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Accompanying document to the

REPORT FROM THE COMMISSION

Member States' replies to the Court of Auditors' 2009 Annual Report

{COM(2011)104 final}

The European Court of Auditors (ECA), the EU's external auditor, provides annually a report containing the Statement of Assurance (DAS) on the reliability of the accounts and the legality and regularity of transactions.

On 9 November 2010, the report on the 2009 EU Budget was presented to the Council and the European Parliament. In the respect of the Article 143 of the Financial Regulation, the Commission informed Member States of the Court's findings related to shared management transactions and asked them to provide replies to the ECA's findings.

The letter sent to Member States contained 3 annexes:

- **Annex I** contained a questionnaire based on the paragraphs in the European Court of Auditors' 2009 Annual Report referring to each Member State.

- **Annex II** was a questionnaire based on the findings made by the Court during missions to Member States, describing the nature of the error and the transaction value.

Both annexes included questions referring to issues such as if action had been taken or not, the timing of any action taken, as well as issues regarding the completion of the action and any other comments.

- **Annex III - Annex III A and B** consisted of a two part: reply to some general questions concerning the shared management chapters of the report and general comments concerning the 2009 Annual report.

Please find below the details of the replies.

ANNEX I. paragraphs in the 2009 Annual Report and for each of the 2009 findings made by the Court referring to each particular country,		
Paragraph	Observation in the 2009 Annual Report	Member State reply
CHAPTER 2 – REVENUE		
2.5	In accordance with Decision 2007/436/EC, Euratom certain Member States benefit from a reduced call rate for VAT ³ and of a gross reduction in their annual GNI contribution ⁴ for the period 2007-2013. In addition the United Kingdom is granted a correction in respect of budgetary imbalances (“the UK correction”) which involves a reduction in its payments of GNI own resources. ³ Germany, the Netherlands, Austria and Sweden ⁴ The Netherlands and Sweden.	Austria: Please refer to the legal bases according to the EU Own Resources Decision.
		Germany: No objections; this is merely the implementation of the Own Resources Decision.
2.9	The Court carried out an assessment of supervisory and control systems in three Member States ⁵ and reviewed their accounting systems for TOR. It examined the flow of duties from establishment to declaration to the Commission, in order to obtain reasonable assurance that the amounts recorded were accurate. The auditors checked a random sample of 30 import declarations in each of these three Member States. ⁵ Germany, Ireland and Latvia.	Germany: No objections; this merely describes the Court’s inspection activities
		Ireland: Reference 2.9 is a statement of fact: it does not request any action by Ireland
		Latvia: Auditors from the Court of Auditors inspected import declarations in Latvia, but no infringements were detected.
2.10	For five recoveries concerning traditional own resources of the sample referred to in paragraph 2.7, the Court reconciled the selected monthly statements with the underlying accounting records of Member States ⁶ . ⁶ Germany, France, Italy, Slovenia and the United Kingdom.	Germany: No objections; this merely describes the Court’s inspection activities
		Slovenia: Slovenia was not instructed to take any action in this case.
		UK: HMRC- No action is required as the Court concluded that there was no error to report for the UK.
2.12	The Court took into account the results from its specific audit carried out in 2008 and 2009 on simplified customs procedures for imports in nine Member States ⁸ . ⁸ Belgium, Ireland, France, Italy, Hungary, the Netherlands, Slovenia, Sweden and the United Kingdom	Belgium: There was some delay due to the reorganising of the Customs and Excise Administration department involved.
		France: I. - s'agissant du suivi des documents de surveillance et des licences d'importations dans le cadre des procédures simplifiées, afin de tenir compte des recommandations de la CCE, la France envisage, en attendant la dématérialisation de tous les documents d'ordre public actuellement à l'étude dans le cadre du GUN (Guichet unique national), que lesdits documents soient imputés et visés systématiquement par les bureaux de douane et que les documents requis au moment de la mise en libre pratique de la marchandise soient contrôlés par sondage

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		<p>et pour les opérateurs identifiés comme étant à risque.</p> <p>Cette solution transitoire, qui permettra de concilier la réglementation communautaire en matière de commerce extérieur, et les facilités liées aux procédures simplifiées, est la suivante :</p> <p>L'opérateur demande à la Commission européenne via la Direction générale de la compétitivité, de l'industrie et des services, un document de surveillance communautaire (pour les produits en acier) ou une licence d'importation (pour certains produits en acier de Russie ou du Kazakhstan, et les produits textiles de Bélarus et de Corée du Nord) avant d'effectuer ses opérations de dédouanement ;</p> <p>Une fois le document obtenu, l'importateur est autorisé à effectuer sa déclaration ;</p> <p>Avant validation de sa DSI dans Delta D, le titulaire d'une PDD/PDU s'engage à transmettre immédiatement au bureau de douane dont il dépend, par fax ou courrier électronique, une copie du document de surveillance ou de la licence d'importation avec les quantités imputées si la DSI ne reprend pas la totalité des marchandises visées ;</p> <p>Lors de la validation de la DSI, l'opérateur reporte les références et la date du document de surveillance ou de la licence ;</p> <p>Enfin, l'opérateur s'engage à se rendre au bureau de douane pour visa des documents originaux, au plus tard au moment de la validation de la DCG.</p> <p>La décision administrative n° 06-056 du 27 décembre 2006, parue au BOD n° 6694 du 29 décembre 2006 « La télé-procédure Delta D, Version 2 », sera modifiée en ce sens ;</p> <p>II. - s'agissant de l'anomalie relevée par les auditeurs sur la DSI n° 081801137 relevant de la DR du Léman, (bureau de Pont d'Ain), la Cour recommande de rappeler à ce bureau les procédures mises en place pour l'imputation correcte des licences d'importation. Ce rappel a été fait par note conjointe E/1-E/3 n° 3197 du 27 octobre 2010 ;</p> <p>III. - s'agissant des anomalies relevées au niveau des justificatifs de l'origine, la Cour considère que les contrôles réalisés après le dédouanement ne sont pas suffisamment efficaces. Elle préconise, pour remédier aux anomalies constatées, que la douane sensibilise les importateurs aux risques financiers d'une fausse déclaration d'origine préférentielle, notamment en faisant un effort de formation :</p> <p>a. - s'agissant des anomalies relevées au niveau des justificatifs de l'origine</p>

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		<p>préférentielle, une décision administrative (DA) n° 99-S-056 publiée au BOD interne n° 1482 du 19/05/1999 modifiée par la DA n° 00-S-133 du 07/12/00 publiée au BOD interne n° 1586 du 14/12/2000 indique de manière exhaustive la conduite à tenir en matière de traitement des irrégularités constatées au niveau de la validité, du visa, de la délivrance a posteriori, de la règle du transport direct, et plus largement du contrôle de la recevabilité des documents. Cette instruction est actuellement en cours de réécriture au sein du bureau E/1 de la DGDDI pour tenir compte à la fois de l'évolution réglementaire, de la réorganisation intervenue depuis la réforme des services d'administration générale et par conséquent de la redéfinition du rôle de chacun des acteurs intervenant dans la procédure de contrôle a posteriori des certificats d'origine préférentielle, et enfin de la dématérialisation du dédouanement (dans le cadre de la télé-procédure Delta, en France). Cette instruction prendra également davantage en compte l'analyse de risques dans le choix des contrôles à exercer après le dédouanement.</p> <p>En effet, la politique rénovée des contrôles privilégie le recours au contrôle a posteriori des documents justificatifs de l'origine au niveau des contrôles ex-post de 1er et de 2nd niveau. L'analyse de risques vise à rassembler et à traiter l'ensemble des informations de diverses sources (communautaire, nationale, locale) sur les trafics de produits sensibles (couple pays/produit) afin de sélectionner les demandes de contrôle a posteriori des certificats d'origine préférentielle auprès des autorités étrangères émettrices.</p> <p>En effet, en matière de contrôles, la dispense de présentation systématique, au titre de l'article 95 du code des douanes, des documents qui accompagnent la marchandise importée par l'opérateur et en particulier des justificatifs de l'origine préférentielle, conduit les services à privilégier la procédure de contrôle a posteriori du caractère originaire des marchandises, sur la base des méthodes de coopération administrative prévues par les accords entre l'Union européenne et certains pays tiers partenaires et dans le cadre du SPG, au contrôle de la forme et des énonciations portées sur les documents d'origine, en temps réel, comme il était encore possible de le faire quand les déclarations d'importation étaient déposées au bureau de douane. Ainsi, la dématérialisation des procédures de dédouanement limite-t-elle les possibilités de contrôle de recevabilité des documents joints aux déclarations en douane dans la mesure où ils sont conservés par l'opérateur et/ou son représentant et non plus par l'administration des douanes.</p> <p>Si les télé-procédures Delta permettent d'identifier sur la déclaration en douane la présence ou non des documents d'origine préférentielle qui accompagnent les</p>

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		<p>marchandises importées (case n° 44), aucun élément ne permet de préjuger de la recevabilité du document avant sa communication effective, lors d'un contrôle ex-post de 1er niveau (effectué par le bureau, dans les 4 mois qui suivent l'opération d'importation) ou de 2nd niveau (effectué par les services d'enquête, pouvant remonter sur 3 ans) ;</p> <p>b. - s'agissant de la sensibilisation des importateurs aux risques financiers, la DGDDI s'efforce de faire acquérir aux opérateurs la maîtrise des règles d'origine préférentielle, aussi bien au niveau de l'administration centrale (actions de formation des fédérations professionnelles, par exemple), qu'au niveau des services déconcentrés (relais des pôles d'action économique des directions régionales, expertises personnalisées apportées par les cellules conseil aux entreprises, actions de formation des entreprises en partenariat éventuellement avec les chambres de commerce et d'industrie). A cet égard, le plan d'action lancé par l'administration centrale en 2009-2010 pour la promotion du statut d'exportateur agréé pour l'origine préférentielle et relayé par les directions régionales dans leur budget opérationnel de programme, constitue l'opportunité pour les opérateurs, à l'occasion de leur demande de statut et de l'instruction de celle-ci, de mener en concertation avec le service des douanes, une étude précise et approfondie des règles d'origine préférentielle applicables à leurs produits en fonction de leur classement tarifaire. Elles peuvent ainsi sécuriser leurs opérations de commerce international pour l'avenir, aussi bien à l'exportation qu'à l'importation.</p> <p>Hungary: For goods approved to be released into free circulation under the simplified procedure, the exemption from notification provided for in Article 266(2)(b) of the regulation implementing the Customs Code has been restricted.</p> <p>Ireland: Reference 2.12 is a statement of fact: it does not request any action by Ireland</p> <p>Sweden: Sweden was covered by the special 2010 report to which the Court refers. Sweden is conducting a dialogue with the Commission under a separate procedure on following up the Court's report as regards Sweden and has already taken a number of measures to tackle the shortcomings identified by the audit.</p> <p>UK: HMRC - <i>Pre-authorisation controls:</i> UK accepts the comments made regarding Pre-authorisation controls and is in the process of producing enhanced guidance for officers to reflect the recommendations made in the ECA report and the more stringent standards applied under the revised legislation. <i>Pre and post-clearance checks on declarations/ goods:</i> The UK has taken steps to</p>

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		<p>address the points raised in the report and random sampling of transactions is now built into UK controls; additionally inland examinations are now taking place at Local Clearance Premises. The UK rejects the recommendation made to implement automatic reconciliation of simplified frontier declarations to supplementary declarations, the UK has previously considered the use of an automated reconciliation function within Customs Handling of Import and Export Freight for the Simplified Frontier Declaration to Supplementary Declaration but this was judged to be impractical in the circumstances. For example, a removal from warehouse may take place 10 years after the original frontier entry was made & an automated reconciliation would not therefore be possible as entries are only required to be retained for 4 years. In addition automated reconciliation is not a legislative requirement.</p> <p><i>Errors found in sample transactions:</i> The majority of queries found by the Auditors in the sample transactions were later resolved without significant material errors. The UK has reviewed its internal processes and is in the process of implementing system and procedural changes to address the issues raised.</p> <p><i>Post-authorisation Audits:</i> The UK has developed new standards and guidance for officers on the conduct and record keeping of audits. The UK has also implemented a 3-year rolling programme of assurance for all Customs businesses.</p> <p>Slovenia:</p> <p>Section 1 of the preliminary findings Instructions No 3/2009 which have been adopted for simplifying the clearance of goods also regulate the way checks are carried out before the authorisation is issued.</p> <p>Section 2 of the preliminary findings The Customs Administration of the Republic of Slovenia (CURS) is constantly increasing the proportion of authorisation-holders filing declarations (ZA3), but the possibility of extending this to all economic operators is limited (it is not for instance possible with express mail).</p> <p>The exemption pursuant to Article 266(2)(b) of Commission Regulation (EEC) No 2454/93 is granted to holders of local clearance authorisations who have shown a high degree of reliability and a good spirit of cooperation in their dealings with customs offices. As a rule, the exemption is not granted immediately on issue of the authorisation but after the holder has displayed a high degree of reliability and compliance with the customs regulations for a specific period. The opinion of the customs office responsible for granting the exemption is obtained before the</p>

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		<p>authorisation is changed to this effect. It is on this basis that the exemption is decided. Exemptions are also regulated in the Instructions simplifying the clearance of goods, No 3/2009, which governs simplified procedures at national level. In 2009 there were 363 controls of 29 holders of authorisations to use local customs clearance who had an exemption. This figure does not include local clearance authorisations for the release of goods for free circulation from type D warehouses. In these cases the holder is already exempted under the second subparagraph of Article 266(1)(b) of Commission Regulation (EEC) No 2454/93 (there are 57 authorisations of this type). The total number of exempted holders is thus 86 of the 222 authorised to conduct the local clearance procedure for imports.</p> <p>Section 3B</p> <p>On 27.5.2010 the General Customs Administration (GCU) sent each customs office a document (No 424-93/2010-1) stating that, under the simplified procedures, surveillance documents and import licences were to be checked and discharged when the goods were released for free circulation under the selected customs procedure.</p> <p>Section 4</p> <p>The Customs Administration carries out a number of checks on the IT systems. Every user wanting paperless transactions with the Customs Administration must first conclude an agreement to use the IT system for electronic business with the Customs Administration, under which the user and the Customs Administration define their mutual relationship. After concluding the agreement, each e-business user must provide digital confirmation authorising the electronic signature of documents on the user's behalf. The IT Section cooperates with economic operators in testing the exchange of electronic messages and eliminating operational problems. The checks in the IT sector before issue of the authorisation or renewal of the authorisations for simplified procedures are carried out in accordance with the Instructions simplifying the clearance of goods No 3/2009 of 5.5.2009 and the document setting out the method for renewal of the authorisations for simplified procedures (No 424-155/2010-1 of 5.10.2010). Until now the check has been carried out by a customs inspector with the requisite technical knowledge, but the Customs Administration will try to ensure in future that IT specialists will also participate in this type of check.</p>

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2.20	<p>As in previous years¹⁰, the Court highlighted problems in the procedures and systems which affect the amounts included in the B accounts which should be remedied. These concerned in particular delayed recovery of duties and late making available of recovered amounts¹¹, and unjustified write-off of customs duties¹².</p> <p>example paragraph 4.14 of the 2008 Annual Report. many, Ireland, Italy and Latvia. many</p>	<p>Germany: Some of the payments made were subject to reservation as a result of fundamentally different legal opinions on the obligation to make available the amounts paid.</p>
		<p>Ireland: In addition to issuing revised debt collection instructions, development of customs debt collection facilities is ongoing. Our electronic accounting system ensures that recovered amounts are always made available within the required time limits.</p>
		<p>Latvia: Discrepancies related to IT problems. The problems with the IT systems relate mainly to the period up until the end of 2007. Changes to the Central Customs Information System are currently being made as a result of changes to both European Union and national legislation. Any errors or inaccuracies found in software are now immediately rectified.</p> <p>The Latvian Customs Authority has established an internal procedure for managing the risk associated with administration of TOR. In accordance with this procedure, the Unit regularly checks whether the established claims and recovered amounts have been booked and scrutinised in a correct and timely fashion. The officer in charge at the TOR Administration Unit makes corrections during the reporting period to reduce the overdue time.</p>
2.21	<p>In two of the Member States¹³ audited the national authorities were not able to fully justify the amounts recorded in the B statements, because they did not match the underlying documents. Furthermore similar differences were identified by the Court in its reconciliation of the A accounts¹⁴.</p> <p>d and Latvia. d</p>	<p>Ireland: Ireland considers that it did fully justify the amounts recorded in the A and B statements. However, to improve the efficiency of the process a system to produce the A and B statements electronically is being developed.</p>
		<p>Latvia: To meet the requirements set by the Court of Auditors, on 6 January 2010 an application was registered in the Remedy Action Request System used for managing changes to information systems, requesting that an option be provided for in the B account statements in the Central Customs Information System which would allow a breakdown of the B account balance to be given as at the beginning and end of any quarter. Following implementation of the requested changes, it will be possible to provide evidence that the B account balance reflects the actual situation. Changes permitting a breakdown of the B account balance as at the beginning and end of any quarter have been brought into effect in version 6.20 of the Central Customs Information System, which was released in 20 September 2010.</p>

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2.23	<p>On-the-spot audits carried out by the Court revealed deficiencies in national customs supervision, in particular as regards the performance of risk analysis for the selection of traders and imports to be subject to customs controls¹⁶. This increases the risk of irregularities remaining undetected which could lead to a loss of TOR.</p> <p>¹⁶ Germany, Ireland and Latvia.</p>	<p>Germany: Germany takes the view that the combination of checks based on non-automated random elements (deliberate decisions of the clearance officials) and checks based on instructions using risk profiles is effective. Therefore, it does not agree with this finding from the Court.</p>
		<p>Ireland: A Post-clearance Guide, with case selection criteria, issued in June 2010. A selection tool to further assist cases for post-clearance audit will be available in February 2011. An electronic manifest system to replace the existing CEMS system is being developed and is expected to be available in April 2012.</p>
		<p>Latvia: To improve the risk analysis system in relation to customs activities, work has commenced on introducing a risk management system integrated with customs procedures. A Customs Risk Management Committee was established on 14 July 2010. Staff for the Risk Management Unit of the Inspection Department of the State Revenue Service's Customs Administration are currently being recruited. It is anticipated that the unit will be fully staffed by the start of December. The Unit's main task will be to arrange and carry out the design, implementation and maintenance of a risk management system integrated with customs procedures. The customs risk management procedure was approved by Order No 743 of the State Revenue Service of 6 October 2010 on risk management within the Customs Administration. In November 2010 a customs risks list was approved and work begun on a risk assessment, on the basis of which a risk mitigation plan will be drawn up.</p> <p>The purpose of customs risk management is to ensure that all checks performed are based on the results of a risk analysis, which will ensure that checks at each subsequent scale are based on the results of previous checks and cover all operational aspects, thereby resulting in a more effective use of resources.</p>
2.27	<p>In its report on Greek government deficit and debt statistics (22) to the (Ecofin) Council, the Commission called into question the quality of Greek macroeconomic statistics, including those of National Accounts. The Commission and the Council raised doubts on the effective functioning of supervisory and control systems at the National Statistical Service of Greece, which also produces GNI data for the calculation of own resources.</p> <p>²² COM(2010) 1 final of 8 January 2010 and Minutes of the (Ecofin) Council meeting of 19 January 2010.</p>	<p>Greece: Following the enactment of Law 3832/2010 on the Hellenic Statistical System and establishment of the Hellenic Statistical Authority (ELSTAT) as an Independent Authority, the foundations were laid for a general improvement of Greece's statistical data, especially in relation to data regarding fiscal statistics and national accounts. The Greek statistics action plan was jointly drawn up by Eurostat and the Hellenic Statistical Authority (ELSTAT) in March 2010 to improve the quality of Greek statistics. The third pillar of that action plan relates to fiscal statistics. Some of the specific actions chosen have been completed in line with the timeframe adopted while others are still underway. One result of the adoption of</p>

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		this plan, as far as fiscal statistics are concerned, is that Eurostat has not expressed reservations about data sent as part of the excessive deficit procedure in November 2010. As far as improvements to the quality of national accounts is concerned, the update to the joint statistics action plan agreed by the Steering Group in October 2010 focuses on specific actions to be taken in 2011 designed to improve the quality of sectoral accounts, household savings accounts, quarterly accounts, volume and price measurements and a revision of the national accounts.
2.30	<p>At the beginning of 2009 there were ten open specific²⁵ GNI reservations relating to the period 1995 to 2001. During 2009 the Commission lifted 7 reservations relating to Greece leaving a balance of four²⁶ at the year end.</p> <p>A specific reservation covers discrete elements of the GNI inventory. ²⁶ These open reservations concern Greece and the United Kingdom and mainly relate to methodological and compilation aspects.</p>	<p>Greece: In 2003 the European Commission (Eurostat) expressed 7 reservations about Greece's GNI data for the 1995-2001 period, following examination of the Greek inventory relating to implementation of the ESA95 system. Of those reservations, 6 have been lifted since July 2009 while the seventh was partially lifted. That part of the reservation which remains outstanding relates to one aspect of transition from GDP(ESA95) to GNP(ESA79), and in particular the manner in which amortisation and depreciation for infrastructure works was calculated. ELSTAT has already made new calculations and is in discussions with Eurostat so that these calculations can be included in the national accounts system.</p> <p>UK: The UK Office of National Statistics is working very closely at all levels with Eurostat to address the reservations, and it is anticipated that the reservations will be resolved over the course of the next twelve months.</p>
2.5	<p>In accordance with Decision 2007/436/EC, Euratom certain Member States benefit from a reduced call rate for VAT⁽³⁾ and of a gross reduction in their annual GNI contribution⁽⁴⁾ for the period 2007-2013. In addition the United Kingdom is granted a correction in respect of budgetary imbalances ('the UK correction') which involves a reduction in its payments of GNI own resources.</p> <p>⁽³⁾ Germany, the Netherlands, Austria and Sweden. ⁽⁴⁾ The Netherlands and Sweden.</p>	<p>Sweden: Like other countries, Sweden benefits from some special corrections in the own resources system. The Court of Auditors has not put forward any particular comments on this that would require a response from Sweden.</p>
Table 2.1.		<p>Sweden: Like the Netherlands, Sweden benefits from a special correction in the own resources system. The Court has not put forward any particular comments on this that would require a response from Sweden.</p>
Table 2.2.		<p>Belgium: Au 31/12/2009 il restait 3 réserves en suspens pour BE. Lettre du 26/1/2010 de la DG Budget (ref.DG BUDG/B4/MA/cp D(2010) ARES(2010)41537) informant BE qu'il ne restait plus qu'une réserve en suspens. Lettre du 5/11/2010 de la DG Budget (ref.DG BUDG/B4/MA/bb- ARES(2010)778706) informant BE qu'il n'y a plus de réserves pour BE en ce qui</p>

