



DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT **D**
BUDGETARY AFFAIRS



Budgets



Budgetary Control





DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT D: BUDGETARY AFFAIRS

Annual summaries in the context of shared management: evaluation, ways forward and possible usefulness for the Court of Auditors

STUDY

Abstract

For funds under shared management, Member States established annual summaries ("of the available audits and declarations") for the first time for the year 2007. The study analyses and evaluates the value-added of the 2007 summaries. It concludes that, given the limited value-added of annual summaries in their current form, notably when compared to other existing reporting documents drawn up by Member States, the annual summaries should be developed further in view to instituting comprehensive national management declarations.

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This document was requested by the European Parliament's Committee on Budgetary Control. It designated Ms Esther de Lange, MEP, to follow the study.

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LIST OF ABBREVIATIONS

AA – Audit Authority
ABB – Activity Based Budgeting
ABM – Activity Based Management
AAR – Annual Activity Report
AS – Annual Summary(ies)
DAS – Déclaration d'Assurance
DB – Designated Body
DG – Directorate-General
EAFRD – European Agriculture Fund for Rural Development
EAGF – European Agricultural Guarantee Fund
EC – European Commission
ECA – European Court of Auditors
EP – European Parliament
ERDF – European Regional Development Fund
ESF – European Social Fund
EU – European Union
EURATOM – European Atomic Energy Community
FIFG – Financial Instrument for Fisheries Guidance
FR – Financial Regulation
IAS – Internal Audit Service
IIA – Interinstitutional Agreement
MA – Managing Authority
MS – Member State(s)
NMD – National Management Declaration
OP – Operational Programme
SAI – Supreme Audit Institution(s)
SOX – Sarbanes Oxley Act
SR – Synthesis Report(s)
VFM – value for money

EXECUTIVE SUMMARY

We have been commissioned by the European Parliament to carry out the Study on Annual Summaries in the context of shared management, with the aim to evaluate the compliance, added value and possible impact of such Annual Summaries on the Member States and other stakeholders at EU level.

In order to reach our conclusions we have analysed crucial existing documents, performed a number of interviews with different stakeholders, taken part in the conference on financial management of EU funds¹, and conducted a survey amongst the designated authorities and the Supreme Audit Institutions in the Member States.

Although the main subject of the study consisted in Annual Summaries as already existing instruments, we believe that their value should be analysed in the broader context of the debate initiated by the European Parliament's Resolution on the discharge for 2003, which in our view shaped the baselines for further discussion. The Resolution recognised existing controls as insufficient and requested an ex ante Disclosure Statement and an annual ex post Declaration of Assurance as regards legality and regularity of transactions from the MS's highest political level and managing authority (Finance Minister).

We also believe that thanks to a series of actions subsequently undertaken, all parties concerned have come closer to responding to the request of the Parliament. In particular, we wish to mention operational level declarations and audit architecture designed for the programming period 2007-2013. Annual Summaries and national management declarations, being individual initiatives of some Member States, are intended to be the main instruments to bring more accountability at the MS level.

We would also like to stress that the scope of the study was limited to only one of two basic links in the accountability chain. We have analysed elements of accountability at MS level, which, although having a great influence, do not cover the whole accountability chain at EU level. The analysis of the bases of assurance presented in Annual Activity Reports by each DG has not been performed. Nevertheless, we have concluded that the currently existing reporting system does not correctly reflect the accountability of MS for the implementation of the substantial part of the EU budget. The main missing elements are:

- a) Political level management representation – the existing reports are produced at the level of designated bodies, the management representation foreseen in the Annual Summaries is voluntary and in practice used rather occasionally;
- b) Audit of management representation by an independent, external auditor, which would ensure the correctness of the report to the addressee.

In this executive summary we summarise the conclusions of our work as required by the specification to our assignment. More in-depth considerations are included in the following chapters of the report.

¹ A seminar "Financial Management of EU funds" was organised by the Dutch Ministry of Finance on 27-28 November 2008 in The Hague.

Process for establishing Annual Summaries

The Commission has supported the process related to the elaboration of Annual Summaries, their content and quality control. After the discussion within the Coordination Committee of the Funds, the Guidance Note for structural funds was issued on 18 December 2007, but some linguistic versions were available later. We believe that this late issuance could have had an impact on the quality and timing of the Annual Summaries.

