% of expenditure is managed by the Member States, and also pointed out that the Council had rejected a resolution by the EP calling on the Member States to make national decorations. He feels that no bones should be made about the fact that three Member States are among the top of the class, and three others at the bottom.

In the view of Dan Jørgensen (PES, Denmark), the behaviour of the Member States is not in line with their responsibilities. The nub of the problem lies with the Member States, added Jan Mulder (ALDE, Netherlands), who drew attention to the fact that the bench of the hemicycle reserved for representatives of the Member States was almost empty, revealing, in his view, the lack of interest on the part of the countries of the EU in the audit work carried out by the Court. The MEP reiterated the EP's request, which has fallen on deaf ears up until now: the publication, at the highest political level, of a declaration certifying the accounts, or at least the extension to other areas of the certificate issued by national paying agencies.

Bart Staes (Greens/EFA, Belgium), who also had a lot to say against the Member States, particularly criticised the fact that 26% of irregularities flagged up by the Court in the field of agriculture related to export refunds. According to the MEP, the Court is effectively pleading in favour of the publication of the names of those benefiting from agricultural aid (see EUROPE 9066 on the Commission's initiative on transparency).

British Labour member Terence Wynn said that "*we will not have a positive SOA any time soon*" because of the position of the Council. "*Why should we give our blessing to the financial perspectives if the control systems in the Member States are so riddled with shortcomings?*", he asked.

The President of the Court of Auditors took the floor again at the end of the debate to stress that declarations certifying the legality of accounts are not the cure for all ills. He feels that instead, the source of the mistakes should be tackled, which would be the right starting point for a reform. In his sample of projects selected for validation tests in the Member States, the Court picked up around a hundred mistakes. "*That is where we need to take action!*", said Mr Weber.