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		<p>concerne la ressource propre TVA après ladite lettre.</p> <p>Austria: At 31 December 2009 there were five reservations in the area of VAT own resources, relating to the following subjects: <i>Subject/ Relevant years/ Reservation made by</i> Weighted Average Rate (concealed activities)/2002 – 2007/Commission Restriction of the right to deduct input tax for cars (calculation method, private-use proportion)/ 2003 – 2007/Commission Infringement procedure No 2007/2453 – Application of the Sixth VAT Directive (VAT exemptions)/2004 – 2007/Commission Infringement procedure No 2007/2176 – Application of the Sixth VAT Directive (compensation for cars)/2004 – 2007/Commission Compensation for SMEs (withdrawn on 31 July 2010)/2007/Austria</p> <p>Bulgaria: In so far as infringement proceedings No 2008/4368 initiated by the Commission against Bulgaria relate to the reservation under Chapter 2, Table 2.2, of Annex I to the Court of Auditors Annual Report for 2009, Bulgaria took the following action: With regard to the exemption of lawyers from VAT, Bulgaria has adopted measures to amend the VAT Act (State Gazette 95/2009, in force from 1 January 2010) and rectified the infringement. With regard to the situation whereby the activities of state bailiffs are not subject to VAT, Bulgaria is in the process of defending its legislation. In response to Bulgaria's initial reply of 26 August 2009, the Commission asked for additional information (by letter of 4 October 2010) in the form of statistical data on the activities of state bailiffs. Bulgaria submitted the information requested (by letter of 23 November 2010 (ref. 02.17-175)) and, with a view to enabling the Commission to carry out a fuller analysis, said that it would also submit statistical data on the activities of private bailiffs. This data has been provided and will be forwarded to the Commission by the deadline it specified, i.e. 23 December 2010.</p> <p>Czech Republic: The reservations raised by DG BUDG representatives were in relation to subsidiary calculations in the overall calculation of EC VAT-based own resources. As regards this calculation of the EC VAT-based own resources, there were three reservations relating to the calculation of compensation and one general reservation on the calculation of the weighted arithmetic average of VAT (the calculation is done by the Czech Statistical Office [ČSÚ]). A further five reservations relate to legislative inconsistencies between the VAT Directive and the Czech VAT Act. All reservations are in the process of being resolved. Because</p>

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		<p>there has only been one control mission in the Czech Republic focussing on the methodologies used to calculate EC VAT-based own resources (carried out in 2008 for the 2004-2006 period), it is necessary to wait until the next control mission, which will decide whether new methodologies introduced in calculations for 2009 and applied retrospectively are correct.</p>								
		<p>Officials of the Commission's DG Budget carried out an inspection from 10 to 15 November 2008 on the VAT bases in Cyprus for 2005 to 2007. On the basis of the findings of the inspection, the Commission's Control Report the situation as regards reservations was as follows:</p> <table border="0"> <tr> <td>Reservations before the control</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Reservations lifted</td> <td style="text-align: right;">1</td> </tr> <tr> <td>Reservations after report</td> <td style="text-align: right;"><u>1</u></td> </tr> <tr> <td></td> <td style="text-align: right;">3</td> </tr> </table> <p> The VAT authorities (VAT Department) took a number of measures to remove the reservations made in the European Commission's report. The VAT Department prepared observations on the Commission's reservations and recommendations and sent them to the Commission on 15 October 2009, within the time laid down in Article 6 of Regulation (EC) No 1831/2003. Therefore, up to 31 December 2009, there were three reservations pending. In February 2010 the Commission sent a copy of the summary report referred to in Article 6 of the Regulation in English and Greek in duplicate in Greek. On the basis of this report, the Commission added three more reservations. There were now six reservations in the draft summary report. The VAT Department has taken additional steps and action with respect to these reservations. On 30 April 2010 it sent a report to the Commission containing clarifications and comments (along with revised observations) concerning the observations/comments made by the Commission in the draft summary report. That report describes in detail the measures and actions taken by the VAT Department to remove the reservations. Then on 16 September 2010 it sent a further report to the Commission with details and comments on the action taken by the VAT Department to remove the reservation concerning new buildings. We would like to point out that the action to remove the Commission's reservations </p>	Reservations before the control	3	Reservations lifted	1	Reservations after report	<u>1</u>		3
Reservations before the control	3									
Reservations lifted	1									
Reservations after report	<u>1</u>									
	3									

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		<p>n immediately after the visit by EU inspectors in November 2008. Action was taken in February 2010 following receipt of the draft report. Several of the actions taken by the VAT Department to] the reservations have been completed and yielded results. Action will continue to be taken until all the reservations have been the VAT Department is committed to continuing cooperation with the European Commission and is taking these practicable measures to the outstanding reservations.</p> <p>Denmark: Five reservations were registered for Danish VAT compensation as at 31 December 2009. Three of these reservations, one of which has been lifted, concern compensation for passenger transport. The two other reservations concern two pending cases of alleged failure to fulfil Treaty obligations.</p> <p>The Commission has one reservation regarding the subsidies granted to public transport, taking the view that these must be included in the VAT base. During a verification visit to Denmark in October 2006, the Commission therefore asked Denmark to examine whether the subsidies granted could be regarded as being related to price, in which case they were to be included in the VAT base. Denmark immediately found that on the basis of the information available, it would be correct to include the subsidies. Subsequently, some uncertainty arose as to whether the grants are of a type that must be included in the VAT base (see ECJ ruling C-184/00). Denmark has therefore entered a reservation from 2006, but has continued to include the subsidies in the VAT base. During a verification visit in January 2010, the Commission requested that the Danish authorities document how the transport sector in question is organised and managed. At the same time, it entered a further reservation dating from 2004.</p> <p>The third reservation concerning passenger transport involved an impact assessment following the Cimber Air judgment on domestic flights (ECJ ruling C-382/02), but the Commission has subsequently lifted this reservation.</p> <p>As mentioned above, the two other reservations concern two pending cases of alleged failure to fulfil Treaty obligations. One concerns the Commission's Reasoned Opinion 2008/2147 of 23 November 2009 on VAT grouping schemes, to which Denmark replied by letter of 25 January 2010. The other concerns the Commission's Reasoned Opinion 2007/2312 of 28 January 2010 on VAT exemption for charities, to which Denmark replied by letter of 29 March 2010.</p> <p>Denmark has an ongoing dialogue with the Commission concerning the VAT reservations.</p>

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		<p>Estonia: The number of reservations established for Estonia in the table is correct and work to resolve them is ongoing.</p> <p>Finland: The Commission carried out an inspection in Finland from 22 to 26 March 2010 and examined Finland's VAT-based own resources statements from 2006 to 2008. The outstanding reservations were also discussed on this occasion and some of them were lifted. Before the visit there were ten reservations, but in the course of the inspection two were lifted and two were combined, leaving seven outstanding.</p> <p>The Commission's reservation relating to car tax connected with VAT receipts was lifted during the inspection. The earlier reservation relating to the WAR calculation of car tax was also dropped and partially combined with the reservation on car compensation. The reservation concerning the tax-free sale of alcohol and tobacco was also lifted.</p> <p>The reservation relating to the weighted average rate, which concerns the pro rata calculation of non-deductibility, was discussed during the inspection. The Finnish authorities will carry out a more detailed analysis of the possible existence of taxable output by certain undertakings, so that the matter can be resolved before the next inspection.</p> <p>The Commission maintains its reservation concerning car tax, which relates to the inclusion of car tax in the average price of cars and its impact on the weighted average rate. The subject was discussed during the inspection and efforts to resolve it will continue. In the meantime the reservation remains in force.</p> <p>The most long-standing reservation is Finland's reservation concerning the Åland Islands, which dates from 1995. The Commission has a reservation concerning the Åland Islands for the years 2001 to 2008. Finland's reservation concerns the turnover to be used in calculating compensation, while the Commission's concerns the compensation for services supplied on board ships. The Commission sent Finland a request for payment relating to this matter on 3 June 2010, so the issue could be settled shortly.</p> <p>Since 2003 the Commission has had a reservation relating to travel agents. Infringement proceedings are under way and a decision on the case is pending. According to Finland's preliminary calculations, the compensation calculation could result in negative compensation in Finland's VAT base.</p> <p>The last two reservations – on non-profit-making organisations and VAT groups – are also the subject of infringement proceedings and decisions are pending. The Commission has issued payment requests in both cases.</p>

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		<p>Germany: The four reservations that existed on 31.12.2009 were reduced to one in the course of 2010. Resources were made available on 30.11.2009, 27.5.2010 and 26.7.2010.</p> <p>Greece: In September 2010 our Department was audited by European Commission auditors in relation to VAT-based own resources and the number of reservations was reduced from 11 to 6. The Commission will announce the reduction in the number of reservations in a document (Notice of Results) which will be sent to our Department at the end of December 2010 or start of January 2011 approximately.</p> <p>Hungary:</p> <ol style="list-style-type: none"> 1. The Commission abolished the reservation in its summary report of 16 September 2010. 2. The Commission itself did not express its definitive point of view on this matter (which also concerns other states) before the ACOR meeting of 26 October 2010, at which it was debated. At the meeting, the majority of Member States supported the Commission position that 'invisible' items should be included in WAR at the appropriate VAT key, even though in practice these items do not generate any revenue. We will draw up the amended declarations to be submitted by the end of 2010 in accordance with this position. We have asked the Central Statistical Office to adjust the WAR accordingly. 3. At the Commission's request, we asked MAHART for data on water transport for 2005-2007, which will be included in our amended declarations to be submitted by the end of 2010. 4. The Central Statistical Office has sent the new calculations for compensation for new passenger cars, so these calculations can now be included in the amended declarations to be submitted by the end of 2010. In agreement with the Commission, the Hungarian authorities will not calculate a positive item for used passenger cars for 2004-2007. In agreement with the Commission, the negative compensation item for used passenger cars will be calculated for 2004-2007 at the rate for private use (30%). On the possibility of and method for taking into consideration the open-end leasing of passenger cars, expert consultation is still required with the Hungarian Leasing Association. In the case of fuel compensation, the drawing up of a new methodology and database should be considered. <p>Ireland: A number of reservations that applied at 31.12.2009 have already been lifted. It is hoped that the remaining reservations (including the one which dates back to 1998) can be lifted during the visit of the Commission to Ireland next year.</p>

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		<p>Lithuania: On 5 March 2010 the Lithuanian authorities provided their observations on the report on the 2009 European Commission VAT own resources control visit to Lithuania. These observations include corrected calculations which aim to resolve the errors and eliminate the reservations established during the course of the visit. At the Commission's request, additional details were provided on 10 May 2010 and 22 June 2010. At a meeting of the Advisory Committee on the Communities' Own Resources (ACOR) held on 26 October 2010, the Commission's representatives presented the control visit report together with Lithuania's observations and explanations in a summary document, in which five of the seven reservations were eliminated. The two remaining reservations will remain unresolved until the Commission's representatives have examined documents supporting the corrections made; however, the calculation method put forward by Lithuania is acceptable.</p> <p>Luxembourg: Dans l'attente d'une confirmation officielle de la part de la DG BUDG que les réserves TVA sont levées - rapport officiel suite à la mission de contrôle effectuée au Luxembourg du 23 au 26 novembre 2010.</p> <p>Malta: These reservations incorporate both reservations related to the VAT Department within the Ministry of Finance, the Economy and Investment, as well as reservations related to the National Statistics Office. As regards VAT reservations, action has been taken and a reply was sent in this regard in April 2010. It is expected that in November 2011, the European Commission will carry out a 'Control Visit' in Malta and on the basis of Malta's replies and this visit, the Commission will decide whether to lift these reservations. With regard to the reservations that directly affect the National Statistics Office, continuous action is being taken with a view to having all the reservations, or the majority of them, lifted as soon as possible.</p> <p>Poland: Reservation with regard to flat-rate farmers. Our reservation concerns gross fixed-capital formation and, in respect of the weighted average rate of VAT: the identification of output for own final use and direct sales of farms as a share of household consumption, a clear presentation of the transition from public statistics to data presented in a report on intermediate consumption and gross fixed-capital formation and the identification of the domestic portion of rail transport. In connection with these reservations corrections have already been integrated into the report for 2008 and will be incorporated into the verified reports for 2004-07. The date on which reservations are lifted is determined by the European Commission.</p>

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		<p>Romania: (UCRBUE [Unit for coordination of budgetary relations with the European Union]). By 31 December 2009, there had not been any checks carried out by the European Commission relating to Romania's Annual Declarations on the VAT own resource base.</p>
		<p>Spain: Table 2.2 of the report of the European Court of Auditors gives the two reservations outstanding as at 31.12.2009 in relation to VAT in Spain. One of them refers to travel agencies and arises from the ongoing disciplinary proceedings against Spanish regulations for violation of Community law (Articles 306 to 310 of the VAT Directive). It has still not been possible to resolve this in 2010. The second Spanish reservation refers to Land Registrars and is also the consequence of disciplinary proceedings that resulted in a judgment of the Court of Justice of the European Communities on 12 November 2009, which ruled that Spain's application of its legislation was not in compliance with the VAT Directive. By means of Law 2/2010 of 1 March, the Spanish authorities amended paragraph 2 of Article 4 of Law 37/1992 of 28 December on Value Added Tax, adding a letter c) establishing that the services undertaken by Land Registrars, acting as settlement agents in charge of a settlement office of a mortgage district, would be understood as taking place within the development of a business or professional activity, thus being subject to Value Added Tax. This new paragraph c) has been in effect since 1 January 2010.</p> <p>During the Commission's inspection visit of 15 to 18 March 2010, the Spanish authorities agreed to include compensation for the period during which the Spanish interpretation had deviated from the VAT Directive. On 20 April 2010, the Spanish authorities sent the Commission an email setting out the way in which compensation for each of the financial years affected would be calculated and the data used. The Commission lifted the reservation relating to Land Registrars in its inspection visit report dated 14 July 2010.</p> <p>Of the two reservations outstanding as at 31.12.2009, therefore, one of them - relating to Land Registrars - has now been lifted by the Commission.</p>
		<p>Slovakia: Three unresolved reservations on harmonised VAT base statements (as at 31 December 2009) were lifted by means of measures adopted by the relevant Slovak authorities, as also noted in the European Commission summary report of 10 September 2010 on the results and observations emerging from the Commission's audit of Slovakia regarding statements of VAT resources for 2005, 2006 and 2007.</p>

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		<p>Slovenia: The European Commission's visit in connection with VAT resources took place in 2007 for the period 2004-2005 and in 2010 for the period 2006-2008. The reservations were made in 2009 and withdrawn during the 2010 visit. Slovenia has in the meantime sent the Commission its findings, explanations and new calculations in connection with the reservations within the prescribed deadlines, but the new calculations for the years in question are included in the regular annual report on the VAT base for the previous year. During the Commission's visit in 2010 we learned that our revised calculations had not been sent in a form compliant with the Commission's internal rules and therefore agreed on a more appropriate form which was subsequently adopted. We consider that Member States could have their reservations withdrawn far more quickly if they were informed beforehand of the procedure and technical rules.</p> <p>Sweden: Sweden works with the Commission on an ongoing basis with a view to eliminating outstanding VAT reservations. In the course of 2010 VAT reservations arising from Åland's special tax status, Sweden's special legislation on cooperative flats (<i>bostadsrätter</i>) and economic activity in voluntary organisations were eliminated. As the authority responsible, the Swedish Tax Agency (<i>Skatteverket</i>) is engaged in an ongoing dialogue with the Commission on outstanding reservations, particularly after the last inspection. Sweden intends to pursue its efforts, focusing particularly on the reservations that have existed longest.</p> <p>UK: The UK has entered into correspondence with the Commission as regards the outstanding VAT reservations and both parties have agreed to resolve them on an ongoing basis. It is the aim that the majority will be cleared either before or during the next Commission visit to the UK (due in November 2012).</p>
Annex 2.4		<p>Estonia: Estonia sent a letter concerning the major changes to the National Accounts in 2009 to the Director-General of Eurostat, Mr Radermacher, on 16 February 2010.</p> <p>Germany: The Commission agreed with Germany that additional traditional own resources were not due.</p> <p>Greece: ELSTAT is in discussions with Eurostat about lifting the last remaining reservation concerning GNI data for the 1995-2001 period.</p> <p>Malta: Although the Report by the Court of Auditors states that Malta sent an official letter (regarding the National Accounts) after the established deadline, the National Statistics Office maintains that it always sent its letters within the</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply stipulated time.
CHAPTER 3 – AGRICULTURE AND NATURAL RESOURCES		

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3.17	<p>The Court's overall audit approach and methodology is described in Part 2 of Annex I.I. For the audit of policy group Agriculture and Natural Resources the following specific points should be noted:</p> <ul style="list-style-type: none"> - a sample of 241 payments was tested,- the assessment of supervisory and control systems covered for <i>EAGF</i> selected paying agencies in four Member States applying the SAPS — Cyprus, Latvia, Lithuania and Slovakia — and in four Member States applying the SPS: Malta, Greece, Italy (Emilia-Romagna) and Spain (Basque Country). Additionally, in the case of Malta the audit covered the allocation of entitlements following the introduction of SPS in 2007. For <i>Rural Development</i> expenditure, the Court tested the supervisory and control systems in Austria, Germany (Bavaria), United Kingdom (England), Greece, Czech Republic, Romania, Bulgaria and France. For <i>Health and Consumer Protection</i> the Court audited supervisory and control systems relating to the animal disease eradication and monitoring programmes, - as regards cross compliance, when auditing area related payments the Court limits its testing to GAEC obligations (minimum soil cover, encroachment of unwanted vegetation) for which evidence can be obtained and a conclusion reached at the time of the audit visit. Certain statutory management requirements (protection of groundwater and soil against pollution, animal identification and animal welfare) were tested in respect of EAFRD payments. Furthermore, in the context of its IACS systems audits the Court has analysed the implementation at national level of the GAEC standards and the control systems put in place by the Member States, - in addition, in order to assess the basis for the Commission's financial clearance decisions the Court reviewed 60 of the certification bodies' certificates and reports related to 54 paying agencies ⁽¹⁹⁾. <p>⁽¹⁹⁾ The number of paying agencies included in the DAS sample</p>	<p>Germany: No response necessary. Point 3.17 of the report only describes the Court's audit approach.</p> <p>Italy: A decision now being adopted, which was examined during the meeting of the Committee on the agricultural funds of 17 December 2010, approves the accounts of the AGEA and ARBEA paying agencies. The accounts of the other Italian paying agencies were approved in April 2010.</p> <p>Latvia: Audit No 1008468LV02-09AA-PF3455 of the reliability and inspections of the SAPS/IACS control mechanisms in Latvia (Council Regulation (EC) No 1782/2003 of 29 September 2003) and Audit No 1005587LV01-09PP/BB of the reliability and inspections of the SAPS/IACS control mechanisms in Latvia (Council Regulation (EC) No 1782/2003 of 29 September 2003).</p>

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	amounted to 56 for EAGF and seven for EAFRD. However, for three paying agencies (two for EAGF and one for EAFRD) no report and certificate were submitted in due time by the competent certification bodies, and thus no review was performed. For the same reason the Commission disjoined the accounts of these three paying agencies.	Slovakia: The certification report relating to the 2009 financial year for the PPA was sent to the Commission on 1 February 2010. PPA accounts for the 2009 financial year may be proposed for clearance only on this basis. The accounts clearance decision for 2009 was sent by letter to the Commission on 12 April 2010. The decision also covered the EAGF and EAFRD.
3.33	For its 2009 audit of eight paying agencies, the Court found the systems to be effective in ensuring the regularity of payments in only one agency, partially effective in four agencies, and ineffective in the remaining three (Greece, Cyprus and Malta).	<p>Cyprus: In connection with the European Commission inspections on the claim years 2005-2007 and 2008, KOAP (the Cyprus Agricultural Paying Agency) calculated the risk to which the Fund was exposed and notified the Commission accordingly. Following discussions, the Commission issued decisions on the financial correction to be imposed on Cyprus for the years in question. In addition, all the observations by the inspectors from both the Commission and the Court of Auditors have been taken into account and acted on in the form of improvements and corrections to KOAP's procedures and systems.</p> <p>Greece: Payments from applications made in 2009 are being made based on the new LPIS developed as part of the action plan agreed with the European Commission after the necessary cross checks are carried out.</p> <p>Malta: This is a case where action needs to be taken and is being taken on a continuous basis. The Malta Paying Agency is taking action on a continuous basis and implements the recommendations made to it by various Audit Organs (Entities) which audit its operations. This, together with other initiatives undertaken by the Paying Agency, contributes to the effectiveness of the systems that ensure the regularity of payments.</p>
3.37	The <i>Land Parcel Identification System (LPIS)</i> is a database in which all the agricultural area (reference parcels) of the Member State is recorded. The Court found significant deficiencies of LPIS in three Member States that affect the effectiveness of administrative cross checks as illustrated	Cyprus: In connection with the European Commission inspection on the 2008 claim year, KOAP calculated the risk to which the Fund was exposed in respect of 2008, using the GIS-PIRS eligible areas as revised on the basis of the 2008 ortho-photos. The calculation was accepted by the Commission and a corresponding financial correction will be imposed on Cyprus accordingly.