Most of our respondents agreed that the Guidance Note was clear and understandable. We also find them to be adequate, although there is some potential for improvement (e.g. inclusion of incentives to submit voluntary parts).

In its Guidance Note on structural expenditure, the Commission recommends the Member States to provide an overall analysis “in order to determine the implications at the level of the Member State as a whole, highlighting any systemic deficiencies and summarising the main cross-cutting issues, and indicate any further actions taken as a consequence”. In the same documents, the Commission encourages the MS to determine an overall level of assurance, as well as establishing arrangements for the Annual Summary to be audited by an independent body. The proposed wording for the Overall Assurance clearly addresses the issue of compliance of management and control systems with the regulations of the Community. Only a few Member States followed the Commission’s suggestions. Their authorities not only used the recommended wording, but also included in the overall analysis a reference to systemic deficiencies and main cross-cutting issues. In some other cases the recommended text is altered but can still be regarded as providing reasonable assurance.

According to the Commission², it did take measures to follow up any shortcomings in quality as well as non-respect of the minimum legal requirements (including completeness and accuracy). To the best of our knowledge, the measures taken by the Commission rely predominantly on communications sent to Member States, of which the AS was non-compliant or of weak quality. We also noted that the Commission sent letters to the Member States urging them to submit Annual Summaries and/or listing deficiencies detected in summaries that have already been submitted, as well as requesting necessary revisions. Additionally, an infringement procedure against one Member State has been launched.

We were able to verify the existence of national procedures for the AS elaboration on a very modest sample³. Five out of the ten MS that responded to our questionnaire have established written internal procedures for the process of AS elaboration. We share the opinion of some MS that they are not necessary, due to the existence of other procedures regulating the submission of related data. We also agree that in some respects the EC Guidance Note plays such a role in the procedure.

Value added for stakeholders

After one year of AS application the opinions of the key stakeholders are rather moderate. The European Court of Auditors believes that in the current state “the summaries cannot (...) be regarded as providing a reliable assessment of the functioning of the control systems”. It also expects the Commission to use AS as a tool for identifying and promoting good practices between MS, as well as

² Progress report on the action plan to strengthen the Commission's supervisory role under shared management of structural actions, SEC(2008) 2756.

³ Due to low response rate in our survey.

for examining the link between the compliance of the system and the criteria used for acceptable level of error. The Commission argues that “the results provide a good basis for motivating Member States to present Annual Summaries of generally better quality next year which will make a more significant contribution to the assurance for structural actions”. At the same time it highlights the importance of the existing sectoral regulations in the provision of assurance on the use of EU funds. Furthermore, in the Commission’s view, going beyond “the mere list of information” is not provided for by any legal basis. Most of the MS treat AS as an additional administrative burden, highlighting at the same time the repetitive nature of data included in the summaries.

We share the opinion of most of our interlocutors that the value of AS for 2007 was indeed limited. The value of the mandatory requirements for AS is three-fold: consolidation of data at MS level, initiation of technical process and initiation of discussion over possible move forward to management representation⁴ statements.

Also according to the ECA, the first Annual Summaries for 2007 were not considered to be a reliable assessment of the functioning of the control system, mainly due to the disparity of presentation and the frequent absence of a statement on the completeness and accuracy of the underlying data. Consequently, although AS were considered as an additional element of internal control, the assurance drawn from AS was very limited.

The Commission presented its own assessment in the Annual Activity Report⁵. It was claimed that “the formal submission by the Member States of this information reinforces the accountability of Member States for the use of the Funds and contributes to the Commission’s assurance”. The Commission also stated that “the results provide a good basis for motivating Member States to present Annual Summaries of generally better quality next year which will make a more significant contribution to the assurance for structural actions” and that results of AS assessment were not inconsistent with the evaluation of the management and control system of MS⁶. We could not identify any further use of AS for the assessment of control systems of MS.