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	<p>hereunder: LPIS-GIS technology became mandatory in 2005. In Greece until and including the claim year 2008 the LPIS-GIS did not contain any graphical information (ortho-photos) showing the actual eligible area of the reference parcels recorded. LPIS-GIS was still not fully operational for carrying out the necessary cross-checks as of December 2009. In Lithuania the Court found that the authorities failed to eliminate ineligible features of a total area of 13 700 ha from the eligible area of parcels recorded to be 100 % eligible in the LPIS. In Cyprus new ortho-photos were taken and analysed in 2008. The analysis showed that more than 39 000 reference parcels were affected by changes of land use and as a result the area eligible to SAPS aid dropped by more than 7 000 ha (i.e. 5 % of the agricultural area). Although updated information was available, the Cypriot authorities decided to base payments for claim year 2008 on the outdated 2003 ortho-photos.</p>	<p>Greece: The LPIS has been fully operational since 16.2.2010 (Regulation (EC) No 25/2010).</p>
3.38	<p>The Court also found in two Member States (Italy, Spain) that the most recent ortho-photos available were not used for capping the eligible areas for calculating the payments. In Italy (Emilia Romagna) and Spain (Basque Country) the eligibility rate for poor pasture land is not based on the most recent information available (ortho-photos or on-the-spot inspection) but on what the farmer had claimed before SPS was introduced. In the cases examined, both Italian and Spanish farmers were allowed to claim the higher historical eligibility rate for poor pasture land which on the latest ortho-photos shows significantly lower eligibility rates. Differences have lead to granting aid for significantly more than the actual eligible area.</p>	<p>Italy: Some time ago, following Commission recommendations, Italy introduced a procedure for areas recorded as woodland but in fact used for livestock farming. In this connection, and also following the application of "Refresh", precise rules were established for the treatment of such areas. These rules were fully explained and sent to the ECA auditors. The deductions made are disputed as a large area of Italy is used for pastureland, which is, moreover, located in less-favoured areas where this is often the only practicable form of farming. Italy inspects an additional sample in such cases, going well beyond the 5% required by the relevant provisions. Every year, on the basis of the surface area of poor pastureland combined with ordinary entitlements including areas identified by the GIS as woodland, an additional 5% sample is checked if those areas are known to be "historical pastureland" (pastureland declared for CAP applications in 2000 to 2004). In this case the on-the-spot verification restores to the system the real area found to be useable as pastureland by the expert inspector. This is taken as the reference area for the payment. If the area declared as poor pastureland and shown as woodland on the GIS is not historically known to the Administration, the sample checked is 100%. The results are taken as the reference data for the payment.</p>

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		<p>Spain: The grazing coefficients used in the plots, which the Court calls ‘historical rates’, come from the useful areas that farmers used to be able to declare to receive aid, according to the percentages of grazing area in shrubby pasture or wooded pasture, once the areas corresponding to the trees and shrubs within the plots when they were first declared have been deducted. These percentages used to be established in annually published Royal Decrees. Subsequently, with on-the-spot verifications, as well as at the request of the farmer himself if he was authorised to make the request for aid, these have gradually been amended. The changes in the grazing coefficient rates reflect the updating that takes place primarily through on-the-spot inspections. In addition, SIGPAC was established in the Autonomous Community of the Basque Country, as it was across the rest of Spain, in 2005, on the basis of an ortho-photo from 2002 and on land registry data existing at that time. The ortho-photo was updated for the first time four years later and, for the 2008 request, the existing ortho-photo dated from 2006.</p> <p>When the 2008 ortho-photo was received, in the first quarter of 2009, an updating of uses was commenced, i.e. with the task of identifying changes and demarcating new reference parcels (<i>recintos</i>) and other changes, on the basis of this ortho-photo, anticipating completion for the whole of the Basque Country by the 2011 season. The information updated during 2009 can be seen on the fixed photo from Visor SIGPAC in 2010. The updating of the whole area of the Autonomous Community of the Basque Country using each ortho-photo is undertaken over the two-year period between ortho-photos such that the updating of the 2008 ortho-photo will be completed during this year, 2010, and, when the 2010 ortho-photo is received, a further updating will take place over the years 2011 and 2012. Following the updating of the 2008 ortho-photo, an assessment of the impact of changes in the admissible areas on previous payments was commenced, as a result of the SIGPAC updating. (*) This action takes place every two years, as SIGPAC is updated.</p>
3.39	The Court has observed in several Member States (Cyprus, Greece, Italy, Slovakia and Lithuania) that the <i>claim database</i> did not allow the nature and timing of modifications or corrections made to be identified. In the absence of a reliable audit trail the Court cannot assess the correct application of EU penalties. In Greece the bulk of administrative cross checks and of the necessary corrections of the claim data is carried out under a procedure that leaves no audit trail and does not lead to the application of penalties. In Cyprus conflicting informa-	<p>Cyprus: KOAP embarked on and completed work to improve its computer systems immediately after the first Court of Auditors visit in July 2009. The systems are now capable of identifying the type of amendments or corrections and the time when they were made and of requiring claims to be amended using a special procedure that complies with the legislation.</p> <p>Greece: From the application year 2006, an ‘administrative operations’ software program has been installed on the Paying Agency’s computer system which is used to make any changes to the Single Aid Applications, after all the relevant supporting documents have been checked. These changes relate to corrections of</p>

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	tion regarding dates and content of amendments of claims was shown on the paper claim and in the database.	<p>blatant errors, which is why no penalties are imposed. Consequently, it is clear that there is an audit trail relating to the timing of corrections made.</p> <p>Lithuania: Taking into account the audit observations, an option has been enabled within the application data base (STIS - Simplified Direct Payments Information System) to trace initially declared data.</p> <p>Slovakia: This finding corresponds to one of the findings in Annex 2 – ‘No audit trail for modifications in claim database’. On this shortcoming the ECA asked the PPA for a list of claimants with the obvious errors corrected. The PPA did not have a summary list. Detailed procedures for correcting obvious errors are available and were provided to the auditors during the mission. Since a record of corrections of obvious errors is kept in the IACS system, used to program the creation of a summary overview of obvious errors since 2004.</p>
3.40	<p>A reliable <i>entitlements database</i> is a prerequisite for correct SPS payments. Member States are also required to respect the overall national ceilings both for SPS and SAPS. The Court found a ceiling overshoot (Cyprus) although this did not affect the EU budget; and an inaccurate allocation of entitlements (Malta).</p> <p>When Malta introduced SPS in 2007 all livestock or dairy farmers were allocated special entitlements including those who held eligible hectares which is contrary to EU legislation. EU legislation exempted Malta from the requirement that the claimant has to maintain at least 50 % of the historical animal raising activity in order to receive payment for a special entitlement. Malta decided not to set any minimum livestock requirements at national level for activation of special entitlements. Hence, farmers who significantly reduced their herd after the introduction of SPS remain eligible and are paid in full for their special entitlements. Cyprus exceeded the ceiling for EU SAPS aid by 1,44 %. The Cypriot authorities failed to apply a proportional reduction. As a result all individual payments were affected by a 1,44 % overpayment although this was financed by national rather than the EU</p>	<p>Cyprus: The recoveries will be executed in conjunction with the 2010 payments, so that (where possible) the recovery can be offset against the payments.</p> <p>Malta: Malta has changed its national law. In fact, the Single Payment Scheme Regulations (L.N. 151/08) were amended to enable the introduction of the new procedure and to avoid paying aid to farmers who are leaving the sector. The rules that Malta has adopted emphasise that farmers must continue producing 50% of the milk or beef production associated with the amount of entitlements activated in that year. The farmers must follow this procedure starting with the applications for 2011.</p>

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	budget.	
3.41	<p>With regard to the <i>correctness of payments</i>, the Court found substantial deficiencies in one Member State leading to cases of forest claimed as permanent pasture (Greece). Moreover, Greece continues to allow the claimed area to exceed the eligible area of the reference parcel as recorded in the LPIS by applying a tolerance margin of 5 % not foreseen in the regulation. This observation was already reported by the Court in 2005. Furthermore, the Court found cases of payments to beneficiaries being made without known anomalies having been resolved (Italy) and without cross- checking the area claimed against the eligible area recorded in LPIS (Spain). In addition, examples were found of systematic incorrect calculation of aid and inadequate application of area and late claim penalties.</p> <p>In Greece, areas recorded as forest in the LPIS were claimed as permanent pasture and benefited from SPS, although the ortho-photos clearly show a significant density of trees and rocks. Furthermore, Greece was found to systematically calculate SPS incorrectly in cases where the area determined is insufficient</p>	<p>Cyprus: In connection with the European Commission inspection on the claim years 2005-2007 and 2008, KOAP (the Cyprus Agricultural Paying Agency) calculated the risk to which the Fund was exposed and notified the Commission accordingly. Following discussions, the Commission issued decisions on the financial correction to be imposed on Cyprus for the years in question. In addition, all the observations by the inspectors from both the Commission and the Court of Auditors have been taken into account and acted on in the form of improvements and corrections to KOAP's procedures and systems. As regards the 2008 claim year, the penalties for parcels claimed twice (the audit finding for 2008 relating only to duplicate claims) were imposed on all the applicants concerned without allowing them to withdraw the parcels from their claim, except where applicants themselves had already withdrawn a parcel before being notified by the Paying Agency that an irregularity had been found in their claim.</p> <p>Greece: From the 2008 applications year onwards, the 5% tolerance margin has not been used, following observations made by the European Commission on this matter. As far as the use of forested areas capable of being used for pasture -and which are in fact used as pastures- is concerned, we are in the process of clarifying these land uses on the basis of the relevant legislation.</p>

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	<p>for payment of all entitlements claimed by the farmer and where these entitlements are of different unit values. A similar problem was observed in Malta where in one case the incorrect calculation method led to an overpayment of 69 %. In Cyprus overdeclaration penalties provided for in EU legislation were not applied in 2007 and in 2008 they were applied incorrectly.</p>	<p><i>Italy:</i> We contest in their entirety the comments concerning payments made without cross checks against the area declared, since AGREA carries out all the administrative checks to verify admissibility and resolve anomalies before payments are made, finding a number of anomalies and making the results of its checks available to the farmers via the CAAs [Agricultural Assistance Centres]. From then on no further requests for correction under Article 68(2) of Regulation (EC) No 796/2004 are taken into consideration. Every payment authorised takes account of the anomalies and, where appropriate, the relevant penalty or reduction is applied. The statements of correction cited by the auditors are the records of corrections of the anomalies. Various corrections in fact consist in accepting the figure proposed by the administration. In such cases the producers merely reduce the surface area to the figure notified by the administration. Such corrections have no effect on the payments. Furthermore, the anomaly is registered for all the areas which form part of a given crop group. Therefore, in the case of some applications which are recorded as subject to correction, the cadastral anomalies concerned will never be corrected because they have been accepted as they stand by the beneficiaries concerned. In some cases (where the producer has more land available than he holds entitlements for), the area without anomalies is sufficient to pay the entire premium requested. Even if the anomalies were resolved they would not give rise to any additional payment. At the same time, the system applied is based on maximum transparency for farmers and provides them with this information so that they can take account of it when drawing up new administrative procedural documents. To accelerate the correction procedure, starting in 2009 AGREA improved the computerised system by making it possible to waive a correction if the farmer accepts the figure registered by the administration.</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>Malta: The Information Technology system (IT) has been modified so that the paying procedure starts with the fees that are highest in value, with the reduced area taken into consideration in the first instance and then the payment area. This means that farmers subject to penalties will see a reduction in the entitlements with the highest value.</p>
		<p>Spain: This is why a verification system was created when the declared plots were recorded. The system works on the basis of the SIGPAC cadastral map, which the Basque Government provides to the Vizcaya Regional Government at the start of the season. The checks conducted confirm the existence of the plot in SIGPAC, and verify the areas.</p> <ul style="list-style-type: none"> - Verification of the existence of the plot in SIGPAC. The recording of reference parcels that are not in SIGPAC is not permitted. - Area check. The recording of farming areas that exceed the value allocated to the declared reference parcel by SIGPAC is not permitted. - Verification of the crops declared in relation to the use recognised by SIGPAC for the declared reference parcel. Until the 2008 season, this check was only conducted in on-the-spot inspections and in the observations that the declarants submitted to SIGPAC. <p>These actions are more widely reflected in paragraph 2.2.1 of the reply sent by Spain to the Court in May 2010. * (Lantik petition document 28559/2008)</p>
3.43	The audit found errors in the determination of the exchange rate used to convert to euro amounts of aid paid in national currencies (United-Kingdom, Czech Republic), and weaknesses in the calculation of aid reductions following on-the-spot checks (Germany (Bavaria)). Weaknesses were also found in	<p>Germany: The authorising bodies (rural development offices) were informed of the audit finding by ministerial letter No E 5/a-0102.8-1220^{II} dated 28.7.2010. In addition, the calculation of the reduction was automated through integration into the VAIF IT application. This ensures correct calculation of the reduction (see same response in Annex II No 09.SYS.T05.NR2.1601).</p>

ANNEX I. paragraphs in the 2009 Annual Report and for each of the 2009 findings made by the Court referring to each particular country,		
Paragraph	Observation in the 2009 Annual Report	Member State reply
	the technical checks on reduction of nitrate pollution (Greece) and compliance with a specific eligibility condition such as adequacy of agricultural machinery relative to the land farmed (Bulgaria).	<p>Greece: Administrative checks are carried out based on the fertiliser purchase receipts and the soil testing laboratory results (5%). The max. and min. nitrate usage values have been set in the programme guidelines.</p> <p>UK: The exchange rate applied to the expenditure for the December 2008 transactions was incorrect because the system picked up the exchange rate from the last working day of the previous month not the correct exchange rate of the penultimate day of the month. This occurred because the last day of the month fell at the weekend. The error was identified and a system fix implemented. In order to correct the over declarations of expenditure it was agreed that the balance would be netted off a subsequent Annex XI expenditure return. The ledger was corrected in the period 1-15 October 2009.</p>
3.45	In EAGF, the Court identified cases of incorrect application of measurement tolerances (Malta, Italy), inadequate quality and insufficient coverage of on-the-spot inspections (Greece). In Greece, the audit found that on-the-spot inspections did not always meet the legal requirement to measure at least 50 % of parcels and grassland was generally not or only visually inspected. In several cases examined by the Court, claimed parcels which according to the ortho-photos consisted of forest or bushland were not included in the sample of parcels inspected on the spot. In addition, in several inspection reports analysed by the Court the geographical coordinates reported for the parcel measured on the spot did not match with the locations of the digitised parcel in the LPIS-GIS (different locations, different uses, different shape and perimeter).	<p>Greece: The guidelines for carrying out on-the-spot inspections state that at least 50% of agricultural parcels may be checked for each aid regime, starting from the largest agricultural parcels in order to cover a greater percentage of the area, up to 80%. As far as pastures are concerned, given that they usually cover entire ilots, on-the-spot inspections are carried out by recording the coordinates to verify the declared area, and measurements are made using the GIS tool on the system.</p> <p>Italy: We confirm that as from 2009 technical tolerance has been applied in Italy in accordance with the EU provisions in force.</p> <p>Malta: Malta made immediate changes to the procedure regarding measurement tolerances during the audit period. The 2008 Payments were revised according to the revised methodology and the difference in payment is being recovered from the 2010 payments. The 2009 payments were made correctly.</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
3.46	In EAFRD, the Court found weaknesses concerning precision and completeness of control reports (Germany (Bavaria), Romania), the global evaluation of the results of the controls (Bulgaria) and the respect of deadlines for reporting to the commission on the controls carried out (Germany (Bavaria), France).	<p>Bulgaria: The DFZ and Paying Agency confirm that they are aware of their obligation under Article 27(4) of Commission Regulation (EC) No 1975/2006 to evaluate the results of on-the-spot checks to establish whether problems of a systemic character exist and what can be done to correct them. During the checks we carried out concerning the grounds that exist for the reductions made in respect of individual projects at the end of 2009, it was found that: • the comprehensive rejections of requests for payment that had been submitted were based on findings made during the administrative checks; • the partial reductions made on the basis of the findings of on-the-spot checks relate to only 16 projects. This confirms that there is far too little data available at present to be able to carry out the necessary evaluation and classify a particular error as systemic. It is necessary to accumulate a larger population in order to be able to identify recurrences and systematise error types, with a view to adopting measures and decisions related to risk management. The DFZ-PA has undertaken to carry out an evaluation by 31 December 2010.</p> <p>Germany: Regarding the precision and completeness of inspection reports: The authorising bodies (rural development offices) were informed by ministerial letter No E 5/a-0102.8-1220^{II} dated 28.7.2010 that on-the-spot checks must be documented in such a way that they can be understood by third parties. In addition, the on-the-spot audit report was revised and sent to the competent bodies by ministerial letter No E 5/a 7556-910 dated 4.8.2010 (see same response in Annex II No 09.SYS.T05.NR2.1601). Regarding the meeting of deadlines: The forms for 2008 were much more extensive. Consequently, major changes and additions to the IT evaluation program were required, which made it impossible to produce the statistics by the deadline. The European Commission was informed of this in time. The statistics for 2009 were sent to BLE on 28.7.2010 to be forwarded to the Commission.</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>Romania: (APDRP)</p> <p>Under the Payments Authorisation Procedure, version 12 (currently in force), AP Stage 1, and under the previous versions of the Procedure, for the EAFRD Programme:</p> <p>‘The result of the technical and financial verification of expenditure is recorded in Technical and Financial Checklist AP 1.5, in the SVCP [Payment Claims Verification Service]/SVT [Technical Verification Service] Report AP 1.6 on verification of the payment claim file [DCP] and in the Annex to SVCP/SVT Report AP 1.6, Checklist AP 1.5 and Annex 2 to SVCP/SVT Report AP 1.6.</p> <p>The SVCP-OJPDRP [County Paying Office]/SVT experts will indicate the result of the check carried out during the field visit and the result of the verification of the payment claim file in the SVCP-OJPDRP/SVT Report on the AP 1.6 DCP verification. The experts will also indicate the grounds for rejecting the payment of expenditure covered by the payment claim (for example: the state of the works, the article, price, quantity and grounds for rejection), the differences/irregularities/discrepancies identified and will provide a detailed account of the method used to check expenditure covered by the payment claim. During the field visit, the experts will complete the Annexes to Report AP 1.6 and will indicate under the heading ‘Checks performed’ in Report AP 1.6 the points where measurements were taken using the measuring instruments with which the experts were equipped and the instruments with which the measurements were taken. In the case of hidden works where it is not possible to carry out a detailed check (i.e. visual, based on measurements, etc.), the experts perform a document analysis of the works records and indicate the works under the heading ‘Checks performed’ in Report AP 1.6. When filling out Annex 1 to Report AP 1.6, the experts will indicate the quantities and types of works proposed under the project in the office. After the field measurements have been taken, the experts will then indicate in the report the quantities actually carried out. The items to be checked, as listed in the form, are for information purposes, as the sheet can be adapted by the SVCP/SVT experts depending on the specific features of each project.’</p> <p>We therefore consider that the procedures put in place by APDRP ensure that on-the-spot check reports are completed in detail.</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
3.5	<p>The main measures financed by EAGF are:</p> <ul style="list-style-type: none"> - The direct aid scheme ‘Single Payment Scheme’ (SPS) which was introduced in order to decouple the payments made to farmers from production (‘decoupling’). To qualify under the SPS farmers must first obtain ‘entitlements’⁽⁴⁾ each of which, together with one hectare of eligible land declared by the farmer, gives rise to an SPS payment at least until 2013⁽⁵⁾. SPS has been growing in importance and in 2009 represented 28 806 million euro of expenditure. - The direct aid scheme ‘Single Area Payment Scheme’ (SAPS) which provides for the payment of uniform amounts per eligible hectare of agricultural land. SAPS is currently applied in ten of the new Member States⁽⁶⁾ and in 2009 accounted for 3 723 million euro of expenditure. - Other direct aid schemes (coupled payments) designed to maintain production in areas which would otherwise be at risk of abandonment of production. The amounts involved, which in general are declining due to further decoupling and integration of other support schemes in the SPS, accounted for 6 585 million euro of expenditure. - Interventions in agricultural markets: the principal measures are intervention, storage and export refunds and other measures such as specific support for the wine, fruit and vegetable and food programmes (in total amounting to 3 988 million euro) and Sugar Restructuring Fund (3 018 million euro). 	<p>Hungary: Decree No 34/2010 of the Ministry of Agriculture and Rural Development of 9 April 2010 laid down the ‘standard rules of procedure for granting certain aid funded from the European Agricultural Guarantee Fund, the European Agricultural Fund for Rural Development and the central budget in 2010’.</p> <p>Latvia: Audit No 1008468LV02-09AA-PF3455 of the reliability and inspections of the SAPS/IACS control mechanisms in Latvia (Council Regulation (EC) No 1782/2003 of 29 September 2003) and Audit No 1005587LV01-09PP/BB of the reliability and inspections of the SAPS/IACS control mechanisms in Latvia (Council Regulation (EC) No 1782/2003 of 29 September 2003).</p> <p>Poland: The European Court of Auditors' Annual Report concerning the financial year 2009 did not identify any irregularities involving Poland</p>

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	<p>⁽⁴⁾ The number and value of each farmer's entitlement was calculated by the national authorities according to one of the models provided for under EU legislation. Under the <i>historical model</i> each farmer is granted entitlements based on the average amount of aid received and area farmed during the reference period 2000 to 2002. Under the <i>regional model</i> all entitlements of a region have the same flat-rate value and the farmer is allocated an entitlement for every eligible hectare declared in the first year of application. The <i>hybrid model</i> combines the historical element with a flat rate amount and, if it is <i>dynamic</i>, the historical component decreases each year until it becomes a predominantly flat rate-system.</p> <p>⁽⁵⁾ Based on Article 137 of Council Regulation (EC) No 73/2009 (OJ L 30, 31.1.2009, p. 16), payment entitlements allocated to farmers before 1 January 2009 shall be deemed legal and regular as from 1 January 2010, except in cases of allocation on the basis of factually incorrect applications unless the farmer could not reasonably have detected the error.</p> <p>⁽⁶⁾ Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Poland, Romania and Slovakia.</p>	<p>Slovakia: The 'single payment scheme' (SPS) system of direct support will be applied in the new EU Member States after 2013. The 'single area payment scheme' (SAPS) will also be applied in Slovakia until 2013. The SPS system was introduced with the aim of separating payments from production ('decoupling') so that farmers eligible for support under SPS must first acquire 'entitlements' which will be established for Slovakia in 2012. The importance of the direct payments/direct support system is growing year on year and in 2009 it represented total expenditure of EUR 364 106 622.</p>
3.68	<p>The AAR of the Director General for Agriculture contains a reservation in respect of the expenditure under the IACS in Bulgaria and Romania. Whilst those reservations are consistent with the results of the Court's systems audit carried out in 2008, the Court reiterates its previous observation that it was premature to lift the long standing reservation in respect of IACS in Greece.</p>	<p>Bulgaria: As regards direct payment expenditure, a consolidated action plan to improve the functioning of the IACS was approved in 2009 and Bulgaria has since then been working to implement the recommendations and measures laid down in the plan. Detailed accounts of the progress made implementing the consolidated plan are submitted to the Commission every three months.</p> <p>The key steps taken to update the Land Parcel Utilisation [<i>sic</i>] System (LPIS) with a view to improving the functioning of IACS, the administration of direct payment schemes and the of direct payment schemes and the monitoring of the lawful payment of subsidies under those scheme are as follows:</p> <ul style="list-style-type: none"> - an 'eligibility layer' has been created which, within a given reference parcel or physical block in the LPIS, determines in geographical terms the areas that are eligible for support under the single area payment scheme (SAPS). The Paying Agency (PA) performs administrative cross-checks and makes payments on the basis of current data in the SAPS, including the 'eligibility layer'; - the digital orthophotomap is being updated, and this should be completed by the end of 2011. For the 2009 campaign, updating was performed by obtaining and processing satellite images from 2009 covering some 42 500 km² (38.3% of the total area of the country) Full map sheets (4x4 km) cover 40.25% of the country's agricultural area and 23.88% of the non-agricultural area. In 2010 and 2011,