Ways forward: towards national management declaration

We believe that strengthening of risk management and accountability at the national level relies only on non-mandatory elements of AS. Only two MS however claim that the Overall Assurance section of the Annual Summary strengthens risk management and accountability of the Member States and accordingly would like to see the Overall Assurance section to become mandatory. Some MS conclude that the information presented in the body of AS improves risk management and accountability; not however in the context of AS delivery, but through other reporting lines (e.g. annual control reports, certification audits). Therefore and having regard to the very diversified quality of the Overall Assurance section, as well as to the fact that summaries for the year 2007 were produced for the first time, we are of the opinion that the summaries have not notably improved risk management and accountability at the national level. We also argue that under the current legal framework, there is very limited potential for the improvement of the summaries, which might in turn result in improved risk management and accountability. This limited potential depends on the willingness of MS to react positively to non-mandatory requirements as well as on the proactive role

⁴ Management representations are written statements made by management to the auditor during the course of an audit, either unsolicited or in response to specific inquiries. They are referred to in International Standard on Auditing ISA 580

⁵ Annual Activity Report 2007 of DG Regional Policy

⁶ Delivered under section 2.5.2 Assessment of management and control systems in the beneficiary countries.

of the Commission in promoting the management representation concept and awareness-raising actions. Examples of such an approach include a reduction of the Commission's audit work as a result of good quality AS, development of an Action Plan, and wider access to AS and AS-related documents.

We also believe that the value of AS in their current shape can only be advocated when considered as a stepping stone to NMD. If the prospects for the change of AS are weak, we assess their value as so limited that their further existence in their current form should be carefully considered. If the reason for the AS introduction was to strengthen accountability and if this reason is to remain, there is a strong need to change the formula of AS with the long-term objective to transform it into NMD. Only in the light of future changes do the existing arrangements present at least a limited value. Furthermore, we believe that timing is of crucial importance for the success of this project. A proposed road map can be found in the *Annex X*.

We are of the opinion that a future National Management Declaration model may not stand alone and should be closely interrelated with the following:

- a) Concept of tolerable rate error (linked to the cost of control), as introduced by the Single Audit Opinion;
- b) Administrative and legislative initiatives aimed at simplifying complex rules in the area of structural and agriculture expenditure;
- c) Efficiency and effectiveness aspects as opposed to the pure regularity issues;
- d) Cultural, organisational, legal and other differences between members of the EU.

We also claim that the baselines for the NMD model should take into account the following:

- a) NMD should be subject to audit work performed by the National Supreme Audit Institution or external independent audit company selected through competitive tendering;
- b) Common standards of auditing NMD are to be worked out within the framework of the cooperation between SAI. It is crucial that work on the common platform is carried out simultaneously with the efforts related to the NMD development;
- c) Respect for independence of SAI;
- d) There must be arrangements for the recognition of work undertaken by different audit bodies;
- e) NMD should be produced at the appropriate political level with a very clear mandate from the government;
- f) Rearrangement of the current control and reporting system; as the NMD would stand as a key accountability and information tool, a part of other reporting lines could be abolished and certain control requirements could more reflect national or organisational conditions;

- g) Cascade approach should be encouraged where management representation statements of a higher level rely on management representation statements of lower levels.

Auditing arrangements

The introduction of NMD would mean that each MS would produce a management representation on the adequacy of control systems, as well as accuracy and regularity of reported expenditure. In our opinion, such a statement should be subject to an external audit. As the audit has to be independent from the managerial function, it cannot be performed by the Commission. We also believe that an audit by the ECA would not be practically feasible taking into account the need to audit management representations in 27 MS. As the audit of quality of public money spending is the primary role of a SAI, it seems to be a natural choice for external auditor of management representation, having the required skills and experience to perform the audit in a public environment. However, to reflect the specific situation in a given MS, it should be up to the MS to decide whether the audit should be performed by SAI or a private firm.

The ECA should assess the quality of such an assurance and possibly consider it for the elaboration of its DAS. As the audited management representation would be a conclusive audit evidence, a satisfactory result of the assessment would allow reliance to be placed on the reported data and either reduce own testing or make it more focused on high risk areas.

The proposed solution requires a close cooperation between ECA and SAI/private firm. The ECA needs to have direct access to management representation, audit reports and audit evidence to be able to rely on the work of the other auditor. Additionally, the audit methodology should be agreed between the ECA and SAI/private firm. In our opinion, such cooperation is possible under international standards on auditing and with respect to the SAI's independence.

We believe that such a document would constitute a solid base of accountability for entrusted money to both the national parliaments and to the European Parliament. At the same time, it would strongly increase the reliability of data reported to the Commission.

ZUSAMMENFASSUNG

Wir wurden von dem Europäischen Parlament beauftragt, eine Studie zu Jährlichen Zusammenfassungen (JZ) im Zusammenhang mit der geteilten Mittelverwaltung durchzuführen, um die Einhaltung der Vorschriften, den Mehrwert und die mögliche Wirkung der Jährlichen Zusammenfassungen auf Mitgliedstaaten und andere betroffene Parteien auf EU-Ebene auszuwerten.

Um relevante Schlussfolgerungen zu ziehen, haben wir ausschlaggebende Unterlagen untersucht, mehrere betroffene Akteure interviewt, an der Konferenz zur finanziellen Verwaltung der EU-Mittel⁷ teilgenommen sowie eine Umfrage unter den benannten Behörden und den Obersten Rechnungskontrollbehörden der Mitgliedstaaten durchgeführt.

Wenn auch der Hauptgegenstand der Studie deutlich in den Jährlichen Zusammenfassungen der Mitgliedstaaten als bereits bestehenden Instrumenten bestand, vertreten wir den Standpunkt, dass ihr Wert in einem weiteren Zusammenhang zu betrachten ist, nämlich im Zusammenhang mit der Diskussion über die Entschließung des Europäischen Parlaments betreffend der Entlastung für das Jahr 2003, die unseres Erachtens die Grundlage für weitere Diskussion bildet. In der Entschließung wurden die bestehenden Kontrollen als ungenügend bezeichnet, wobei die obersten politischen und Verwaltungsbehörden der Mitgliedstaaten (Finanzminister) aufgefordert wurden, eine Ex-ante-Offenlegungserklärung und eine jährliche Ex-post-Zuverlässigkeitserklärung im Hinblick auf die Rechtmäßigkeit und Ordnungsmäßigkeit der getätigten Vorgänge vorzulegen.

Nach unserer Überzeugung wird zur Zeit die Aufforderung des Europäischen Parlaments dank einigen anschließend eingeleiteten Aktionen von allen betroffenen Parteien in größerem Umfang aufgegriffen. Zu nennen sind hier insbesondere die Erklärungen auf der operativen Ebene sowie die Struktur der Rechnungsprüfung, die für den Programmplanungszeitraum 2007-2013 entwickelt wurden. Jährliche Zusammenfassungen und Erklärungen zur Mittelverwaltung auf nationaler Ebene, die Einzelinitiativen von einigen Mitgliedstaaten sind, sollen als Hauptinstrumente fungieren und für bessere Rechenschaftslegung auf der Ebene der Mitgliedstaaten sorgen.

Es ist ferner zu betonen, dass in der Studie nur eines von den zwei elementaren Gliedern der Rechnungsführungskette betrachtet wurde. Wir haben die Rechenschaftslegung auf der Ebene der Mitgliedstaaten geprüft, die, wenn auch von großer Bedeutung, nur einen Teil der Rechnungsführungskette auf der Ebene der EU darstellt. Die Grundlagen für die in den Jahrestätigkeitsberichten jeder Generaldirektion (GD) enthaltenen Zuverlässigkeitserklärungen wurden nicht geprüft. Nichtsdestoweniger haben wir festgestellt, dass das zur Zeit bestehende Berichterstattungssystem die Rechenschaftspflicht der Mitgliedstaaten im Hinblick auf die Umsetzung des bedeutsamen Teiles des EU-Haushalts nicht adäquat widerspiegelt. Die wichtigsten fehlenden Elemente sind:

⁷ Das Seminar „Finanzielle Verwaltung der EU-Mittel“ wurde vom niederländischen Finanzministerium am 27.-28. November 2008 in Den Haag veranstaltet.

- a) Vollständigkeitserklärung auf der politischen Ebene - die Berichte werden zur Zeit von den benannten Behörden erstellt, die in den Jährlichen Zusammenfassungen vorgesehene Vollständigkeitserklärung ist freiwillig und kommt in der Praxis selten zum Einsatz;
- b) Prüfung der Vollständigkeitserklärung durch einen unabhängigen, externen Rechnungsprüfer, womit die Korrektheit des dem Empfänger vorgelegten Berichts gesichert würde.

In dieser Zusammenfassung werden gemäß der Auftragsbeschreibung die Schlussfolgerungen unserer Prüfung dargestellt. Eingehende Betrachtungen sind in den darauffolgenden Kapiteln des Berichts enthalten.