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>updating will be performed on the basis of new aerial photographs covering 100% of the country's territory.</p> <p>Greece: Since 2009, the IACS has been fully operational in Greece and meets the requirements laid down in Community Regulations.</p> <p>Romania: (APIA) The Certifying Body issued an opinion without reservations on the Declaration of assurance, but it highlighted the low level of implementation of the recommendations of the internal and external audits. As a result, the Director of the Agency took a keen interest in the 2010 financial year in ensuring that effective remedial measures were taken, which would result in the improvement of IACS. With regard to the reservations expressed by the Certifying Body in the Report for 2009, APIA has made efforts and has achieved significant progress in implementing the measures set out in the IACS Action Plan and the recommendations of the Certifying Body. In 2009 Romania also established, together with representatives of the European Commission, the Action Plan to remedy deficiencies in IACS. The actions included in the Plan will be finalised in 2011. Compliance with the Plan was monitored by Commission audit missions and reports produced on a quarterly basis or at the request of the Commission</p>
Annex 3.2		<p>Czech Republic: Not applicable – no reservation. These systems were assessed deliberately during the assessment of the selected supervision and control systems for Rural Development in the Czech Republic.</p> <p>France: Suite à l'audit de la CCUE de mars 2010 sur la DAS 2009 en Ile-et-Vilaine et dans l'Ain, plusieurs mesures ont été prises par les autorités françaises. - Sur la question de l'ICHN, l'ASP a initié l'établissement d'un fichier d'identification des bénéficiaires potentiellement concernés par l'ICHN à partir des données Osiris 2007, 2008 et 2009. L'objectif est d'extraire les bénéficiaires qui n'apparaissent pas pendant 5 ans de suite. Cette liste a été ensuite communiquée aux services déconcentrés de l'Etat pour expertise complémentaire. En effet, en cas de changement de forme juridique au cours des 5 ans, il est nécessaire d'associer les services des directions départementales des territoires afin de faire le lien entre deux correspondre à un bénéficiaire unique. A l'heure actuelle le travail se poursuit afin de certifier les données extraites. Le fichier devrait être opérationnel à la mi 2011. - Au sujet de la récupération des informations relatives aux déclarations de revenus aux fins d'instruction des demandes d'aides conditionnées par les revenus, la Loi de</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>Modernisation de l'Agriculture de juillet 2010 dispose que la transmission de ces données entre ministères sera effective dès 2011. Le décret d'application est en préparation pour entrée dénominations distinctes mais qui peuvent en application en 2011.</p>
		<p>Germany: No response necessary as the table provides an overview of the results of the Court's audits.</p>
		<p>Latvia: Audit No 1008468LV02-09AA-PF3455 of the reliability and inspections of the SAPS/IACS control mechanisms in Latvia (Council Regulation (EC) No 1782/2003 of 29 September 2003) and Audit No 1005587LV01-09PP/BB of the reliability and inspections of the SAPS/IACS control mechanisms in Latvia (Council Regulation (EC) No 1782/2003 of 29 September 2003).</p>
		<p>Malta: The said annex is a summary of the results of the examination of the system; in fact the Report of the Court of Auditors states that 'The Court's principal audit findings are outlined in the following paragraphs. The results of the examination of the systems are summarised in Annex 3.2'. Malta has already explained how it addressed / is addressing these results, inter alia, in the replies to number 3.40, 3.41, and the rest.</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>Romania: (APDRP)</p> <p>Given that payments to beneficiaries under the SAPARD Programme were finalised in 2009, the payment claims verified in 2008 (second half of the year) and 2009 were made on the basis of amendments to the Payments Authorisation Procedure in accordance with the Commission's recommendations in Letter CE AGRI D/16859 of 9 July 2008, which were included in Instruction 118/2009 (approved by the Commission), which involved the following:</p> <ul style="list-style-type: none"> - supplementing the procedure by the addition of provisions on the details to be given in the verification reports, i.e. stating the grounds for rejecting payment of expenditure covered by the claim (e.g. the state of the works, the article, price, quantity and grounds for rejection), the differences/irregularities/discrepancies identified, the method used to check expenditure covered by the payment claim, the points where measurements were taken using the measuring instruments with which the experts were equipped and the instruments with which the measurements were taken. - supplementing the procedure by the addition of provisions on filling out Annex 1 to the Verification Report – Points to be checked in the field. - supplementing the procedure by the addition of provisions on avoiding double payments, through the drawing up of Form F1 - Sheet of acquisitions contracted, invoiced and admitted for settlement. - supplementing the procedure by the addition of provisions on the settlement of eligible expenditure, provided that the acquisitions contracts covered by the project have been endorsed. - amending the procedure by the removal of the conclusion 'compliant with observations', given after the checking of the payment claim file has revealed the failure to comply with the 90-day deadline, due to late submission of the documents requested as additional information. - providing greater detail in the procedure for notifying beneficiaries about field visits by experts, so that the experts can meet the procedural deadlines. - supplementing the procedure with provisions on verifying whether the value of the payments under a project fall within the maximum ceiling permitted in the Measure's Technical Sheet. - correlating the procedure with legislative provisions in force relating to the professional training of beneficiaries. We believe that the improvements made to the re-verification procedures have made the internal control system more efficient. <p>Slovakia: The measures taken in response to the shortcomings identified within the</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		PPA by the ECA are set out in detail in Annex 2 to Investigation/Report 09.SYS.CH05.NR1.1003.
Annex 3.3		Germany: The opinion on the FIAF system audit in Mecklenburg-Western Pomerania was sent to the Commission in March 2010. The Commission has not yet completed its evaluation
		Romania: (APIA) In 2009 Romania established, together with representatives of the European Commission, the Action Plan to remedy deficiencies in IACS. The actions included in the Plan will be finalised in 2011. Compliance with the Plan was monitored by Commission audit missions and reports produced on a quarterly basis or at the request of the Commission.
Annex 3.4		Greece <i>IACS:</i> As the Commission has also recognised, after the new LPIS-GIS became operational, the problems were resolved and the risks reduced for applications submitted in 2009. <i>SPS:</i> Shortcomings identified in the context of the account settlement procedure are being followed up.
		Poland: The Court did not identify any irregularities in the operation, updating and use of the LPIS-GIS for the purpose of systems audits in the 2009 financial year. Significant progress was recorded in this area in relation to previous years. As was stressed in the previous report (for the 2008 financial year – cf. paragraph 5.36) from the year 2009 onwards, administrative checks have only been performed on the basis of the eligible area indicated in the LPIS on the basis of the orthophotomap, i.e. the PEG area. Other activities have been undertaken to raise the quality of the LPIS reference base, including reducing the time taken to update the ortho-photo map from 5 to 3 years, increasing the pixel resolution of the ortho-photo map or updating fields under cultivation in the course of the present campaign. Whereas in 2008 the Commission stated in respect of these findings that the irregularities detected in previous years would be followed up, with regard to 2009 the Commission has indicated that it is monitoring the cases reported in the clearance of accounts procedures and has not noted any systemic irregularities in this area. The actual quality assessment of the LPIS will be presented in the annual assessment of the quality of the land parcel identification system which, in accordance with Article 6(2) of Commission Regulation (EC) No 1122/2009, will

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>be submitted by 28 February 2011. Bearing in mind that its scope encompasses a number of quality parameters concerning <i>inter alia</i> changes in the maximum eligible area and the declared area as a proportion of the eligible area, the report makes it possible to assess progress in updating the LPIS in Poland. This viewpoint is justified in the light of the Commission's observations on this subject, especially since the LPIS quality assessment report is mandatory for all Member States.</p> <p>Romania: (APIA) In 2009 Romania established, together with representatives of the European Commission, the Action Plan to remedy deficiencies in IACS. The actions included in the Plan will be finalised in 2011. Compliance with the Plan was monitored by Commission audit missions and reports produced on a quarterly basis or at the request of the Commission.</p>
Annex 3.5		<p>Estonia: 3 million euro TRDI expenditure was omitted following the approval round of the certified annual reports in April 2010, because information on the review of TRDI expenditure was missing from the certification report compiled by Ernst & Young Baltic AS. Ernst & Young Baltic AS sent a reply to the European Commission's inquiry on 14 May 2010, and in the approval round for the annual reports in October this amount was approved by the European Commission.</p> <p>Germany: No response necessary, since there were no objections from the Court (see point 3.53 of the report)</p> <p>Romania: (APDRP) The annual declaration of expenditure for the 2009 financial year was decreased by EUR 27 849 919.25, which represents the value of payments made by APIA from funds received from the state budget and settled in March 2010. The amounts reported to the Commission in quarterly declarations were EUR 27 803 324.38 for the period 1 April 2009 – 30 June 2009 and EUR 46 594.87 for the period 1 July 2009 – 15 October 2009. The annual declaration of expenditure for the 2009 financial year was also reduced by EUR 8 348 104.82, which represents the correction applied as a result of the use of the correct rate of conversion. The annual declaration of expenditure for the 2009 financial year was re-submitted via SFC2007 at the Commission's request, in accordance with the email received from Richard Croft of DG AGRI's Unit J.5 on 12 November 2010. Enclosure: <i>Declarație rectificata An financiar 2009.pdf</i> [Corrected declaration for 2009 financial</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<i>year.pdf</i>
CHAPTER 4 - COHESION		
Annex 4.2 (1)		<p>Denmark: The result of the examination of systems shows that all points are in order for the Danish programme examined by the Court, so no further action has been taken.</p> <p>Estonia: In addition to many other training courses organised by the management authority for the administration of the structural funds, in 2010 the management authority carried out two training sessions on public procurement for administrators of structural funds (25 May and 20 October) and eight training sessions on public procurement for beneficiaries of structural funds and potential applicants (14 January, 5 March, 27 May, 31 May, 2 June, 4 June, 31 August, 9 September). Similar training sessions will also be held in 2011.</p> <p>The management authority continues to check implementation of the follow-up of the audits of management and control systems, asking those audited for evidence upon expiry of the term fixed in the report and analysing the adequacy of evidence. At the same time the implementing bodies continue to check implementation of the follow-up of project audits and perform on-the-spot checks at beneficiaries. The implementing bodies have updated the control forms for payment applications and public procurement and improved the relevant procedures.</p> <p>The activities are described in more detail in Estonia's replies to the European Court of Auditors' report:</p> <p>1) Letter No 9.2-4/5724 of 1 June 2010 "Estonian response to European Court of Auditors ERDF 2007EE161PO001 audit report PF-3191(Adonis No 2698)";</p> <p>2) Letter No 9.2-4/5724 of 13 September 2010 "Estonian response to follow up of findings of audit by European Court of Auditors under DAS 2009 - PF-3191 – on Operational Programme for the Development of Economic Environment CCI No 2007EE161PO001".</p>

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		<p>France: Dans le cadre de la DAS 2009, les constatations finales de l'audit de la Cour des comptes européennes portaient d'une part sur les corrections d'opérations individuelles et d'autre part sur des améliorations à apporter au système.</p> <p>Sur les opérations individuelles :</p> <ul style="list-style-type: none"> - le montant de 4 923,06€ déclaré inéligible pour l'opération n°32769 a fait l'objet d'un retrait à l'appel de fonds du 3 novembre 2010 (AF6, accepté par la CE le 16/11/2010). Dans l'attente des résultats du plan de reprise demandé par la Cour sur l'ensemble des Missions locales de Languedoc-Roussillon, toutes les dépenses des missions locales ont été suspendues à titre conservatoire. Les résultats de ce plan de reprise sont intégrés dans l'appel de fonds en cours qui devrait être transmis à la Commission européenne en décembre prochain (AF7). - le montant de 15 428,44€ déclaré inéligible au titre de l'opération n°31 171 a fait l'objet d'un retrait à l'appel de fonds du 3 novembre 2010 (AF6, accepté par la CE le 16/11/2010). <p>Sur le système : Lors du dernier trimestre 2010, l'intensification des contrôles qualité gestion de l'autorité de gestion en titre sur les autorités de gestion déléguées permet de s'assurer de l'application homogène des instructions nationales et du respect des exigences communautaires, notamment pour les contrôles de premier niveau.</p> <p>Enfin, s'agissant du logiciel Présage, la mise en production du module de suivi des retraits de dépenses est prévue début 2011.</p> <p>Hungary: Very often, due to the public procurement irregularities, the inspection reports criticised the existing control system. The amended Joint Decree No 16/2006 of 28 December 2006 of the Ministry of Agriculture and Rural Development and the Ministry of Finance, introducing a comprehensive reform of the control system for public procurement, enters into force on 8 December 2010. This reform ensures that every public procurement operation (below and above the Community threshold of the active scheme) will be checked and therefore a significant decrease in public procurement irregularities can be expected.</p>

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Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>Greece: : In light of tables 1 & 2 in Annex 4.2 for the 2000-2006 programming period, the system for processing and reporting recoveries and withdrawals for the Roads Operational Programme was considered effective and no action needs to be taken. As far as the 2007-2013 programming period is concerned, the system relating to the regularity of transactions in the Competitiveness - Entrepreneurialism Operational Programme was found to be in compliance with requirements and no action needed to be taken.</p> <p>Poland: Managing Authority for the Human Resources Operating Programme - 06/10/2010 The date on which the final version of the Court of Auditors' report PF-3192 was received was deemed to be the date on which action was taken. Remedial action concerns changes in the system of implementing project control systems and the guidelines on eligibility of expenditure under the Human Resources Operating Programme. The updated system for implementing the Human Resources Operating Programme is scheduled to enter into force on 1 January 2011. For that reason the remedial action is deemed not to have been completed.</p> <p>Managing Authority for the Sectoral Operating Programme for Improving Business Competitiveness - 26.02.2010 By letter dated 26 February 2010 the Managing Authority for the Sectoral Operating Programme for Improving Business Competitiveness transmitted information to the Paying Authority by way of the register of debtors on all recoveries and recoverables as at the date on which the Managing Authority drew up its last set of conclusions in 2009 whereby the funds were certified to the European Commission in 2009 by the Paying Authority, i.e. 57/5/2008.</p> <p>Comment by the Managing Authority for the Sectoral Operating Programme for Improving Business Competitiveness By letter dated 17 September 2010 together with the final certificate of the Sectoral Operating Programme for Improving Business Competitiveness No 62/7/2010 the Managing Authority for the Sectoral Operating Programme for Improving Business Competitiveness transmitted the register of debtors which indicated recovered amounts and amounts recoverable for the Sectoral Operating Programme for Improving Business Competitiveness as at the day on which the programme ended. At present the Managing Authority for the Sectoral Operating Programme for Improving Business Competitiveness sends tables of recovered amounts to the Paying Authority on a quarterly basis. These tables indicate amounts recovered and</p>

ANNEX I. paragraphs in the 2009 Annual Report and for each of the 2009 findings made by the Court referring to each particular country,		
Paragraph	Observation in the 2009 Annual Report	Member State reply
		<p>amounts recoverable in the quarter in question, information on suspended projects and information on uncompleted projects.</p> <p>Portugal: As regards systems evaluations, the opinion was given vis-à-vis the POPH Management Authority that the key provisions of the regulatory framework had been partially complied with. This opinion was reflected in the comment “...<i>no systemic verification of errors relating to the eligibility of expenditure when errors are detected in a certain expenditure following administrative checks</i>”. At present, given the trend noted, we consider that overall the POPH's system of administrative checks is adequate given the validations contained in the computerised procedures for the analysis of reimbursements and balances and the validations included in the document verification procedures. These procedures are described in the <u>Manual of Procedures</u> and the various <u>Functional Technical Descriptions</u> (DTF). The manual is supplemented, where required, by Guidance memos issued by the POPH Managing Committee.</p> <p>In the case in point, we would refer to <u>Technical Guidance No 2/UA II – POPH/2009</u> of 2 November 2009 (attached at annex), concerning the CNO administrative checks. In the light of the ECA's comment, consideration was also given to the need to strengthen certain Guidances on administrative checks, in particular those relating to situations of <u>potential systemic risk</u>.</p> <p>It is considered that that risk is above all present in cases where an entity applies for various types of aid under the operational programme, which means that different technical teams may be involved in these analyses. For this reason, the POPH Managing Committee issued <u>Official Circular No 4/CD/2010</u> of 12.04.2010, attached at annex, concerning the handling of systemic errors.</p> <p>Spain: With regard to (1): a Report produced by the Spanish State Auditing Agency (<i>Intervención General de la Administración del Estado</i> (IGAE)) with regard to this issue is attached as ANNEXE A.</p> <p>Sweden: In view of the results of the examination of systems for the correctness of the transactions, the administrative authority has started a systems review in order to improve, strengthen and render more efficient compliance with the legal provisions relating to the structural funds. The authority has established an action plan to improve the examination system (Article 13 checks) with regard to the sampling method, the objective of on-the-spot checks, checklists, the scope of checks,</p>

ANNEX I. paragraphs in the 2009 Annual Report and for each of the 2009 findings made by the Court referring to each particular country,		
Paragraph	Observation in the 2009 Annual Report	Member State reply
		analysis and follow-up of checks and the audit trail. The administrative authority is also continuing to work on training and advice with a view to improving examination methods, with a particular focus on the regulations on public procurement.
Annex 4.2 (2)		<i>Spain:</i> With regard to (2), the ERDF-Information Society programme was closed without financial corrections.
CHAPTER 6 – EXTERNAL AID, DEVELOPMENT AND ENLARGEMENT		
Annex 6.4		<i>Bulgaria:</i> After the Commission applied the ‘suspension of payments’ measure in relation to the PHARE programme on 28 February 2008, the Bulgarian authorities drew up a proposal for imposing financial corrections in respect of all contracts concluded under extended decentralisation terms by the Executive Agency under the Ministry of Regional Development and Public Works and the Central Finance and Contracting Unit under the Ministry of Finance. As a result, the Commission notified the national authorities by letter of 23 November 2009 of the resumption of payments under the programme. The measure applied did not cover twinning agreements under Transitional Facility.
CHAPTER 7 – EDUCATION AND CITIZENSHIP		
Annex 7.3		<i>Bulgaria:</i> In the 2009-10 period, the CFCU Directorate under the Ministry of Finance, in its capacity as paying agency under the Schengen Instrument, adopted a series of corrective measures, taking account of all the recommendations resulting from audits and monitoring missions that had been carried out and closely monitoring the fulfilment of the undertakings given in the relevant action plans. As a result of the systems’ improved functioning, the CFCU concludes all contracts for actions related to the Schengen <i>acquis</i> by the deadline, in accordance with document C(2009)/10399 of 18 December 2009. The Commission’s DG JHA conducted a monitoring mission in relation to implementation of the Schengen Instrument on 21-23 June 2010. In its final report (N HOME/C/JLDB/D(2010) – 3558) of 22 September 2010, the audit team took the view that the mechanisms created by the CFCU were consistent with European legislation and that there were no substantive problems related to the award of public contracts. The total value of the contracts concluded under the NIP 2007-09 was EUR 148.6 million (incl. VAT) All contracts were concluded before the the deadline for contracting under the Schengen Instrument, i.e. 31 March 2010. It should be noted that, in addition to the EUR 128.9 million funding for Schengen, for the purpose of

ANNEX I. paragraphs in the 2009 Annual Report and for each of the 2009 findings made by the Court referring to each particular country,		
Paragraph	Observation in the 2009 Annual Report	Member State reply
		implementing the projects under the NIP for the Schengen Instrument, the Bulgarian Government adopted Resolution No 17 of 15 February 2010 guaranteeing additional national funding in the amount of EUR 14.8 million (BGN 28.36 million) to finance projects related to the implementation of commitments entered into by Bulgaria in relation to accession to the Schengen area. All contracts concluded by the CFCU under the SIS II project had been implemented by 6 December 2010.
CHAPTER 9 – ADMINISTRATIVE AND OTHER EXPENDITURE		
Table 9.2		Greece: Our department monitors and records ECA recommendations about EU Executive and Other Agencies. In this context, it should be noted that in its audit reports the ECA ascertains whether underlying operations and transactions are legitimate and regular, and whether the accounts of the two Agencies established in Greece are reliable. Ireland: Table 9.2 does not request any action by Ireland. Poland: The table does not contain reservations concerning Poland but provides general information. It was not deemed necessary to take any action.
ANNEX 1		
Diagram V	Financial information on the general budget	Austria: No comments, as the table only breaks down 2009 own resources by Member State. Denmark: The diagram did not give rise to any particular comment. Estonia: The financial information shown in the table does not imply that action was taken. Hungary: The finding did not require any measure by Hungary. Germany: No objections, this is merely a depiction of revenue by Member State and source of own resources. Greece: The graph shows budget implementation for 2009 revenues. Our Department has no comments to make on this matter. Ireland: Diagram V does not request any action by Ireland. Malta: No action needs to be taken by Malta in this respect. Poland: The paragraph concerns information on the financing of the general budget and does not contain reservations concerning Poland.

ANNEX I. paragraphs in the 2009 Annual Report and for each of the 2009 findings made by the Court referring to each particular country,		
Paragraph	Observation in the 2009 Annual Report	Member State reply
		<i>Slovenia:</i> We are still to receive information on own resources for 2009 and have taken no action in this connection.
Diagram VI	Financial information on the general budget	<p><i>Malta:</i> No comments, as the table only breaks down 2009 payments by Member State.</p> <p><i>Czechia:</i> The diagram did not give rise to any particular comment.</p> <p><i>France:</i> The financial information shown in the table does not imply that action is required.</p> <p><i>Hungary:</i> The finding did not require any measure by Hungary.</p> <p><i>Italy:</i> We would suggest using actual payments made for the breakdown by Member State – as in the Commission’s Financial Report. Since the figures under review are presented as final, using payments owed and payments made in the same year may make it more difficult to read. In addition, administrative expenditure should be included so as to cover all headings in the financial framework. Even if the case with expenditure on third countries – it cannot be broken down by Member State, it should be included in the total.</p> <p><i>Greece:</i> The graph relates to payments made in 2009 per Member State per fiscal framework category. No action is required.</p> <p><i>Ireland:</i> Diagram VI does not request any action by Ireland.</p> <p>No action needs to be taken by Malta in this respect.</p> <p><i>Slovenia:</i> We are still to receive information on payments made in 2009 and have taken no action in this connection.</p>

ANNEX III B -GENERAL REMARKS

Member State	Reply
Belgium	Le rapport annuel 2009 n'émettait pas encore d'opinion sur le fonctionnement des systèmes de gestion et de contrôle. (Région Bruxelles)
Denmark	<p>Annual Report 2009</p> <p>Denmark finds it satisfactory that every year since the Statement of Assurance was introduced, with effect from 1994, the Court of Auditors has, with some reservations, considered the EU's accounts to give a true and fair picture of the revenue, expenditure and financial position of the Communities. On the whole, therefore, this part of the Statement of Assurance has been positive every year and has been without reservations for the past three years.</p> <p>It is also satisfactory that the audit statement on the legality and regularity of payments shows that the general level of error in implementing the transactions continued to fall in 2009. However, it is clearly unsatisfactory that the level of error in a number of policy areas – again with the "Cohesion" sector as the most important – continued to be too high in 2009.</p> <p>Denmark notes the Court's main recommendations on further improvement of the effectiveness of the supervision and control systems (1), the continued need to simplify the rules which, <i>inter alia</i>, may reduce the risk of error (2) and the work to produce better information on the content and effect of recovery of financial corrections (3).</p> <p>Denmark also welcomes the fact that the Court's presentation of the audit findings has become more precise in recent years. This clearer presentation strengthens the scope for remedying shortcomings in budget implementation and for determining the extent to which necessary progress is made over the years.</p> <p>Council discharge</p> <p>During the Council's forthcoming discussion of the Court of Auditors' annual report, Denmark will attach importance to factors which can contribute to continued progress, financially and otherwise in the management and control of the EU's spending budget. We consider the following factors particularly important.</p> <p style="padding-left: 40px;">Consideration of further balanced simplification of the rules, <i>inter alia</i> in the light of the Commission's proposal for a revision of the Financial Regulation for the EU budget and the Commission's communication on simplifying the research framework programmes. Otherwise, see the answer to the question on simplified implementation of the rural development programmes (see Annex II, part A, question 2).</p> <p style="padding-left: 40px;">Considerations regarding more cost-effective control arrangements, <i>inter alia</i> based on single audit practice, and considerations on the practical use of the Commission's previous studies of the costs and benefits of control measures in the different expenditure areas ("tolerable risk").</p> <p style="padding-left: 40px;">Clarification of the link between the audit findings in the annual report and those in the special reports issued by the Court of</p>

	<p>Auditors. This applies, for example, to experiences of the more effective performance of specific programme management bodies (see special report No 13/2009 on delegating implementation tasks to executive agencies). In this context, the Commission should report its follow-up of the Council's conclusions on the special report (in document No 17386/09 of 10 December 2009).</p> <p>Improved overall coordination in the field of audit, by creating the necessary agreement between the Court of Auditors, the Commission and the Member States on audit methods and the treatment of various types of error and irregularity.</p> <p>Improved cooperation between the Court of Auditors and the national supreme audit authorities (in Denmark the National Audit Office) in the use of common audit methods, exchange of audit findings and the implementation of joint audits, etc. Please note that in its 2009 annual report, the Court has not mentioned the auditing of EU funds that is undertaken by the supreme audit authorities of the Member States. We also refer to the Court of Auditors' reply to a question on a single audit model, confirming that it is an effective tool for the management of EU funds (see Annex II, part A, question 1a).</p> <p>Improvement of the Commission's guidance to the Member States, <i>inter alia</i> through seminars in Brussels and in the capitals of the Member States. The Commission should also provide solutions to issues that are common to/typical for all Member States or groups of Member States in relevant management and control fields (use of "best practice").</p> <p>Greater and more widespread use of the Member States' national audit statements prepared on a voluntary basis (national declarations).</p> <p>For the "Cohesion" policy area in particular:</p> <p>Follow-up of the annual summaries required by the legislation concerning the control of the use of resources from the Structural Funds, including discussion of the Member States' replies at the Commission's discharge hearing of 10 November 2009, as published in the Commission's report of 26 February 2010 (SEC (2010) 178). We noted that in its 2009 Annual Report, the Commission has not mentioned the annual summaries concerning control of the use of the resources of the Structural Funds.</p> <p>Analysis of wrong application of the procurement rules as a source of error. See also the answer to the question on lack of compliance with the public procurement rules (see Annex II, part A, question 4).</p> <p>The impact of recovery operations and financial corrections, in behavioural and financial terms.</p> <p>Discharge procedure between Parliament and Council</p> <p>Parliament wishes to formalise the discharge procedure between Council and Parliament, <i>inter alia</i> concerning discharge in respect of the Council's budget implementation. Parliament therefore wishes to enter into an agreement with the Council on the discharge procedure, including a mechanism for the reciprocal exchange of information between the two institutions regarding EU budget implementation. Denmark's view is that there should be an overhaul of the interplay between the two institutions concerning discharge, and that the existing discharge procedure should therefore be reviewed. Denmark is therefore working to achieve agreement between Council and Parliament to improve cooperation on discharge and leading to greater transparency in the institutions' implementation of their respective budgets</p>
Finland	<p>The errors detected by the Court of Auditors and the descriptions of them should be published in full, so that the Member States authorities and aid beneficiaries can learn from the mistakes and improve their own activities. At the moment the report does not give a clear picture of the nature and cause of the errors.</p>