Das Verfahren zur Erstellung von Jährlichen Zusammenfassungen

Die Kommission hat den sich auf die Ausarbeitung von Jährlichen Zusammenfassungen und ihren Inhalts sowie auf die Entwicklung des Qualitätsprüfungssystems beziehenden Prozess unterstützt. Im Anschluss an die Beratungen mit dem Koordinierungsausschuss der Fonds wurde am 18. Dezember 2007 die Leitlinie ("Guidance Note") erlassen, aber einige Übersetzungen lagen erst später vor. Wir vertreten den Standpunkt, dass sich diese Verzögerung auf die Qualität und den Zeitpunkt der Jährlichen Zusammenfassungen habe auswirken können.

Die Mehrheit der Befragten stimmte zu, dass die Leitlinie klar und verständlich war. Wir halten sie ebenfalls für angemessen, auch wenn es ein Potential für Verbesserungen gibt (zum Beispiel in Bezug auf die Einbeziehung von Anreizen für die Angabe von fakultativen Bestandteilen).

In ihrer Leitlinie zu Strukturausgaben empfiehlt die Kommission, dass die Mitgliedstaaten eine Gesamtanalyse vorlegen, „um die Auswirkungen auf der Ebene des gesamten Mitgliedstaats zu bestimmen, wobei systembedingte Mängel hervorgehoben und die wichtigsten horizontalen Fragen zusammengefasst werden. Darüber hinaus wird empfohlen, dass sie weitere Maßnahmen aufführen, die als Folge davon ergriffen wurden“. In derselben Unterlage ermuntert die Kommission die Mitgliedstaaten, den Gesamtumfang der Zuverlässigkeit zu bewerten sowie dafür zu sorgen, dass die Jährliche Zusammenfassung von einer unabhängigen Stelle geprüft wird. In dem für die Bewertung des Gesamtumfangs der Zuverlässigkeit vorgeschlagen Wortlaut wird die Frage der Übereinstimmung der Verwaltungs- und Kontrollsysteme mit den gemeinschaftlichen Vorschriften deutlich angesprochen. Nur wenige Mitgliedstaaten folgten den Vorschlägen der Kommission. Die Behörden in diesen Staaten haben nicht nur den empfohlenen Wortlaut benutzt, sondern auch die systembedingten Mängel und die horizontalen Fragen in ihre Gesamtanalysen einbezogen. In manchen anderen Fällen wurde der empfohlene Wortlaut modifiziert, wobei die Zuverlässigkeitsgewähr immerhin als hinreichend zu betrachten war.

Der Kommission⁸ zufolge wurden entsprechende Maßnahmen ergriffen, um jeglichen Qualitätsmängeln sowie Verstößen gegen die gesetzlich vorgeschriebenen Mindestanforderungen (darunter Vollständigkeit und Zweckmäßigkeit) nachzugehen. Nach unserem besten Wissen stützten sich die von der Kommission ergriffenen Maßnahmen überwiegend auf die Mitteilungen an diese Mitgliedstaaten, deren JZ nicht ordnungsgemäß oder von niedriger Qualität waren. Wir haben auch

⁸ Zwischenbericht über die Umsetzung des Aktionsplans zur Stärkung der Aufsichtsfunktion der Kommission bei der geteilten Verwaltung von Strukturmaßnahmen, SEC(2008) 2756.

festgestellt, dass die Kommission Schreiben an die Mitgliedstaaten richtete, in denen sie die betroffenen Staaten zur Übermittlung von Jährlichen Zusammenfassungen aufforderte und/oder die in den bereits vorgelegten Zusammenfassungen festgestellten Mängel aufführte, wobei erforderliche Änderungen verlangt wurden. Zudem wurde gegen einen Mitgliedstaat ein Vertragsverletzungsverfahren eingeleitet.

Wir waren imstande, das Vorhandensein von nationalen Verfahren zur Erstellung von JZ anhand einer sehr kleinen Stichprobe zu prüfen⁹. Fünf der zehn Mitgliedstaaten, die auf unseren Fragenbogen geantwortet haben, haben schriftliche interne Verfahren zur Erstellung von JZ eingeführt. Wir teilen die Meinung von einigen Mitgliedstaaten, dass solche Verfahren unnötig sind, weil bereits andere Verfahren zur Übermittlung von diesbezüglichen Auskünften zur Verfügung stehen. Wir sind auch damit einverstanden, dass die Leitlinie der Europäischen Kommission in bestimmten Punkten diese Rolle bei dem Verfahren erfüllen kann.