Greece	<p>One condition for the success of Cohesion Policy is efficient and effective management systems, and the fact that the Commission (para. 4.3.4) this year has concluded that the error rate is significantly lower than previous years is particularly satisfactory.</p> <p>Among other things, the annual report (para. 4.13) sets out the problem which arose from the pressure to absorb the available resources within 2-3 years from the date on which the obligation was undertaken, so as to avoid the automatic release of those funds.</p> <p>As the Commission has itself found (5th Cohesion Report), the complexity of the Regulations and the absorption commitments has made many Member States focus on compliance with the Regulations and absorption issues, to the detriment of expenditure efficiency.</p> <p>Consequently, it is necessary to attach importance from now on to performance, by improving planning, management and evaluation of the programmes and by fostering the exchange of experiences.</p> <p>In this context, we consider that the conditionalities proposed by the European Commission as a method for compliance, which seek to tie financing via the Cohesion Fund into the achievement of macroeconomic objectives, will once again prompt Member States to focus more on other issues (such as achieving the extraneous targets set) and less on performance and the results of interventions.</p> <p>We consider that the tie between performance and financing can be achieved more effectively using incentives rather than penalties. The Commission has already made a proposal about a performance reserve at European level, but this would simply create competition between the countries. Greece is of the view that a performance reserve needs to be established at national level, so as to provide incentives to implementing bodies and to the regions of the countries to achieve better results and to compete fairly against each other.</p>
Germany	<p>The German Government welcomes the fact that the Court of Auditors is now using the most likely error rate to establish shortcomings in individual EU policy areas. This makes it clearer that audit results that are statistically extrapolated at EU level do not allow conclusions to be drawn about the situation in an individual Member State, particularly when no audits are carried out there.</p> <p>The German Government notes that the Court of Auditors, for the sixteenth consecutive time, has not issued an unqualified statement of assurance under Article 248 of the EC Treaty.</p> <p>The German Government supports the Court of Auditors in calling for further simplification of the rules and conditions governing rural development. The German Government believes that further simplification and clearly worded rules are needed also in the Structural Funds sector.</p>
Hungary	<p>We are pleased that for the 2009 financial year the European Court of Auditors (hereinafter the ‘ECA’) once again issued an unqualified opinion on the reliability of the report, which offers a picture of the financial situation of the EU, namely its operational and financial results, that is accurate from every essential point of view.</p> <p>With regard to the legality and conformity of the underlying transactions, we see a positive development in the fact that according to ECA in the last few years the estimated rate of the most common irregularities relating to payments in general has steadily declined.</p> <p>In our view the recommendations and observations included in the report are often too general and the shortcomings identified, too, are formulated in general terms. Thus, in our opinion, even though the scope and details of the report are generally appropriate, the deficiencies noted are described in general terms and this does not offer enough help to either the Member States or the Commission as regards the adoption of suitable measures to remedy them.</p>
Ireland	<p>Please find set out below additional information on Cohesion PF 3473 - Assessment of the management and control system.</p> <p><i>The key requirements in the ECA report regarding the Management and Control System are:</i></p>

	<p>Annex 3: Management & Control System. MA: Key requirement 1 - a) Inadequate monitoring by the MA of the JTS (Implemented 06/07/10)</p> <p>Annex 3: Management & Control System. MA: Key requirement 1 - b) verifications do not cover significant aspects of the project. (Implemented 20/07/10)</p> <p>Annex 3: Management & Control System. MA: Key requirement 4 - a) Verifications do not extend to the substance of the procurement procedure (Implemented 20/07/10)</p> <p>Annex 3: Management & Control System. MA: Key requirement 4 - b) Some procurement procedures not verified by the Managing Authority (Implemented 26/07/10)</p> <p>Annex 3: Management & Control System. MA: Key requirement 4 - c) observations resulting from the project audited - (a) - Part of the project implemented outside of the eligible area. (Ongoing)</p> <p>Annex 3: Management & Control System. MA: Key requirement 4 - c) observations resulting from the project audited - (b) - Hibernia acquired existing cables from Bytel. Bytel received support in the previous programme period. (Ongoing)</p> <p>Annex 3: Management & Control System. MA: Key requirement 4 - c) observations resulting from the project audited - (c) - Hibernia acquired rights to use ducts of existing operators. (Ongoing)</p> <p>Annex 3: Management & Control System. AA: Key requirement 2 - b) Implementation of the 2009 Audit Strategy (Implemented 26/07/10)</p> <p>Annex 3: Management & Control System. AA: Key requirement 3 - c) Reliance on the work of others without verifying it. (Implemented 26/07/10)</p>
Netherlands	<p>The Netherlands welcome the fact that the ECA has clearly recognised in this report that the error percentage published is an estimate (of the most likely percentage) based on a sample of a limited size, which allows the findings to be put in context. Furthermore, more clarity and transparency on the system and the findings of the Court of Auditors, including the documents on which these findings are based, would increase the added value of the report for Member States and give a more complete picture of what the ECA has observed. In conclusion, attention should be given to ensuring uniform interpretation of the rules (by the Commission, ECA and the Member States). Simplification of the rules would help in this respect.</p>
Poland	<p>The annual report for 2009 states that the number of errors in EU budget expenditure under the cohesion policy has fallen. This is very important for Poland. The changes taking place in cohesion policy (streamlining of procedures, decentralisation of reports on operating programmes) will have a positive impact on the quality of EU expenditure. It would therefore seem that the changes in the management and control system for cohesion policy in 2007-13 have borne fruit.</p> <p>However, the increase in the number of errors in the Common Agricultural Policy field in relation to last year (to between 2 and 5% as compared with less than 2% in 2008) gives rise to concern.</p> <p>Poland wishes to play an active part in the debate on acceptable levels of error (TRE) by supporting diversification of EU budget expenditure by individual fields and distinguishing between obvious infringements and insignificant errors (and penalising them accordingly).</p> <p>However, it should be borne in mind that attempts to differentiate TRE merely tackle the symptoms of problems arising from excessively complex Community rules (in particular on public procurement). Action should be taken to simplify these rules as far as possible.</p>

Portugal	<p>NOTE</p> <p>The IGF established, in timely fashion, an Audit Strategy for CSF III which was discussed with the European Commission in the annual coordination meetings, with a view to taking appropriate account of the development of the different operational programmes.</p> <p>In the last review, discussed at the coordination meeting that took place on 8 May 2009, the undertaking was made to develop, by the end of 2009, a first pre-closure audit for all forms of aid, with special attention to aid where situations of greater risk were identified (see point 2.12 of the IGF Audit Strategy, revised on 30 March 2009, which constituted the Annex to the annual inspection report). The nature, scope and timeliness of the audits were planned on the basis of a risk analysis covering materially relevant errors.</p> <p>In 2010 the audits were concluded and all the work relating to the closure of the various forms of aid cofinanced by the Structural Funds in the 2000-2006 programming period (CSF III) was carried out, in a total of 58 national programmes plus 1 territorial cooperation programme.</p> <p>As a result of the work carried out by the national authorities during the programming period, it was possible, in most situations, to close the programmes, with no significant problems left outstanding and with the respective error rates at levels we consider reasonable.</p> <p>At the same time, development of the management and control systems for the operational programmes in the programming period 2007–2013 was concluded, the IGF having issued the respective compliance opinions (compliance assessment). This procedure strengthened the guarantee of smooth operation of the systems, making them more effective in the prevention and detection of errors and irregularities.</p> <p>System audits were also undertaken to evaluate the actual operation of the management and control systems.</p> <p>As regards the Agricultural Funds, there has also been a steady decrease in error rates, reflecting improvements in the management and control systems applied.</p> <p>Inspectorate-General of Finance, 15 December 2010</p>
Spain	<p>With regard to the chapter on agriculture and natural resources, we would like to make the following considerations:</p> <p>It should be noted that VAT is treated differently depending on the kind of fund in question. For the EAFRD, Article 71 of Regulation 1698/2005 on eligibility of expenditure establishes that VAT is generally not eligible. This is not the case for other funds.</p> <p>Requests have been made by most Member States in various fora - from the Agriculture Council to the ECA, and including the Committee on Rural Development and various Work Groups - to align VAT between funds and, in the case of the EAFRD, that this should be brought into line with other structural funds (such as the ERDF).</p> <p>The Commission has shown a certain unwillingness with regard to such a change in the Regulation for many years. We hope that this will be taken into consideration for the next programming period.</p>
UK	<p>The UK is very concerned that the ECA has once more been unable to provide a positive Statement of Assurance on the majority of payments from the EU Budget for the 16th year in succession. While the UK welcomes the ECA's unqualified positive Statement of Assurance on the reliability of the EU's accounts, the high error rate for Cohesion Policy remains a cause for concern. Although the UK notes that the likely error rate for Cohesion Policy has declined significantly since 2008, it considers that further progress should be made,</p>

particularly given that Cohesion Policy accounts for around 30% of EU Budget expenditure. The UK also highlights the importance of recovering money paid out incorrectly from the EU Budget. The UK therefore notes with concern that overall rates of recovery from beneficiaries who received EU funds incorrectly seem to have fallen compared to 2008. The UK notes that, in its report on implementation of the 2008 EU Budget, the ECA provides a chart setting out a year-on-year comparison in terms of percentage share of the Budget in the relevant error range (Chart 1.1). The UK regrets that no such chart is available in the report on the 2009 Budget. The UK notes that 47% of the 2008 EU Budget had a likely error rate of less than 2%, while 22% of the Budget had an error rate of between 2% and 5%, and 31% had an error rate of over 5%. The UK requests the ECA to provide comparable statistics for the 2009 EU Budget.

The UK underscores that a qualified statement on the EU Budget year after year affects confidence in EU expenditure and the public's perception of the value of membership of the EU. The UK notes that the pace of reform of EU financial management appears to be incremental and that much more needs to be done by both the Commission and the Member States to achieve the mutual aim of a positive statement of assurance on the EU Budget.

While the UK recognises that the current programming period 2007-2013 has brought about improvements in terms of simplifying complex rules and legal requirements, the UK considers that further simplification is a priority and welcomes the ECA's helpful remarks in this respect.

The UK notes the ECA's conclusion that for many policy areas, supervisory and control systems are only partially effective. The UK supports the ECA's recommendation that the Commission should enhance controls in many areas, and notes with concern that in certain cases, supervisory and control systems at Commission level left a significant number of errors undetected and hence uncorrected. Prominent examples include the Education and Citizenship policy group, and weaknesses in DG RELEX and DG ENLARG systems which have yet to be remedied. The UK notes with satisfaction the Commission's acceptance of and agreement with some of the ECA's recommendations, and is encouraged that measures are already being taken to address many of these weaknesses. However, the UK also notes the importance of Member States providing accurate and timely information to the Commission, for instance on recoveries, and commits to carrying out such improvements if deemed necessary.

With specific regard to the ECA's report on the EDF, the UK welcomes the ECA's observation that EuropeAid has remedied some of the shortcomings identified in the previous ECA report. In particular, the UK welcomes the fact that EuropeAid finalised a revised framework for monitoring and reporting progress in public financial management in June 2010. While the UK also welcomes many of the specific improvements noted by the ECA in the report on the EDF, the UK is concerned that most of the National Authorising Officers in partner countries appear to lack capacity, resulting in poorly documented and ineffective checks.

Format of the ECA report

It would be helpful if the report details all the missions to each member state in the calendar year concerned, with the specific programmes audited included in the list. A full programme title would enable managing authorities in the UK to find more easily those areas of the report applicable to them.

The format for the report is more user friendly than last year's.

ANNEX III A

Questions put to Member States concerning Agriculture/Natural resources and Cohesion

FOR SUPREME AUDIT AUTHORITIES (SAIs):

(1a) The single audit model in which "each level of control builds on the preceding one, with a view to reducing the burden on the auditee and enhancing the quality of audit activities, but without undermining the independence of the audit bodies concerned"¹ has been regarded as desirable by the Parliament and the Commission.

Does the SAI of your Member State support the idea of the single audit principle as an efficient tool in the management of EU funds?

(1b) The European Court of Auditors applies a 2% materiality threshold for the DAS (statement of assurance) audits in order to conclude on the reliability of accounts and the legality and regularity of underlying transactions. According to the DAS methodology, the Court may decide to set a different level of materiality and/or to consider some differentiation of materiality thresholds between budgetary areas to take into account the DAS addressees' requirements.

What materiality threshold is applied to financial audits by the SAI of your Member State?

Are there any variations in the materiality threshold?

(1c) Since 2006 the Commission has sought to promote audit activity by providing the SAIs with detailed reports on payments made in the respective Member States. These reports have been developed extensively in recent years and now provide more detail which facilitates audits undertaken in close co-operation notably, with some SAIs. The latest reports were sent out in June 2010.

Were the reports used by your SAI as a basis for their audit work, including risk assessment?

AGRICULTURE and NATURAL RESOURCES CHAPTER

(2) In the area of rural development, the Court of Auditors recommended maintaining efforts to further simplify rules and conditions (§3.74). Since rural development programmes are implemented under shared management, Member States have a role to play in this endeavour.

Has your Member State introduced any relevant initiative addressed at further simplifying the implementation of rural development programmes?

COHESION CHAPTER

(3) In the Court's audit sample for the Cohesion chapter, some eligibility errors are attributable to stricter national eligibility rules (e.g. co-financing rules) in comparison with eligibility rules set at the EU level. For 2007-2013, the rules set by the regulation at Community level allow the Member States greater scope for specifying the eligibility conditions according to the specific needs of their programmes.

Were your national eligibility rules stricter than those set at the EU level? YES/NO

If yes, what was the reason?

- (a) eligibility rules at the EU level were not specific enough for the needs of the programmes?
- (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?
- (c) any other reasons

¹ OJ C 107/1, 30/04/2004-opinion 2/2004, p107/4

<p>(4) In the Cohesion chapter (§4.21) the Court also notes that "non respect of public procurement rules alone accounts for 43% of all quantifiable errors and makes up for approximately three quarters of the estimated error rate"</p> <p><i>In your opinion, what can be done to improve this situation?</i></p> <p>(a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions</p>
<p>5) In the Cohesion chapter (§4.26), the Court's audit showed that for 11 out of 16 OPs audited, the verifications carried out by the Managing authorities were only partially compliant with the regulatory requirements.</p> <p><i>What do you think could be done to ensure effective verifications by management authorities?</i></p> <p>(a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications (f) any other reasons</p>
<p>6) The Court recommends that the Commission should encourage national authorities to rigorously apply corrective mechanisms before certifying the expenditure to the Commission.</p> <p><i>What can be done to better assist you in applying corrective mechanisms in the context of your management verifications?</i></p> <p>a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? (c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (d) any other suggestion</p>

	SAI			AGRICULTURE and NATURAL RESOURCES	COHESION				
		(1a) The single audit model in which "each level of control builds on the preceding one, with a view to reducing the burden on the auditee and enhancing the quality of audit activities, but without undermining the independence of the audit bodies concerned" has been regarded as desirable by the Parliament and the Commission.	(1b) The European Court of Auditors applies a 2% materiality threshold for the DAS (statement of assurance) audits in order to conclude on the reliability of accounts and the legality and regularity of underlying transactions. According to the DAS methodology, the Court may decide to set a different level of materiality and/or to consider some differentiation of materiality thresholds between budgetary areas to take into account the DAS addressees' requirements.	(1c) Since 2006 the Commission has sought to promote audit activity by providing the SAIs with detailed reports on payments made in the respective Member States. These reports have been developed extensively in recent years and now provide more detail which facilitates audits undertaken in close co-operation notably, with some SAIs. The latest reports were sent out in June 2010.	(2) In the area of rural development, the Court of Auditors recommended maintaining efforts to further simplify rules and conditions (§3.74). Since rural development programmes are implemented under shared management, Member States have a role to play in this endeavour.	(3) In the Court's audit sample for the Cohesion chapter, some eligibility errors are attributable to stricter national eligibility rules (e.g. co-financing rules) in comparison with eligibility rules set at the EU level. For 2007-2013, the rules set by the regulation at Community level allow the Member States greater scope for specifying the eligibility conditions according to the specific needs of their programmes.	(4) In the Cohesion chapter (§4.21) the Court also notes that "non respect of public procurement rules alone accounts for 43% of all quantifiable errors and makes up for approximately three quarters of the estimated error rate"	(5) In the Cohesion chapter (§4.26), the Court's audit showed that for 11 out of 16 OPs audited, the verifications carried out by the Managing authorities were only partially compliant with the regulatory requirements.	(6) The Court recommends that the Commission should encourage national authorities to rigorously apply corrective mechanisms before certifying the expenditure to the Commission.
Member State	<i>Does the SAI of your Member State support the idea of the single audit principle as an efficient tool in the management of EU funds?</i>	<i>What materiality threshold is applied to financial audits by the SAI of your Member State?</i>	<i>Are there any variations in the materiality threshold? YES (if yes what are these variations?)/ NO</i>	<i>Were the reports used by your SAI as a basis for their audit work, including risk assessment? YES/NO</i>	<i>Has your Member State introduced any relevant initiative addressed at further simplifying the implementation of rural development programmes? YES (If yes, please provide some examples)/NO</i>	<i>Were your national eligibility rules stricter than those set at the EU level? YES - If yes, what was the reason?: (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (b) eligibility rules at the EU level could not be properly understood by the beneficiaries? (c) any other reasons/ NO</i>	<i>In your opinion, what can be done to improve this situation? (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions</i>	<i>What do you think could be done to ensure effective verifications by management authorities? (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level (e) revised internal guidelines for managing verifications (f) any other reasons</i>	<i>What can be done to better assist you in applying corrective mechanisms in the context of your management verifications? a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (d) any other suggestion</i>

<p>Austria</p>	<p>In its positions regarding Austria's Presidency of the EU in 2006, published under the 2006/1 position series, the Court of Auditors commented in detail on the single audit model proposed by the ECA in 2004 and the related proposal for an integrated EU internal control framework, and also expressed its opinion on current developments regarding EU financial control in its EU Financial Reports (most recently in the 2009 EU Financial Report) and its positions (most recently the position on reforming the EU Financial Regulation, series 2010/1). In its position regarding Austria's Presidency of the EU in 2006 the Court of Auditors states, among other things, that the inspection of administrative and control systems for EU resources introduced in the Member States should be carried out through external public financial control. The Court of Auditors approves of the efforts made by the EU bodies to improve administration and control, in particular, where EU funds are subject to shared management. However, it points out that its role as an external financial control body does not form part of the EU's integrated internal control framework –</p>	<p>The Court of Auditors is not required to compile an audit report for the closing of the Federal accounts. The tasks that the Court of Auditors performs in respect of the closing of the Federal accounts are laid down in Chapter VI of the Federal Constitution and in the Court of Auditors Act. The annual Federal accounts are verified by selecting cases from all 33 subsections of the Federal budget account on the basis of statistics and in proportion to the amounts involved (Federal Accounting Agency, bodies responsible for the budget) and by analytical audit measures. Samples are selected on the basis of a risk oriented audit approach and contain around 4 000 - 5 000 records per audit. The</p>	<p>Not applicable</p>	<p>YES. The Court of Auditors has used the information and data provided by the European Commission since 2006 when carrying out audits. The Court of Auditors referred most recently to this data in its EU financial report, volume 2010/12, p. 51et seq. Examples: Series Volume 2010/2, 2009 EU Financial Report, Series Volume 2009/05, 2008 EU Financial Report.</p>	<p>NO</p>	<p>Remark: since Austria was not audited, only general information can be provided here. The national eligibility rules for implementing the ERDF in Austria are largely based on the provisions of the Eligibility Regulation (Commission Regulation (EC) No 448/2004) for the 2000 – 2006 programme period.</p>	<p>Remark: since Austria was not audited, only general information can be provided here. The rules on public procurement are on the whole extremely complex. Any simplifications can therefore be carried out at European level only.</p>	<p>Remark: since Austria was not audited, only general information can be provided here. The complexity of the various types of projects represents a great challenge to the audit bodies, and can be dealt with only by means of committed and well trained staff. The high degree of complexity requires a large number of specialists. In any case, it cannot be reduced or simplified merely by means of internal guidelines or training courses.</p>	<p>Remark: since Austria was not audited, only general information can be provided here. The wording of this question does not make it clear whether management verifications refers to verifications of the managing authorities. If this is so, then it is the case in Austria that the management verifications must be concluded before the certifying authority declares the expenditure to the Commission. If, on the other hand, the above mentioned verifications should include ex post checks by the audit authorities, then the answer is that the Austrian audit authority monitors the corrections to be made by the managing authorities or the certifying authorities.</p>
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	<p>in the sense of internal administrative control – and that, with regard to cooperation between the independent external public financial control bodies of the EU and Austria, Article 287(3) TFEU (cooperation in a spirit of trust while maintaining independence) and the internationally recognised audit principles should be applied. In the absence of proposals regarding a more concrete structure and regarding the scope of the single audit model proposed by the ECA in its Opinion No 2/2004, the Court of Auditors cannot comment in greater detail on the question of single audit.</p>	<p>departments' internal control system is checked for the purposes of risk assessment. The relevant department is informed of any weaknesses or shortcomings in its internal control system and of the systemic or accounting errors. Accounting errors are corrected by the accounting departments during the procedure for eliminating shortcomings.</p>							
Belgium	NO	NO	NO	NO	No answer provided	<p><i>Région Bruxelles</i> : NO <i>Région Wallone</i>: NO (pour la période de programmation 2000-2006)</p>	<p><i>Région Bruxelles</i> YES (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? <i>Région Wallone</i> YES (a) more training for national/regional authority staff by the Commission? (b)</p>	<p><i>Région Bruxelles</i> YES a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications NO (b) less rigid eligibility rules at EU and national level <i>Région Wallone</i> YES (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries NO (d) additional staff resources at national</p>	<p><i>Région Bruxelles</i> YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? <i>Région Wallone</i> YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and</p>

							Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? NO (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions : Les réponses positives aux questions du point 4 ne doivent pas être interprétées comme traduisant le fait qu'il n'existe pas déjà d'effort de la Commission et des Etats membres mais comme une amélioration possible.	level e) revised internal guidelines for managing verifications (f) any other reasons : Les réponses positives au point 5 signifient que des améliorations peuvent bien sûr toujours être apportées par rapport à la situation de la période 2000-2006, mais de gros efforts ont déjà été faits dans ce domaine au niveau de la Commission et de la Région wallonne.	correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (d) any other suggestion : Les réponses positives au point 6 signifient que des améliorations peuvent bien sûr toujours être apportées par rapport à la situation de la période 2000-2006, mais de gros efforts ont déjà été faits dans ce domaine au niveau de la Commission et de la Région wallonne.
Bulgaria	YES .The National Audit Office, as the supreme audit authority, considers that the 'single audit' approach relates to the internal control context. The conditions under which the National Audit Office can make use of work done by other auditors are laid down in an audit manual and conform to international auditing standards.	Up to 2%	The materiality threshold applied by auditors is 2%, unless the National Audit Office decides otherwise. Auditors may also set a lower materiality threshold for specific audits.	NO	No answer provided	YES (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (c) any other reasons : This is the first programming period in Bulgaria's case, and the lack of experience has resulted in stricter requirements being imposed on beneficiaries, more complex procedures and difficulties in applying them.	YES . (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions The Managing Authorities should	YES . a) more precise eligibility rules at EU and national level (e) revised internal guidelines for managing verifications	YES . a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected?

							take steps to provide training for beneficiaries on the conduct of procedures for awarding public contracts, including sufficient practical examples of errors that result in the imposition of financial corrections.		
Cyprus	Questions 1 (a) -1 (c) have been sent to the National Supreme Audit Authority as the competent body. The Authority's replies to those questions will be forwarded to you as soon as they are received.	Questions 1 (a) -1 (c) have been sent to the National Supreme Audit Authority as the competent body. The Authority's replies to those questions will be forwarded to you as soon as they are received.	Questions 1 (a) -1 (c) have been sent to the National Supreme Audit Authority as the competent body. The Authority's replies to those questions will be forwarded to you as soon as they are received.	Questions 1 (a) -1 (c) have been sent to the National Supreme Audit Authority as the competent body. The Authority's replies to those questions will be forwarded to you as soon as they are received.	No answer provided	YES. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? NO. (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? NO. (d) Should more guidelines be provided to Member States by the Commission?	YES. (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries e) revised internal guidelines for managing verifications NO. (a) more precise eligibility rules at EU and national level (d) additional staff resources at national level	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?

Czech Rep	YES	In the control standards of the Supreme Audit Office (NKÚ) the materiality threshold is set between 0.5 % and 2 % of the value which most appropriately reflects the scope of financial activities of the person under inspection or the purpose, effectiveness and efficiency of the project, programme, activity or function.	The NKÚ standards enable the application of various materiality thresholds. In control action No 10/29, carried out as a joint audit with the ECA, the materiality threshold is set at 2 %.	YES. The ABAC report provides data from the European Commission's central ABAC accounting system for 2009. The Czech Republic's payments for 2009 are set out in items and sub-items corresponding to the structure of the Financial Perspectives for 2007-2013; the summary overview represents the sum of recorded transfers to the Czech Republic, broken down into payments made to beneficiaries for implementation of programmes and projects directly managed by the European Commission and regular payments which are made under shared Commission and Member State management. Because of the structure of the data provided by the Commission, these reports are of very limited use for control activities and are used as a source of supporting information. In addition, because the information on the transfers to the	YES. As part of the simplification process there is a gradual reduction in requirements being imposed upon claimants based on the Rules for Granting Assistance. There is also a reduction in the number of mandatory annexes from claimants. The Paying Agency makes greater use of information from public registers, with the aim of minimising the need for claimants of assistance to provide extra information.	YES. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national /regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? NO. (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions: The Commission could issue recommendations including examples of good practice in laying down procedures for awarding contracts, and in particular on control activities. It could also focus on how this kind of mistake can best be avoided, and what kinds of measures to introduce.	YES. (d) additional staff resources at national level e) revised internal guidelines for managing verifications NO. (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (d) any other suggestion: An interpretation from the Commission that removes the possibility of other interpretations, and the introduction of a flexible consultation platform.
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				<p>Czech Republic for 2009 are monitored in ABAC only in relation to Cohesion Policy objectives and in relation to sources of finance (Structural Funds – ESF, ERDF, Cohesion Fund, etc.), the data is of only limited use to the NKÚ, since it lacks identification of the individual Operational Programmes financed by the ESF, ERDF and Cohesion Fund. Moreover, the key to the 'ABAC payment report' table declares that the expenditure accounted for under the ABAC gives information on transactions involving legal entities; it does not give information on revenues to national budgets, and does not give the official position of a Member State. In addition, the NKÚ's mandate to check assistance provided outside shared management is limited.</p>					
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Denmark	No answer provided	<p>The Danish National Audit Office <i>does not use a fixed materiality threshold in its financial audits.</i> The National Audit Office plans and implements the audit of EU funds on the basis of the same materiality and risk considerations that apply to its audit of Government funds. The National Audit Office complies with international auditing standards and good auditing practice, and works using a risk-based and systems-based approach to the audit of management and control systems in the administration, supplemented by random substantive tests to assess whether the accounts are correct. The National Audit Office does not calculate error rates for the areas it examines.</p>	No answer provided	<p>YES. Since the organisation of the rural development programme and the national strategic plan for rural development for 2007–2013, Denmark has tried to apply schemes and administrative procedures that are as simple as possible. In that context, Denmark has worked to achieve simplification of the administrative regulatory framework of EU aid. This has taken place, inter alia, in the context of the discussions of proposed amendments to the texts of EU regulations, which are ongoing in the relevant Council working groups and in the Management Committee for Rural Development Programmes (RDC). Some simplification of the implementation of these programmes has been ensured by the fact that the paying agency and national Managing Authority of the EAFRD programme are located in the same building of the Danish Food Industry Agency (FERV) as the management of the EAGF funds. Additionally, the individual parts of the administration of the EAFRD and EFF programmes are managed by the same relevant office at FERV, which ensures good coordination.</p>	<p>YES. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? The documentation requirements are defined in detail to assist beneficiaries. (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?</p>	<p>Basically, the rules are judged to be sufficiently detailed, but their scope and the associated documentation is extensive and requires, in some cases, substantial effort on the part of the administrative units and beneficiaries. YES. (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? NO. (d) Should more guidelines be provided to Member States by the Commission?</p>	<p>The controls to be undertaken by the Managing Authority are established by the Regulation, and the controls are subject to audit by the national authorities as well as by the Commission and the Court of Auditors. Our assessment is that control in Denmark of the national Social Fund and Regional Fund programmes is sufficiently effective to prevent and correct any errors. Efficient control assumes that the necessary competencies and personnel resources will be allocated to the area. Furthermore, an appropriate level of control (and associated confidence) must be agreed in relation to the costs and risks of control in the context of the systems and procedures of the managing authority. YES. a) more precise eligibility rules at EU and national level - The work of simplifying the aid rules and making them more effective must continue where</p>	<p>Guidance and a collection of examples is recommended to ensure more or less uniform administrative controls among Member States. YES. a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO. c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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			<p>Denmark is attempting to achieve coherence in the EAFRD programme and provides frameworks for integrated initiatives across the programme's axes. This means that the national application procedures in a number of cases involve several different legal bases from the Regulation.</p> <p>Denmark's ambition to use the aid provisions in Council Regulation 1698/2005 in combination with integrated arrangements has, however, entailed the need for a complicated administrative setup due to conditions set by the Commission services. The inclusion of new EAFRD funds in the programme for the 2010–2013 programming period as a consequence of the CAP Health</p> <p>Check has also required major changes in the rural development programme, which has not made things simpler. It turned out, when this programme change took place, that the aid provisions in the Council Regulation could not be used, to a sufficient degree, for Denmark's implementation of the Water Framework and Natura 2000 Directives, as was our original intention.</p> <p>The Commission was notified in 2009 of Denmark's intentions concerning a number of extensions of the aid provisions in the rural development programme. The changes were not immediately</p>			<p>possible.</p> <p>(b) less rigid eligibility rules at EU and national level</p> <p>(c) more guidance to beneficiaries - If a lack, or need, of further guidance is established, it should be provided.</p>	
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			<p>approved by the Commission, which for various reasons could not immediately approve the intended measures in the following areas: 1) establishment of wetlands, 2) establishment of biogas plants, 3) establishment of uncultivated border strips, 4) compensation for loss of income on agricultural land as a result of periodic flooding of land near waterways in river valleys and 5) compensation for sustainable operation of Natura 2000 forest and Natura 2000 agricultural land.</p> <p>The work of the Danish authorities to achieve these objectives continues, but this of course makes efforts to implement measures under the programme more difficult. Furthermore, due to the Commission services' wish for much more stringent financial control of measures in the national programmes, even very small financial adjustments to the programme input require, in fact, a change in the programme. The Commission services have also requested further detailed information on financial planning in addition to what may be required under the Regulation. Simplifications in the approval procedures for programme changes have therefore been followed by requirements for detailed budgeting at measure level –</p>				
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					and often sub-measure level - with related sets of indicators, which means that there is extremely limited flexibility in implementation and an increased control and reporting burden. Finally, the Commission has, on an ongoing basis, set more stringent requirements for the implementation and content of the controls, not least in the area of acreage, and most recently at the time of the amendment of the Council Regulation which took place at the end of 2010. Such increases in stringency are often reflected at control visits in the form, inter alia, of requirements over and above those in the actual aid conditions regarding what is to be covered by the on-the-spot checks.				
Estonia	YES. The SAI, the National Audit Office, supports the idea of a single audit principle. <i>Comment:</i> This is the principle of internal control and internal audit systems for the use of EU funds. The SAI of the Member State is not part of this system, but as an independent external auditor it follows its mandate and carries out tasks on the basis of national Acts and international and its own audit standards. The National Audit Office	When the annual accounts and the legality of transactions are being audited, materiality is in the range 0.5% - 1% and 0.25% - 0.5% respectively of the authority's budget.	YES - see the comment in the previous column	NO. The exchange of such information should take place between the European Commission and the Estonian Ministry of Finance, from which the National Audit Office obtains the information it needs.	NO	NO	YES (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? NO (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the	YES (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications NO (b) less rigid eligibility rules at EU and national level	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?

	takes account of the above in its own audits and when deciding to use the work of other auditors.						Commission?		
Finland	NO. The single audit principle is efficient and cost-effective. However, we would point out, for example, that the way the ISSAI standards are interpreted by the State Audit Office (VTV) differs from the European Court of Auditors' practices and the institutions cannot therefore directly apply the results of each other's inspections. Adopting the practice would thus require considerable adjustments to inspection practices and the classification of errors. Care would also have to be taken to ensure that the independence and autonomy of the national supreme audit institution was not compromised. Another point to note about the single audit is that the national inspection authorities have not carried out the Member States' audits referred to in the Financial Regulation and the Treaty on the Functioning of the European Union, but instead have acted in relation to national parliaments alongside the Court of Auditors as the senior external inspection authorities that assess the effectiveness of the primary checks and hence the entire single audit system in	No answer provided	YES. The VTV checks EU resources as part of its own financial audit work, not as separate inspections. There are no fixed materiality thresholds in the error rates. Instead the materiality of errors is looked at case by case on the basis of the inspection authority's own guidelines. So the VTV does not subject EU resources to inspections based on the statistical method of monetary unit sampling (MUS), nor does it use this in its other financial audit activities.	YES. The VTV has taken note of the reports produced and sent by the Commission and will use them as a tool for planning inspections. We would reiterate here that EU funding is not a separate subject for inspection, but part of the annual financial audit.	YES. The Ministry of Agriculture and Forestry has carried out two different reviews, the first of which concerned agricultural support and the administrative burden associated with it. A memo by the administrator contained 22 proposals which were incorporated in national legislation in 2008 and 2009. Proposals for simplifying Community regulations were also made to the Commission in various communications. (Administrator's report on simplifying the agricultural support and monitoring systems, 21 December 2007) The second review, carried out in 2009, looked at the administrative burden of the enterprise support and project aid contained in the rural development programme. It took the form of a questionnaire, which received over 500 replies, and a working group. The working group's memorandum (2009:12) contained a total of 34 proposals; of these the ones relating to regulations were mainly put into effect in the first half of 2010, while those relating to project aid, application forms and procedures connected with implementation will be applied by the end of the year. Proposals have been made to the Commission in	YES. (a) Eligibility rules at the EU level were not specific enough for the needs of the programmes. NO. (b) eligibility rules at the EU level could not be properly understood by the beneficiaries? (c) any other reasons: Article 56 of Council Regulation No 1083/2006 on the 2007-2013 programme stipulates that the rules on the eligibility of expenditure must be laid down at national level, so the Regulation itself requires national eligibility rules to be more detailed than those laid down at Community level. Member States thus do not merely have the possibility of imposing eligibility requirements but are under an obligation to enact more specific requirements than those laid down by the Regulation at Community level. The Commission also stipulated this in the description of the management and supervisory system.	YES. (b) Should training include national/regional authority staff and beneficiaries? NO. (a) more training for national/regional authority staff by the Commission? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions: Public procurement rules are not confined to the area of cohesion policy; they apply to all public contracts. Consequently, training and guidelines on such contracts should not be specific to cohesion policy, but deal with public procurement more generally. Responsibility for ensuring that people know about public procurement and that this knowledge is kept up to date rests with the Member States. As regards compliance with the rules on public	YES. (b) less rigid eligibility rules at EU and national level NO. (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications (f) any other reasons: The failings detected by the Court of Auditors in the work of the managing authorities should first be specified more precisely. It is difficult at this point to suggest improvements when we do not know what the problems are and whether they are caused by ridiculous rules or mistakes in implementation. Nor is it possible to assess the impact of failings on the eligibility of expenditure or the risk of ineligibility on the basis of the information supplied. The focus in cohesion policy rules should be on clear principles and compliance with them, not on detailed regulations, because these will never be able to cover all the	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?

	their inspections.				<p>accordance with the review, for regulations on implementation in the current period, but simplification at Community level may have to wait until the regulations governing the next period, the first drafts of which are expected to be debated in summer 2011. For its part, the Commission has made the implementation of the programme in 2010 more complicated, for example as regards the use and follow-up of additional resources for new challenges.</p> <p>The programme evaluation has also taken a position on implementation and has made proposals for its future development. The mid-term evaluation states that the reviews and their implementation will improve the programme's feasibility.</p>		<p>procurement, it is important to realise that they are open to interpretation, which will always entail the risk of them being incorrectly applied. An indication of this is that the legal cases relating to procurement procedures are often long and complex and require an in-depth legal understanding of procurement matters. In the case of the errors relating to public procurement identified by the Court of Auditors, too, the findings should be made more transparent and more specific, so that lessons can be learnt from these cases. At the moment the findings are at a general level only. The errors identified should be described to all Member States and it should be specified whether the errors are such that the national authorities did not have sufficient information to detect them when they reported the expenditure to the Commission (§4.23).</p>	<p>situations that have to be assessed. Point e) is too vague to be able to answer sensibly. It is not clear whose internal guidelines it is referring to, what the subject matter is and how they would be revised.</p>	
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<p>France</p>	<p>YES. La Cour des comptes française considère que le principe de l'audit unique est un dispositif applicable au contrôle du budget européen, ainsi que le décrit l'avis n°2/2004 de la Cour des comptes européenne, ce principe concerne essentiellement l'organisation du contrôle interne. L'avis de la Cour précise (article 13) que les ISC nationales n'ont aucun rôle formel dans le contrôle interne ou l'audit interne du budget de l'Union, mais doivent coopérer avec la Cour des comptes européenne. Vu de manière générale, le principe de l'audit unique repose sur l'articulation harmonieuse des contrôles, afin d'éviter les redondances et les trous noirs. Il fait partie des normes de contrôle internationalement reconnues, et la Cour des comptes française y souscrit évidemment. L'autorité d'audit (CICC) estime qu'on ne peut qu'être favorable à l'audit unique pour les raisons suivantes :</p> <ul style="list-style-type: none"> - il supprime la redondance des contrôles, évite aux audités les contrôles successifs et permet une meilleure utilisation des moyens de contrôle disponibles, - en homogénéisant les contrôles, il sécurise les contrôleurs intervenant en amont, mais aussi les 	<p>No answer provided</p>	<p>No answer provided</p>	<p>YES. Les rapports détaillés sur les paiements sont transmis aux chambres compétentes de la Cour. Ils font partie des informations que l'auditeur doit collecter pour la réalisation de son audit, sans que leur utilité spécifique pour le contrôle puisse être isolée.</p>	<p>YES. Le MAAPRAT est engagé cette année encore dans l'exercice de simplification par le biais de l'action interne de la Mission « Simplifions ». Certains des chantiers conduits en 2010 dans ce cadre, concernent le développement rural. De nombreuses pistes se focalisent sur le développement de la télédéclaration en France : simplification de l'accès aux orthophotos, création d'un service de mandat de télédéclaration, simplification de la procédure d'identification des nouveaux télédéclarants,</p> <ul style="list-style-type: none"> - mise en ligne du dossier PAC (pré-rempli, téléchargeable et imprimable). - Simplification de la procédure de notification dans le cadre du dispositif de soutien à l'agriculture biologique. - Dématérialisation de la procédure des demandes de Prêts bonifiés. - Allègement des charges administratives de gestion des mesures surfaces du 2nd pilier (convergence d'outils informatiques) - Unification des demandes de financement pour les dossiers FEADER dans les DOM. - Mise en place d'une procédure dématérialisée de transmission de données fiscales entre services administratifs. - Suppression de l'obligation d'être à jour dans le paiement des cotisations sociales, pour les demandeurs du dispositif 	<p>L'article 56-4 du règlement 1083-2006 dispose que les règles d'éligibilité des dépenses sont établies au niveau national, sous réserve des exceptions prévues dans les règlements spécifiques à chaque Fonds. Aussi, la réglementation relative à l'éligibilité des dépenses, si elle ressort du niveau national, n'en est pas moins qu'une transposition de la réglementation communautaire sectorielle. Le décret d'éligibilité des dépenses du 3 septembre 2007 ne représente que la prise en compte, en un document unique, des règles nationales et communautaires. En outre, il convient d'ajouter que les règles d'éligibilité adoptées en début de programmation pour la France, reflètent considérablement celles qui prévalaient à l'échelon communautaire pour le compte de la précédente période de programmation. Au final, on peut s'interroger s'il ne serait pas plus simple de revenir au système prévalant sur la période 2000-2006 avec des règles d'éligibilité</p>	<p>YES (c) Should clearer guidelines be provided to Member States by the Commission? NO (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (d) Should more guidelines be provided to Member States by the Commission?</p>	<p>YES (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries NO (b) less rigid eligibility rules at EU and national level (d) additional staff resources at national level (Les ressources en personnels sont mobilisées au regard des missions assignées et des situations régionales. Sans que soient exclus quelques renforcements ponctuels là où des difficultés sont constatées qui ne peuvent être résolues par d'autres moyens (évolution des modalités de gestion, recours à un prestataire..), il n'est pas actuellement envisagé d'augmenter les effectifs de personnels.)</p>	<p>YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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	<p>audités, - en autorisant la prise en compte de l'ensemble des résultats des contrôles, il donne au niveau supérieur d'audit une base d'observation beaucoup plus large et donc réduit le degré d'incertitude sur les résultats. S'agissant des fonds structurels, le principe d'audit unique inspire : - l'article 73 du règlement général 1083/2006 : sous une série de conditions, la Commission peut s'appuyer sur les travaux réalisés par les autorités d'audit nationales, notamment leurs avis ; - la stratégie d'audit de la Commission : après révision des méthodologies et réexécution de travaux de l'autorité d'audit, la Commission peut s'appuyer sur ceux-ci pour établir sa propre assurance. Ces deux applications restent cependant en retrait des possibilités et peut-être de l'esprit du principe d'audit unique. Par exemple: - l'article 73 soumet la mise en œuvre effective du principe d'audit unique, qui est relatif à l'activité d'audit et de contrôle, au « bon fonctionnement » du système de gestion et de contrôle dans son ensemble ; cette condition paraît contre-productive dans la</p>				<p>ICHN. Simplification des documents et de la procédure de gestion des forêts publiques et privées.</p>	<p>communautaires pour tous les Etats membres. Un règlement unique permettrait d'éviter des divergences d'interprétation et faciliterait la programmation, en particulier pour les programmes de coopération territoriale.</p>			
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	<p>mesure où elle doit conduire la Commission à s'interdire de s'appuyer sur des auditeurs nationaux fiables (capables de souligner le cas échéant les défauts de leurs systèmes nationaux) au seul motif que les systèmes de gestions présentent des défauts ;</p> <ul style="list-style-type: none"> - la stratégie d'audit de la Commission privilégie l'aspect « hiérarchique » du pyramidage des contrôles au profit du niveau supérieur au détriment de la coordination et de l'échange de bonnes pratiques qui devraient être au cœur de la gestion « partagée ». La Cour souligne d'ailleurs qu'un dispositif intégré de contrôle interne nécessite que ne soit pas ignorés les objectifs et responsabilités de chacun des étages de la pyramide. Pour éviter ces écueils, la mise en œuvre effective du principe d'audit unique suppose des discussions approfondies entre professionnels et entre les différents niveaux de responsabilité (Commission, Etats membres), avant que le cadre n'en soit arrêté. 								
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<p>Germany</p>	<p>The aims of the single audit model seem to be a sensible way of reducing the burden as part of internal management and control systems. The principle is applied in accordance with the relevant EU rules in the internal financial controls carried out by the national authorities, e.g. as part of the cooperation between the certifying body and the internal audit service in the agriculture sector. Only these bodies can say whether they consider the single audit to be an effective tool. <i>There are reservations about using this model for external financial controls.</i> As others have found, the institution concerned must be convinced that the control level it is building on has functioned 'properly'. There is some doubt whether this complies with the requirement in the Constitution and the TFEU for external audit authorities to be independent. The Federal Court of Auditors in Germany does not have any 'preceding' levels whose results it can use as a basis. It cannot, therefore, assess this idea on the basis of its own experience.</p>	<p>The Federal Court of Auditors uses its own discretion in carrying out checks on the legality and regularity of transactions. It has not laid down any materiality threshold(s) for the assessment of its audit findings.</p>	<p>The Federal Court of Auditors does not know if or at what level the courts of auditors in the Länder have decided to apply materiality thresholds within their remit.</p>	<p>YES. As with all other reports from the Commission and the European Court of Auditors, the Federal Court of Auditors has analysed these reports and used them in carrying out its work. As well as being useful for audit purposes, the data in the reports also found their way into the Federal Court of Auditor's first EU Report, following a bilateral discussion with the Commission.</p>	<p>YES. Germany sent the Commission three lists of proposals to simplify the relevant EU rules in spring 2010. These included, for example, harmonising certain rules between the EAFRD and the Structural Funds and simplifying rules on the calculation of sanctions, as well as those on the charging of interest on recoveries. The Länder introduce simplifications in national implementation, as they are responsible in Germany for implementing the rural development programmes.</p>	<p>Preliminary comment: while some aid is managed at the federal level in Germany, most of it is managed by the Länder. Given the differences between authorities, it is not possible to give uniform answers to the questions that follow. The situation varies in particular from one Land to another. The replies with a cross do not therefore apply to the whole of federal territory, only to some regional authorities.</p> <p>YES/NO (c) any other reasons: - National eligibility rules. - Specification of EU rules.</p>	<p>YES. (c) Should clearer guidelines be provided to Member States by the Commission? - 'Clearer guidelines' is understood as meaning guidelines containing unambiguous wording. NO. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries?(d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions: - Clear and consistent legal provisions. - Regulations should be explained at the beginning of the programming period to ensure correct interpretation. - Structured and generally available information (audit findings and data from other MS) kept centrally by the Commission. - Simplification of procurement rules. - More intensive training at national level using practical examples.</p>	<p>YES/NO (d) additional staff resources at national level - No uniform response possible for all regional authorities (see also preliminary comment to question (3)). NO. (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries e) revised internal guidelines for managing verifications - Where appropriate, enable regular verification of the guidelines and, in particular, simplification. (f) any other reasons: - Simplification of procurement rules. - More intensive training at national level.</p>	<p>YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? - 'Clearer guidelines' is understood as meaning guidelines containing unambiguous wording. NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? - This task is already carried out by the audit authorities. (d) any other suggestion: - Introduce a 'deminimis rule' for minor errors as part of the obligation to exercise discretion in foregoing adjustments relating to the past. - As financial corrections are not the appropriate way of avoiding errors and reducing error rates, improved targeted training on EU topics should be offered.</p>
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Greece	No answer provided	The sectoral regulations set the materiality threshold for errors at 2% and that threshold is used by the national audit authorities in Greece when auditing co-financed programmes.	No answer provided	<p>YES. In an endeavour to simplify procedures using the single farm declaration, in addition to it being mandatory to submit payment applications for agricultural policy measures, as much information as possible relating to those measures is also obtained and cross checks are carried out in parallel to verify that information, in order to reduce administrative costs.</p>	<p>The eligibility rules laid down in the Cohesion regulations used to achieve Cohesion policy have been incorporated as they stand into the national eligibility rules. From that perspective, the national eligibility rules cannot be considered stricter than the Community rules, but they may be more detailed, which is something necessary for them to be properly understood by the parties involved. It must also be noted that the majority of these detailed national eligibility rules were formulated by taking into account not just the national context but also experience from the eligibility rules which had been formulated at Community level in the 2000-2006 period so as to ensure continuity, and to ensure jointly comprehensible eligibility rules acceptable to the European auditing authorities.</p> <p>YES. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes?</p>	<p>YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission?</p>	<p>The regulatory framework relating to managing authority verifications is strict, but is not very detailed. General phrases such as '... the managing authority is responsible for ensuring the legitimacy and regularity of the expenditure for co-financed operations during the entire time they are being implemented' lead the national authorities to adopt rules and management procedures which seek not to verify expenditure but to fully audit it, which is something for the beneficiaries to do. A result of this is that managing authorities shoulder the burden of an immense volume of management work, which is frequently similar to the task of implementation, and they focus more on auditing expenditure and less on the achievement of programme results. Some typical examples include:</p> <ul style="list-style-type: none"> - the need to audit public contracts concluded in the context of co-financed projects before individual expenditures are examined; - the requirement for 	<p>YES. a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected?</p>
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							<p>administrative verification of all expenditure declared in grant-related operations, which, depending on the nature of the projects, may lead to an immense administrative burden and to a reduced ability to declare expenditure incurred to the European Commission and a reduced ability to absorb programme resources;</p> <p>- the lack of guidelines at European level about alternative verification methods which are better adapted to the special features of each project, based on acceptable sampling methods.</p> <p>In light of this, certain important aspects for effective verifications carried out by managing authorities are that the European Commission provide more guidance, that beneficiaries assume their own responsibilities, and that more precise and better guidance is provided to managing authorities about the eligibility of expenditure and how verifications are to be managed.</p> <p>YES. (a) more precise eligibility rules at EU and national</p>	
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Hungary	YES	2%	NO	YES	NO	YES. (a) Eligibility rules at the EU level were not specific enough for the needs of the programmes. NO. (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission?	YES. (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications NO. (b) less rigid eligibility rules at EU and national level (f) any other reasons: steps towards stability instead of cyclical change in the legal environment.	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?
Ireland	YES. The Comptroller and Auditor General audits in accordance with International Standards on Auditing (ISAs). Where it is appropriate to do so, and in accordance with the ISAs, the Comptroller and Auditor General can seek to rely on the work of other auditors.	The materiality threshold most frequently used is 1%.	YES. Variations can occur as materiality levels are assessed for each individual audit.	It would be useful if the reports were received at an earlier date. Audit work on central government departments is substantially completed in the first six months of the year as the C&AG's annual report is published in September	NO. This is an ongoing issue and Ireland has made a number of proposals to the Commission in this regard.	NO. No eligible errors were attributed to stricter National Rules	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission?	YES. (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries NO. (a) more precise eligibility rules at EU and national level (d) additional staff resources at national level e) revised internal guidelines for managing verifications	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?

Italy	<p>YES. The Court has not taken decisions on this matter. However, please note that under the provisions governing auditing of the Court of Auditors, the latter "may" make use of internal audit reports.</p>	<p>The Italian Court of Auditors has adopted the MUS method for the purposes of the DAS, with the same materiality threshold as that required for the European Union.</p>	<p>No answer provided</p>	<p>No answer provided</p>	<p>YES. <i>In the area of rural development simplification initiatives have been introduced</i> to facilitate access to credit through the Programme Agreements between the Ministry of Agricultural, Food and Forestry Policies (MIPAAF), the Institute for Studies, Research and Information on the Agricultural Market (ISMEA) and the Regions to facilitate access to credit for the 2007-2013 rural development programmes. Article 50 of Regulation (EC) No 1974/2006 provides that, as part of a rural development programme, the EAFRD may co-finance expenditure in respect of an operation comprising contributions to, among other things, guarantee funds. During the State-Regions Conference (CRS) held on 12 July 2007, act 148/CRS was adopted, approving an outline programme agreement on measures to promote access to credit through the issue by ISMEA of guarantees, co-guarantees and counter-guarantees under the 2007-2013 Rural Development Programme. The Programme Agreement was concluded between the MIPAAF, ISMEA and some regional administrations which asked to participate. It was drawn up in accordance with the outline programme agreement approved by the State-Regions Conference and allows the Italian regional administrations which signed it to make use of the ISMEA Guarantee Fund without</p>	<p>NO</p>	<p>YES (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions: The training and guidelines must come from DG Internal Market</p>	<p>NO (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications (f) any other reasons: More subsidiarity regarding first-level controls, which should be transferred to the national systems in view of reinforcement of second-level controls and the activities relating to the issue of a compliance opinion on the management and control systems.</p>	<p>YES. (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO a) more training by the Commission for national/regional authorities on control issues and correction of errors detected c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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				<p>having to pay ISMEA anything. Moreover, since the measure should be considered free of remuneration or economic content, signing up to it does not entail any charge to the MIPAAF.</p> <p><i>Another initiative concerns the application of the rules on penalties.</i></p> <p>The rules on penalties in rural development are governed by Law No 898 of 23 December 1986, which converts into law Decree-Law No 701 of 27 October 1986 on urgent measures concerning controls on Community assistance for the production of olive oil and administrative and criminal penalties relating to Community agricultural assistance, as amended. It was amended by Law No 96 of 4 June 2010 laying down provisions concerning the fulfilment of obligations deriving from Italy's membership of the European Communities – 2009 Community Affairs Law (Gazzetta Ufficiale No 146 of 25 June 2010 - Ordinary Supplement No 138).</p> <p>The amendments in the 2009 Community Affairs Law (to Articles 2(1) and 3(1)) entered into force on expiry of the 15-day vacatio legis following its publication in the Gazzetta Ufficiale, i.e. on 10 July 2010.</p> <p>As regards rural development, we refer you to the following Article of the 2009 Community Affairs Law: "Article 14: Provisions on</p>				
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					<p>penalties for infringements relating to Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)."</p> <p>The AGEA coordinating body has alerted the Italian and European Courts of Auditors to certain problems and the need for simplifications.</p> <p>For example:</p> <p>1 - the need for greater stability in EU provisions and working papers;</p> <p>2 - the need for the EU provisions to better define the rules applicable to and responsibilities of the managing authorities and paying agencies, particularly as regards the coordination of their respective tasks.</p>				
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Latvia	<p>YES. Pursuant to the Latvian Law on the State Audit Office, audits are carried out in accordance with international audit standards. The State Audit Office generally supports an approach whereby the single audit principle is deemed an efficient tool for managing EU funds, as it could enhance the quality of audit activities without undermining the independence of the audit bodies concerned.</p>	<p>The State Audit Office applies two materiality thresholds: one at 0.5% of total expenditure when auditing a financial statement in which four or more financial statements are consolidated, and another at 2% for audits of all other financial statements.</p>	<p>YES</p>	<p>YES. The State Audit Office uses the reports in its audits, including for risk assessment.</p>	<p>YES. Following approval of Latvia's Rural Development Programme for 2007-13 (LAP) on 15 February 2008, national legislation to implement the LAP was drawn up and approved and project applications were accepted for 18 measures under the LAP for the period from 2007 to 2010. To reduce the administrative burden on project applicants, substantive adjustments have been made to general legislation and legislation governing the implementation of particular measures, including legislation laying down procedures for managing the European Agricultural Guarantee Fund, the European Agricultural Fund for Rural Development and the European Fisheries Fund and granting EU aid for rural and fisheries development by means of public tenders and compensation payments. To simplify the terms for receiving aid, the need also arose to change the structure of legislation currently in force, which up until now had been fairly fragmented. Once the provisions of the legislation had been evaluated, a decision was taken to consolidate all of the provisions relating to aid applicants and laying down detailed conditions for the receipt of aid through the adoption of a Cabinet Regulation laying down the procedures for granting State and EU aid for rural and fisheries development. The most important change is that,</p>	<p>NO. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?</p>	<p>YES (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission?</p>	<p>No answer provided for a), b), c), d),e) (f) any other reasons: Various provisions relating to the management of EU funds have been simplified, and the authorities involved in managing the funds have been provided with more explanatory material, so as to limit discrepancies.</p>	<p>YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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				<p>from now on beneficiaries no longer have to conclude a contract with the Rural Support Service (LAD), as project implementation can begin as soon as the relevant application is submitted to the LAD, with the full financial risk being borne an without waiting for a decision to be taken on whether the project application has been approved or rejected. In this way aid applicants have been given complete discretionary powers, and any obstacles preventing aid applicants from carrying out activities under the project within more acceptable and optimal time-frames have been removed. To reduce the amount of time needed to examine projects, changes have been made to the project assessment system by defining basic eligibility criteria, which are evaluated rapidly. Once eligibility against these criteria has been determined, the projects can be further refined and implemented. To intensify the acquisition of the resources available for implementing measures, the Regulation also gave aid applicants (excluding parafiscal bodies, public companies, local authorities, associations or foundations) the option of obtaining an advance for implementing activities under the project of no more than 20% of the total amount of State and EU funding</p>				
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					granted for the project, if the applicant submits a request for an advance to the LAD and an irrevocable bank guarantee guaranteeing that financial obligations are fulfilled equivalent to 100% of the amount of the advance.				
Lithuania	YES	The materiality thresholds applied to the financial audit vary from 0.5% to 2% depending on the circumstances.	YES - see previous column	NO. However, the National Audit Office, in its capacity as audit authority for EU structural assistance for 2007-13 (Council Regulation (EC) No 1083/2006 of 11 July 2006), uses the results of both ECA and European Commission audits for risk assessment, but, in this case, the National Audit Office is performing a function that is not characteristic of the Supreme Audit Institution.	YES. In order to simplify the administrative and award procedure for support under the 2007-13 Lithuanian Rural Development Programme, amendments were made to general legislation, e.g. the Rules for the administration of the programme, the Rules for the procurement of goods, services or work, and the Procedure for establishing economic viability. Substantial amendments to the Rules for the administration of the programme simplified the preparation of the application, clarified the conditions for granting aid and provided for more rapid evaluation of applications. In the Order on the economic viability of projects, some indicators were withdrawn, the admissible values were increased for others and the period of time for evaluating the economic viability indicators was reduced. An amendment to the Rules for the procurement of goods, services or work increased the procurement values used to determine the procurement method. A more attractive procedure for granting support was drawn up for those applying for smaller aid amounts (up to LTL 150 000): the application form was	NO (c) any other reasons: The rules for the eligibility of expenditure for EU funding as laid down at EU level by EU regulations define the expenditure not eligible for EU funding and contain only fairly general provisions regarding expenditure for which EU funds may be allocated. Consequently, and in order to provide applicants and project managers with the clearest possible eligibility requirements for expenditure on projects co-financed by EU funds and to establish the clearest possible project administration procedure, the expenditure eligibility requirements laid down in the EU regulations are explained in greater detail in the Lithuanian legislation. However, they are not stricter than the requirements set by the EU regulations.	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? NO (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions: In our opinion, the EU and national legislation on public procurements should lay down clearer procedures for conducting public procurements, particularly as regards applying the principles of transparency and equal treatment and other principles of public procurement and organising public procurement procedures. It should be noted that a significant number of the observations	YES. (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications NO. (b) less rigid eligibility rules at EU and national level	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (d) any other suggestion The Guidelines for determining financial corrections to be made to expenditure co-financed by the Structural Funds or the Cohesion Fund for non-compliance with the Rules on public procurement were provided hurriedly, were not comprehensive and needed to be discussed in more than one meeting with Member States. Although the final version of the Guidelines was available in November 2007, it was recommended to follow them retroactively when determining the size of the financial corrections for the 2000-06 financing period. For the financial management and control procedures to be implemented effectively, the European Commission should draw up the relevant

					<p>simplified and the business plan incorporated into it, the applicant does not need to sign a grant agreement (and becomes an aid beneficiary as soon as the decision to grant support has been adopted), the Implementing Rules governing the granting of aid were reduced in length and the time limits for implementation were shortened.</p>		<p>regarding possible incorrect implementation of public procurement procedures related to questions raised by ECA and Commission auditors about the compatibility of national public procurement legislation with the EU provisions, even though the national legislation is harmonised with the EU legislation. We are of the opinion that every auditor from the Commission, the ECA and the audit authority should assess identical situations relating to the implementation of public procurements in the same way, as it is fairly common for what is regarded by one auditor as a minor and easily rectified observation to be treated by another auditor during another audit as a major infringement requiring financial corrections. Evaluation of observations made during audits by the European Commission, the ECA and the audit authority should be more uniform. Guidelines for the application of financial corrections for irregularities</p>	<p>guidelines in time and submit them to the Member States in advance for agreement. The Member States should be given sufficient time to submit comments on the guidelines and should be given the opportunity to apply high-quality and comprehensive guidelines.</p>
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							identified in public procurement procedures should also be drafted as clearly as possible and, furthermore, should be drawn up in time and not, as is often the case, halfway through the programming period.		
Luxembourg	No answer provided	No answer provided	No answer provided	No answer provided	YES. En vu de la simplification administrative, le Ministère de l'Agriculture a décidé de retirer du cofinancement européen par l'intermédiaire du FEADER les mesures d'aides forestières prévues dans la version initiale du Plan de Développement Rural 2007-2013. Les procédures administratives et de contrôle prévues par la réglementation européenne ne permettent pas de garantir une relation justifiable entre les montants d'aides engagés et les frais administratifs et de contrôle. Une analyse semblable sera projetée sur d'autres mesures d'aides du PDR luxembourgeois.	YES (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (b) eligibility rules at the EU level could not be properly understood by the beneficiaries? (FSE) NO (FEDER)	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (FSE + FEDER) (d) Should more guidelines be provided to Member States by the Commission? (FEDER) NO. (d) Should more guidelines be provided to Member States by the Commission? (FSE)	YES. (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (FSE + FEDER) (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications (FSE) NO (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications (FEDER)	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? (FSE + FEDER) NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (FSE + FEDER)
Malta	YES, it agrees, as long as this principle applies to internal controls only (including internal auditing) and not to the Supreme Audit Institutions (SAI), which should not be considered as part of the internal controls of the country concerned, and even less of the European Union. The SAI should	When planning the audit for the year, the activities chosen for audit are those considered to be of a material nature (as regards the amount, or as an activity of a national	NO	NO. Although a reference is made to the detailed reports regarding payments of the European Union made in the country, this reference is actually made in order to make it clear whether any of the sectors can	YES. The Paying Agency together with the Managing Authority of the European Agricultural Fund for Rural Development (EAFRD) have set up a discussion group to follow the submitted proposals as well as to evaluate the impact of what is being proposed by the Member States as well as by the Commission in this regard.	YES. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member	YES. (c) more guidance to beneficiaries (d) additional staff resources at national level NO. (a) more precise eligibility rules at EU and national level In Malta's case, there are rather clear rules on a national basis, which were approved	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the

	<p>be left to decide for itself what it should audit, both funds which are strictly public, as well as funds from the European Union. Naturally, the SAI may decide to rely on internal auditing or other auditing which might have been carried out already. However, this should be done at its discretion.</p>	<p>nature). During the auditing, however, all the deficiencies identified are reported (except for those of a trivial nature). However, the Opinion of the Annual Audit Report on Public Funds, including funds from the European Union, which have been audited, is one general opinion of the SAI on all the audited accounts.</p>		<p>be included in subsequent years. However, since the reports are submitted in June, they are not considered as a source in the audit planning for the year in which they are submitted.</p>			<p>States by the Commission? (d) Should more guidelines be provided to Member States by the Commission?</p>	<p>by the European Commission itself in 2008 when it approved the 'Description of Management and Control Systems' (Annex XII) and which are revised from time to time. Therefore we feel that we have nothing to add to this. The EU may issue more guidelines on those elements which it found as the most problematic during its audit. On the other hand, however, more precise rules might compromise the element of flexibility and simplification which are necessary in the management of the Funds. <i>(b) less rigid eligibility rules at EU and national level</i> Malta introduced its eligibility rules because of changes in the Funds regulations that now stipulate that the eligibility rules are at the State's discretion, even though the European Union provided a minimum threshold of eligibility in Regulations (EC) 1080/2006, 1081/2006 and 1084/2006. As mentioned in question 3, Malta introduced stricter rules than the minimum ones of the European Union. It</p>	<p>Commission on the follow-up of audit findings by the national/regional authorities?</p>
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								<p>would therefore be contradictory for Malta to reply “yes” to this question having itself introduced stricter rules.</p> <p>Furthermore, to reply to the main question in this section, the relaxation of the eligibility rules does not guarantee “effective verifications by management authorities”, indeed quite the contrary.</p> <p><i>e) revised internal guidelines for managing verifications</i></p> <p>The effectiveness of the verifications depends on the competence of the Management Authority and the Intermediate Bodies. The existence of eligibility rules and their quality are important, however these do not make much sense if whoever controls the Funds is not conversant with all the rules that regulate the Funds. Therefore the argument must be emphasised that it is the level of quality of the organisation that makes verifications effective, and not more rigid rules.</p>	
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Netherlands	YES	<p>Materiality threshold Dutch Court of Audit (national resources) The Dutch Court of Audit records its findings on the financial information in the reports in the annual report (exceptions to the assessment are accurately described and are regular) if these fixed tolerance limits are exceeded. To ascertain whether or not errors and uncertainties concerning the description and regularity exceed the tolerance limits, the audit must be carried out with a certain degree of accuracy and precision. We distinguish between quantitative and qualitative tolerance limits. Quantitative tolerance limits are of the utmost importance for accuracy. The tolerance limit applied for annual reports is 1% for errors and 3% for uncertainties. At an underlying level, as a consequence of the 'tolerance experiment', these tolerance limits (the reporting tolerances) for 2007 to 2010 have been set (more broadly) as follows. On the whole, the regularity requirements have not diminished.</p> <p>a. For the commitments and the amount of expenditure and receipts per budget article: For the small size category of up to €150 million: 10%, with all errors and uncertainties aggregated; For the medium size category between €150 million and €500 million: €15 million, with all errors and uncertainties aggregated; For the size category greater than €500 million: 3%, with all errors and uncertainties aggregated;</p> <p>b. For total commitments and total expenditure, total receipts and total</p>	<p>YES. The Dutch Court of Audit has been using the payment summary for several years for its EU Trend Report activities; an annual summary of developments in the financial management of EU funds. The summary constitutes a benchmark for the Dutch Court of Audit to determine the trends in EU funds actually received. Furthermore, it is used as the basis for investigations into the final beneficiaries of EU funds, examining the extent to which it can be seen who receives funds for which activities and whether this meets the European Commission's recommendations in terms of transparency. In the 2011 EU Trend Report, the Dutch Court of Audit will for the first time also look at the content of a number of concrete projects.</p>	<p>YES. There is a periodic consultation between the directors of EU payment agencies within the Member States. The Netherlands has also joined the European Commission's 'Smart Regulation' initiative, which prepares shared proposals for the simplification of the execution of rural programmes.</p>	<p>NO. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (b) eligibility rules at the EU level could not be properly understood by the beneficiaries? But there are additional arrangements at national level (see the reasons for this below). The eligibility rules are drawn up at a high level and therefore often open to a large number of interpretations. These eligibility rules are given shape by national eligibility rules covering for example, the eligibility of wage costs, costs for own labour and the detail required for the financial justification of eligible costs by beneficiaries. In this respect, more harmonised, uniform and unambiguous rules would be desirable.</p>	<p>YES. (c) Should clearer guidelines be provided to Member States by the Commission? NO. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? No answer provided (d) Should more guidelines be provided to Member States by the Commission?(e) any other suggestions: It is very important that legislation be clear and precise for it to be executed correctly. The desired clarity should also apply when establishing harmonised, unambiguous and uniform EU rules for all Member States (unity of terms and notions used, see also reply 3c). Unambiguous harmonised subsidy rules forestall unnecessary national interpretations. One important measure to take is to clarify and simplify the completion of tenders under the thresholds set by the EU, for example by raising these thresholds.</p>	<p>YES. (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications (f) any other reasons: The ECA Report covers 2009. This will usually be the first year in which implementation of the operational programmes has actually started, which meant in some cases that systems still had to be regulated. This has been improved in the meantime and is now compliant with EU standards.</p>	<p>YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (d) any other suggestion: Clearer guidelines would help, but in this area it would also be useful to have clearer rules. On the other hand, here too the stability and continuity of mechanisms (and rules on how to apply these mechanisms) enable the Member States to get used to how the system works, with fewer errors as a welcome result. In brief, it is important to simplify existing rules, whilst not losing sight of the stability and continuity of mechanisms.</p>
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		<p>income received by the departmental agencies from third parties in the statement of accounts and the aggregate statement of accounts of the departmental agencies:</p> <p>For the small size category of up to €150 million: 10% for errors and 10% for uncertainties;</p> <p>For the medium size category between €150 million and €500 million: €15 million for errors and €15 million for uncertainties;</p> <p>For the large size category between €500 million and €1 500 million: €15 million for errors and 3% for uncertainties;</p> <p>For the very large size category greater than €1 500 million: 1% for errors and 3% for uncertainties.</p> <p>c. For ledger balance totals:</p> <p>For the small size category of up to €150 million: 10% for errors and 10% for uncertainties;</p> <p>For the medium size category between €150 million and €500 million: €15 million for errors and €15 million for uncertainties;</p> <p>For the large size category between €500 million and €1 500 million: €15 million for errors and 3% for uncertainties;</p> <p>For the very large size category greater than €1 500 million: 1% for errors and 3% for uncertainties;</p> <p>d. For the total receipts of departmental agencies:</p> <p>For the small size category of up to €150 million: 10% for errors and 10% for uncertainties;</p> <p>For the medium size category between €150 million and €500 million: €15 million for errors and €15 million for uncertainties;</p> <p>For the large size category between €500 million and €1 500 million: €15 million for errors and 3% for uncertainties;</p> <p>For the very large size category greater than €1 500 million: 1% for</p>						
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		<p>errors and 3% for uncertainties; Qualitative tolerance limits In addition to the quantitative tolerance limits we also apply qualitative ones. Findings can be reported if qualitative tolerance limits are exceeded even where the quantitative ones are not. For example, qualitative tolerance limits are exceeded in the following cases: Errors or uncertainties where Ministers or the Senior Civil Service are involved; A Minister did not fulfil an undertaking to the States General or the Dutch Court of Audit; A deliberate error; Amounts unduly withheld from the budgetary administration or statement of accounts. Parts of the annual report not drawn up in compliance with the reporting requirements.</p>						
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<p>Poland</p>	<p>The concept of a single audit model concerns the internal audit of EU funds. As the highest state audit body in Poland, i.e. internal audit, the Supreme Chamber of Control is not a part of this system and as such the single audit model concept does not incorporate the Supreme Chamber's activities. While agreeing in principle that the internal audit system for EU funds needs to operate more effectively, the Supreme Chamber of Control points out that an audit model based on the findings of other auditors should take account of the need to carry out periodic checks on the quality of their work.</p> <p>Opinion No 2/2004 of the Court of Auditors on the single audit model indicates that this concept concerns internal audits. The Supreme Chamber of Control is the highest state audit body and performs external audits; as such, it does not form part of the internal audit system. The Supreme Chamber of Control's operating rules are based on national</p>	<p>When carrying out checks on state budget implementation, all departments apply a 1.5% materiality threshold for the purpose of auditing the accounts.</p>	<p>No answer provided</p>	<p>YES. During internal discussions in individual audit departments and Supreme Chamber of Control offices (referred to below as NIK departments), the following comments were made:</p> <p>1. Some NIK departments take the view that lists of EU payments can be used to prepare checks on state budget implementation, e.g. for risk analysis and the selection of the themes or subjects of checks.</p> <p>2. The deadline by which the Commission has to forward the list creates difficulties, e.g. the last list arrived on 5 August. In view of the holiday period and the need to translate the explanatory memorandum into Polish, this means in practice that the NIK departments received the list in the second half of August. Proposals for themes for the 2011 audit plan were made beforehand.</p>	<p>NO</p>	<p>YES</p> <p>The reasons why stricter eligibility rules for expenditure were introduced were as follows:</p> <ul style="list-style-type: none"> - the need to adapt general provisions of Community law to the specific characteristics of the Operating Programme (in view of the generic nature of Community provisions in most cases they could not be applied directly to individual OP activities. It was therefore necessary to make them more specific so that they were not misinterpreted by the beneficiary. Because of the specific nature of individual actions, the Managing Authorities did not always allow all the options provided for by Community law in individual areas to be taken up. - the need to comply with the state aid rules; - the need to implement the instructions given by the EC after each audit (as regards compliance with the rules of sound financial management, public procurement and flat rate payments, in particular of overheads). <p>The rules governing eligibility of expenditure were incorporated into horizontal and programme guidelines drawn up at national level. Beneficiaries implementing projects co financed with EU funds are required to comply with these guidelines.</p> <p>(a) eligibility rules at the EU level were not specific enough for the needs of the programmes?</p> <p>(b) eligibility rules at the EU level could not be properly understood by the beneficiaries?</p>	<p>The public procurement rules (both at Community and – consequently – national level) require the bodies awarding contracts to apply excessively complicated procedures which often require specialist knowledge. Such a complicated system appears to entail a significant number of purely formal errors which do not fundamentally determine whether the right contractor or supplier is selected. However, these errors are detected by the bodies which check the correct implementation of public procurement procedures and, consequently, are reflected in the number of errors detected in the course of implementing cohesion policy.</p>	<p>YES (a) more precise eligibility rules at EU and national level (d) additional staff resources at national level</p> <p>NO (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries e) revised internal guidelines for managing verifications</p>	<p>YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected?</p> <p>NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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	<p>law, International Standards of SAIs and the Chamber's own auditing standards.</p> <p>In the view of the Supreme Chamber of Control, taking account of the following rules based on these standards:</p> <ul style="list-style-type: none"> • As the external auditor, the SAI has the task of examining the effectiveness of internal audit. <p>If internal audit is judged to be effective, efforts shall be made, without prejudice to the right of the SAI to carry out an overall audit, to achieve the most appropriate division or assignment of tasks and cooperation between the SAI and internal audit. (Lima Declaration of Guidelines on Auditing Precepts, ISSAI 1, part 3, point 3)</p> <ul style="list-style-type: none"> • When the SAI uses the work of another auditor(s), it must apply adequate procedures to provide assurance that the other auditor(s) has exercised due care and complied with relevant auditing standards, and may review the work of the other auditor(s) to satisfy itself as to the quality of that work. (INTOSAI, 			<p>3. If the list of EU payments in Poland were to be transmitted before end March each year it would facilitate diversification of the information obtained in the course of checks on state budget implementation (e.g. it would make it possible to compare data on payment applications with the information provided by the Commission). Checks on state budget implementation are carried out by the Supreme Chamber of Control from January to May each year. At present these lists are accessible just after the checks have been completed.</p> <p>4. The lists concern relations between the Managing Authority and the Commission, but the Supreme Chamber's checks tend to focus on relations and flows of funds between the Managing Authority and the beneficiary.</p> <p>5. The payments indicated on these lists are presented collectively, whereas the Supreme Chamber's checks often concern payments associated with selected activities (e.g. under regional operating programmes). The information contained in these lists concerning the provincial level is not entirely comprehensible.</p> <p>6. The Supreme</p>			<p>Therefore measures should be taken to amend the criteria adopted by audit institutions for assessing cases so that formal errors are not treated as irregularities (i.e. reducing the list of public procurement irregularities) and to amend legislation with a view to streamlining the formalities implemented by bodies required to carry out public procurement procedures.</p> <p>The redefinition of the current audit approach (which involves checking whether transactions are correct in formal terms) should help to ensure that the emphasis is shifted to checking whether objectives have been achieved (performance audit), which would appear to be more important from the cohesion policy viewpoint.</p> <p>YES (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission?</p> <p>NO (d) Should more guidelines be provided to Member States by the Commission?</p>		
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	<p>ISSAI 200 auditing standards, point 2.45)</p> <ul style="list-style-type: none"> • The Supreme Chamber of Control issues its audit reports in its own name and on its own liability. If a Supreme Chamber of Control auditor uses the work of another auditor, he must ensure that the work provides fair, relevant and rational evidence which meets the Chamber's requirements. <p>(Supreme Chamber of Control auditing standards, standard 13.1) and the requirements of the International Standard on Auditing (ISA 600 Using the work of another auditor, MSRF 610 Using the work of internal auditors and ISA 330 The Auditor's Responses to Assessed Risks, paragraph 41), it should be concluded that:</p> <p>1) any findings concerning an audit model for EU funds should not restrict the remit and obligations of supreme audit institutions under national law and international standards or the freedom of supreme audit institutions to</p>			<p>Chamber is interested in receiving information from the Commission that the national payment application contained expenditure that was disputed by the European Commission and was not refunded within the framework of the payment made to Poland.</p>					
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	<p>determine the scope of the audit work carried out as part of their remit;</p> <p>2) the single audit model concept should be interpreted as referring purely to internal audit systems (in most cases, Supreme Audit Institutions, including the Supreme Chamber of Control, do not form part of these systems);</p> <p>3) this model should involve:</p> <p>a. the application of common internal control and audit standards to EU funds;</p> <p>b. appropriate coordination of the operation of internal control and audit structures;</p> <p>organisation of periodic checks on the effectiveness of control mechanisms and verification of the quality of audit work carried out by other auditors whose findings are to be used, applying appropriate control sample methods.</p>								
Portugal	NO	Not applicable	Not applicable	Not applicable	NO. Relevant measures are under way, but will have an impact only in 2011.	YES (a) eligibility rules at the EU level were not specific enough for the needs of the programmes?	YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d)	YES. e) revised internal guidelines for managing verifications NO. (d) additional staff resources at national level	YES. a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected?

							Should more guidelines be provided to Member States by the Commission?		
Romania	YES	The Audit Authority of the Romanian Court of Auditors uses a materiality threshold of 2% in operational audits and clearance of accounts.	NO	YES	No answer provided	YES (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (ACIS + ACP) (b) eligibility rules at the EU level could not be properly understood by the beneficiaries? (ACIS)	YES (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (ACIS + ACP) (c) Should clearer guidelines be provided to Member States by the Commission? (ACP) (d) Should more guidelines be provided to Member States by the Commission? (ACIS)	YES (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries e) revised internal guidelines for managing verifications (ACP) (d) additional staff resources at national level (ACIS + ACP) NO (b) less rigid eligibility rules at EU and national level (ACP)	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (ACIS + ACP + APIA * APDRP) (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? (ACP * APDRP) NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities? (ACP)

<p>Slovakia</p>	<p>YES. The NKÚ supports a system in which checks are carried out, recorded and reported according to a common standard. This standard should ensure that all participants consider it to be reliable, thus eliminating duplicate (and ineffective) checks.</p>	<p>The NKÚ has issued a binding regulation, 'Control Activity Rules', under which have been issued a 'Methodological Guideline for Financial Control' and a 'Methodological Guideline for the Application of Standards'. Under the Methodological Guideline for Financial Control, the materiality value expresses the threshold of tolerable error. For the public sector the materiality value is set between 5 % and 2 % of the value that adequately reflects the degree of financial activity. For commercial organisations it is from 5 to 10 % of net profit before tax; 0.5 % to 5 % of gross profit; 0.5 % to 1 % of total assets; 0.5 % to 5 % of equity; 0.5 % to 1 % of earnings; weighted average of the preceding points; 0.5 % to 2 % of expenditure (costs); the lower value of the range is applied in sensitive parts of accounts. For non-profit organisations, 0.5 % to 2 % of expenditure (costs).</p>	<p>NO. There are no variations.</p>	<p>YES. These reports on payments are considered and taken into account in the preparation of every control.</p>	<p>YES. In calls for 2009 the Ministry of Agriculture (now the Ministry of Agriculture and Rural Development) used a two-stage procedure for submission of claims for non-returnable financial assistance (building permission and documents related to public procurement were submitted after approval of the claim in the second stage of the call).</p>	<p>The eligibility conditions established by EU legislation were not made stricter at national level. The expenditure eligibility conditions are made stricter by individual managing authorities (e.g. restriction of eligibility of unavoidable expenditure arising in connection with the preparation of a project, i.e. project documentation and public procurement procedure expenses, etc.). YES. (b) eligibility rules at the EU level could not be properly understood by the beneficiaries? NO. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes?</p>	<p>YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? NO. (d) Should more guidelines be provided to Member States by the Commission?</p>	<p>YES. (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level NO. (b) less rigid eligibility rules at EU and national level e) revised internal guidelines for managing verifications</p>	<p>YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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<p>Slovenia</p>	<p>NO. The single audit model is not practicable for the Court of Audit of the Republic of Slovenia in view of its powers concerning planning, implementation and reporting methods. If the Court of Audit were to start implementing the single audit model, this would considerably increase its workload and thus raise the question of where to find the resources for this increase.</p>	<p>The materiality threshold is between 0.5% and 2%.</p>	<p>YES. The materiality threshold depends on the amount of audit resources, i.e. if these resources are very limited, the materiality threshold is higher (up to 2%).</p>	<p>YES</p>	<p>YES. Implementation of the rural development measures under Axis 2 is covered by the complicated reporting system in Article 34 of Regulation No 1975/2006. We consider that this reporting system is not always adapted to the system implemented in the Member States and, with a single application for IACS schemes (EAGF and EAFRD), the individual data relating to the control findings can be interpreted differently. In 2010 Slovenia upgraded the system of action following analysis of the data from Article 34 of Regulation No 1975/2006. In line with the changes</p>	<p>YES (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? NO (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?</p>	<p>YES (a) more training for national/regional authority staff by the Commission? (d) Should more guidelines be provided to Member States by the Commission? NO (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission?</p>	<p>YES (c) more guidance to beneficiaries NO (a) more precise eligibility rules at EU and national level (b) less rigid eligibility rules at EU and national level (d) additional staff resources at national level (e) revised internal guidelines for managing verifications (f) any other reasons: Additional training on the part of the EU for managing authority staff.</p>	<p>YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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					<p>in the Ministry's instructions for the implementation of RDP 2007-2013 in Slovenia in 2010, the paying agency must send an annual analysis of control findings (i.e. a report on infringements discovered during the control) to the Managing Authority. After analysis of the control findings the main beneficiaries of the measures acquaint the Managing Authority with the findings that may throw light on the problem and suggest solutions. The Managing Authority adopts appropriate measures to resolve the problems. In 2010 Slovenia joined in the upgrading of the (over-strict) system of infringements and sanctions, with the result that possible infringements are defined more clearly, while sanctions are more effective, dissuasive and in proportion to the gravity of the infringements. In</p>				
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					<p>this way the system of infringements and sanctions has become clearer and more comprehensible, especially for beneficiaries. It is expected that Slovenia will start to use this system of infringements and sanctions in 2011.</p> <p>Slovenia is actively cooperating with the team of experts appointed by the Commission to prepare the basis for the simplification of legislation in the CAP sector (RDP 2007-2013). In our statements of position we draw attention to the importance of the stability of the system since any major change will involve additional costs relating to the upgrading of the software application and farmer training. However, there is definitely a need for the simplification of cross compliance controls, in particular in the case of the sanctioning system (especially for</p>				
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					<p>livestock). The implementation of cross compliance controls represents an administrative burden for Member States, in particular because the control findings in other fields are not taken into account (certified schemes DG Sanco – identification and registration of livestock and animal-welfare standards) when determining whether the conditions for CAP payments have been met. When making concrete proposals for the simplification of eligibility criteria, we are tied to the expected changes to the CAP after 2013, as the assessment of the effects on CAP after 2013 will also contain an analysis of possible simplifications. The outcome of the discussions and proposals will only be seen in the legislative package in the second half of 2011.</p>			
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<p>Spain</p>	<p>YES. The Spanish Court of Auditors recognises the importance of maintaining reliable and effective internal control systems that ensure good management and that provide accurate and sufficient information on transactions conducted and financial accounts. In fact, the first step in any auditing by the Court of Auditors consists of examining and evaluating the internal control system established by the body being audited, and of analysing whether this is functioning as intended in practice, whether it has done so throughout the whole period under inspection and for how many transactions it was designed. The scope, nature and procedures of the audit to be applied by the Court of Auditors are specifically determined as a function of the reliability provided by the internal control system, the substantive checks being intensified and increased in those areas or sections in which the internal control shows greater weaknesses. With regard, in particular, to the</p>	<p>Each Supreme Audit Authority applies the criteria it considers appropriate to be able to conclude the reliability of the accounts and the legality and regularity of the underlying transactions. Rather than establishing set relative materiality thresholds for all audits, the Spanish Court of Auditors establishes the criteria considered appropriate for each audit that is undertaken, and combines these, where appropriate, with other quantitative and qualitative criteria which, in the Institution's opinion, enable greater precision to be obtained when deciding on these points.</p>	<p>YES. When undertaking its audits, the Spanish Court of Auditors may use the results of the audits conducted by other internal or external audit bodies, depending on the area in which its activity is implemented. Consequently, any information you have in this regard is always useful to our Institution.</p>	<p>YES. Application of the European rural development policy (Pillar 2 of the CAP) in Spain is regionalised, in accordance with Article 15 of Regulation 1698/2005. The General Directorate for the Sustainable Development of the Rural Environment, of the Ministry of Environment and Rural and Marine Environments, is the coordinating body of the Managing Authorities for the Regional Rural Development Programmes in Spain, as established by Royal Decree 1113/2007 which, among other things, ensures the harmonised application of Community regulations on rural development. Moreover, in application of said Article 15 of Regulation 1698/2005, there is a National Framework (NF) for Rural Development that contains a series of cross-cutting actions for all regional</p>	<p>YES. (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? (b) eligibility rules at the EU level could not be properly understood by the beneficiaries?</p>	<p>YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions The need to apply national legislation to contracts with a value below the threshold given in Community rules is not always shared by the Commission. In numerous cases, the Commission applies the Directives to contracts that are below the established threshold, justifying this with additional calculations (supplementary contracts) or with the application of Interpretative Notice 2006/C179/02. In these cases, it would be useful to establish clear criteria with regard to the scope of application. On the transposition of Community rules into national legislation, some cases, such as that of contract amendments, are handled by the Commission with strict</p>	<p>YES. (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level e) revised internal guidelines for managing verifications NO. (b) less rigid eligibility rules at EU and national level</p>	<p>YES. a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO. c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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	<p>single audit model, it must be noted that this is a system established by the European Commission and that it affects only the internal auditing of Community funds, the evaluation of which is the responsibility of the Commission, as the body responsible for Community budget management. The European Court of Auditors is the institution to which the Treaty on the Functioning of the European Union allocates external auditing of the Community budget and the issuing of a declaration of reliability of accounts and of the legality and regularity of the underlying transactions. It is thus these Community institutions that are responsible for, and able to examine and pronounce on, the effectiveness of the single audit model and how it operates in practice, both as a formula that enables better management of Community funds and as an instrument that provides more reliable results at other levels of control. The Supreme Audit Authorities (SAIs) of</p>		<p>programmes. Thus, within the NF, and insofar as this relates to axis 2 on improving the environment and land management, there are cross-cutting measures related to agri-environmental measures and desertification mitigation, prevention of forest fires and aid to the forest environment and non-productive investments in the Natura 2000 Network in the forest environment. Moreover, regular coordination meetings are held with the managing authorities for the rural development programmes and work is being conducted to adapt the rural development indicators envisaged in the regulations, to clarify some of the actions initially set and to include others, etc., all with the aim of seeking homogeneity in the application of European rural development programming.</p>		<p>reference to Community regulations, with said cases now in claims proceedings before the Court of Justice and awaiting final judgments. A temporary procedure to ease the corrective actions would be advisable while the dispute lasts, and this would significantly reduce the rate of errors.</p>		
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	<p>the Member States, as national external audit bodies, are not integrated into and do not form a part of this single audit system established with respect to Community funds, regardless of the fact that they may assess, as has been noted, the internal control systems established. The SAIs are independent bodies, subject only to the national code and mandate with regard to their organisation, functioning and exercise of their action, applying their own procedures and provisions in the implementation of their task of auditing the public funds managed by the national authorities, whether they are of directly national or Community origin.</p>				<p>Royal Decree 1852/2009 on the eligibility of EAFRD expenditure has been published in application of Article 71.3 of Regulation 1698/2005. In addition, the General Directorate participates in meetings or fora at European level related to simplifying the CAP.</p>				
Sweden	No answer provided	No answer provided	No answer provided	No answer provided	<p>YES. Simplifying the common agriculture policy, including rural development measures, is a high-priority issue for Sweden. Unfortunately, a single Member State cannot on its own take decisions which would radically simplify aid measures under the rural development</p>	<p>YES. Sweden has more stringent national provisions on procurement. (b) eligibility rules at the EU level could not be properly understood by the beneficiaries? - Beneficiaries in Sweden are generally unfamiliar with the level of detail required under EU rules.</p>	<p>YES. (a) more training for national/regional authority staff by the Commission? (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided to Member States by the Commission? (d) Should more guidelines be provided to Member States by the Commission? (e) any other suggestions</p>	<p>YES. (b) less rigid eligibility rules at EU and national level (c) more guidance to beneficiaries (d) additional staff resources at national level (e) revised internal guidelines for managing verifications NO. (a) more precise eligibility rules at EU and national level</p>	<p>We favour not more specific guidelines, but guidelines that better clarify EU objectives, thereby ensuring they are interpreted consistently in all the Member States. We would propose that managing and audit bodies should receive the same kind of training, so as to achieve a consensus on the areas that are to be checked and how this is to be done. YES a) more training by</p>

					programme. Sweden has therefore put forward a number of proposals for simplification in different contexts, e.g. at meetings between Member States and in the context of discussions with the European Commission. Proposals put forward by Sweden for changes in EU rules within DG AGR's remit include standard costs for aid to undertakings and projects, precision in statements of acreage, a review of demands for more frequent checks, raising the tolerance threshold as regards error frequency in the rural development programme, abolition of the five-year programming period and penalties for unintentional reporting errors.		It is essential that the same training be provided for both managing authorities and audit authorities, to maximise common understanding in this area.		the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control issues and correction of errors detected? NO c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?
UK Scotland (S) Wales (W) Northern Ireland Her Majesty's Revenue Customs	YES. The UK National Audit Office (NAO) agrees with the principle that the external auditor should consider and if appropriate rely on the controls developed by the audited body to	The NAO's planning materiality levels are set to consider the needs of the users of the financial statements which include, but are not limited to, the addressees of the audit opinion as well	YES. <i>Scotland:</i> It makes sense to minimise the disruption as much as possible	YES The reports were one of a range of sources of evidence considered by the NAO during its audit planning	NO	YES. <i>Scotland, Department for Communities and Local Government (DCLG)</i> (a) eligibility rules at the EU level were not specific enough for the needs of the programmes? NO <i>Wales: National rules are not stricter but are provided to give greater clarity and certainty to beneficiaries</i>	DCLG: In general terms we would value training re procurement and clearer guidelines, but not more guidelines. Precise eligibility rules and internal guidelines make for managing authorities'	YES (b) less rigid eligibility rules at EU and national level NO (a) more precise eligibility rules at EU and national level (c) more guidance to beneficiaries	YES a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (b) clearer guidelines from the Commission for national/regional authorities on control

<p>(HMRC) Rural Payment Authority (RPA) Department for Business, Innovation and Skills (BIS) Department for Communities and Local Government (CLG) Department for International Development (DfID)</p>	<p>ensure the legality and regularity of the use of EU funds. The NAO seeks to rely on these controls where it can, based on International Standards on Auditing (particularly the ISA 600 series) and by applying these directly or by analogy to both the measures and legality and regularity of transactions. However, it feels that the current 'single audit model' that the Commission refers to does not take full consideration of the need of the public sector auditor to reach an independent judgement.</p>	<p>as taxpayers more widely. The NAO's auditors will consider some transactions as material by nature or context. For planning purposes materiality is generally set within the range from 0.5% to 1% of gross expenditure, with materiality tending towards 0.5% for the larger accounts. This applies equally to true and fair and legality and regularity opinions. It is the NAO's view that it would not be appropriate to set materiality at a higher level.</p>	<p>but still be able to deliver an extensive audit service to clients</p>				<p>effectiveness re verifications, and we encourage this to avoid time spent seeking legal advice. In terms of whether we need revised guidelines for managing verifications, the move to new delivery bodies provides an opportunity for fine tuning. Re applying corrective mechanisms, their suggestions are fine. However, there is a risk re cross over with OLAF functions, particularly if the Commission increases its supervision re follow up. NO (a) more training for national/regional authority staff by the Commission? (Lessons have already been learnt. There has been a procurement workshop and Chapter 17 of the EPP. User Manual is about procurement. Regional Development Authorities (RDAs) also run their own workshops about procurement with beneficiaries. Finally, there are links between RDAs and Government Offices from previous rounds to enable lessons learnt to be passed on) (b) Should training include national/regional authority staff and beneficiaries? (c) Should clearer guidelines be provided</p>	<p>(DCLG - There is the EPP User Manual which covers about twenty areas, plus guidance which RDAs provide for beneficiaries) (d) additional staff resources at national level (Given the current transition exercise, it is not currently appropriate to give an opinion about staffing) e) revised internal guidelines for managing verifications (The Commission have already significantly strengthened their supervisory role in shared management of the Cohesions funds. Any further increase in their control eats away at Member States' competence.)</p>	<p>issues and correction of errors detected? (Scotland) NO a) more training by the Commission for national/regional authorities on control issues and correction of errors detected (DCLG is currently working with the Commission, Audit and Certifying Authorities to ensure management verifications are carried out sufficiently) c) increased control supervision by the Commission on the follow-up of audit findings by the national/regional authorities?</p>
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