Mehrwert für die betroffenen Parteien

Nach einem Jahr seit der Einführung von Jährlichen Zusammenfassungen sind die Schlüsselakteure eher zurückhaltend in ihrer Beurteilung. Der Europäische Rechnungshof vertritt die Auffassung, dass derzeit „die Zusammenfassungen (...) keine zuverlässige Bewertung der Funktionsweise der Überwachungs- und Kontrollsysteme liefern“. Der Hof erwartet ebenfalls, dass die Kommission die JZ als ein Instrument zur Identifizierung und Verbreitung von bewährten Verfahren in den Mitgliedstaaten sowie zur Untersuchung des Zusammenhanges zwischen der Übereinstimmung des Systems mit den geltenden Vorschriften und den für die Ermittlung der akzeptablen Fehlerquote angewandten Kriterien einsetzt. Die Kommission behauptet, dass „die Ergebnisse einen guten Ausgangspunkt bilden, um die Mitgliedstaaten anzuregen, nächstes Jahr die Jährlichen Zusammenfassungen von einer im Prinzip höheren Qualität vorzulegen, was einen bedeutsamen Beitrag zur Zuverlässigkeit der strukturpolitischen Maßnahmen leisten wird“. Zugleich betont die Kommission die Bedeutung der geltenden sektorspezifischen Verordnungen in Bezug auf die Zuverlässigkeitsgewähr für die Verwendung der EU-Mittel. Außerdem gibt es der Kommission zufolge keine rechtliche Grundlage für die über „die Liste von Informationen“ hinausgehenden Aktivitäten. Die meisten Mitgliedstaaten empfinden die JZ als eine zusätzliche Verwaltungslast und heben den weitgehend wiederholenden Charakter der in den Zusammenfassungen enthaltenen Angaben hervor.

Wir teilen die Meinung der meisten unserer Gesprächspartner, dass der Wert von JZ für das Jahr 2007 tatsächlich beschränkt war. Der Wert der verbindlichen Anforderungen im Hinblick auf die JZ ist dreifach: Konsolidierung der Angaben auf der Ebene der Mitgliedstaaten, Einleitung des technischen Verfahrens sowie Einleitung der Diskussion über den möglichen Schritt vorwärts zu Vollständigkeitserklärungen¹⁰.

Ferner, dem Europäischen Rechnungshof zufolge, lieferten die ersten Jährlichen Zusammenfassungen für das Jahr 2007 keine zuverlässige Bewertung der Funktionsweise der Überwachungs- und Kontrollsysteme, vor allem wegen der uneinheitlichen Darstellung und der häufig fehlenden Erklärung über Vollständigkeit und Genauigkeit der zugrunde liegenden Angaben.

⁹ Wegen einer niedrigen Antwortquote bei unserer Umfrage.

¹⁰ Vollständigkeitserklärungen sind schriftliche Erklärungen der Leitung an den Prüfer während des Audits, die sie entweder unaufgefordert oder in Beantwortung auf spezifische Anfragen abgibt. Die Vollständigkeitserklärung ist Gegenstand des "International Standard on Auditing" ISA 580.

Folglich, wenn auch die JZ als ein zusätzlicher Bestandteil des internen Kontrollsystems betrachtet wurden, blieb der diesbezügliche Wert von JZ beschränkt.

Die Kommission hat auch ihre eigene Bewertung in dem Jahrestätigkeitsbericht vorgenommen¹¹. Es wurde darin behauptet, dass „die förmliche Vorlage von diesen Angaben durch die Mitgliedstaaten deren Verantwortung für die Mittelverwendung stärkt und zur Zuverlässigkeitsgewähr der Kommission beiträgt“. Die Kommission stellte ebenfalls fest, dass „die Ergebnisse einen guten Ausgangspunkt bilden, um die Mitgliedstaaten anzuregen, nächstes Jahr die Jährlichen Zusammenfassungen von einer im Prinzip höheren Qualität vorzulegen, was einen bedeutsamen Beitrag zur Zuverlässigkeit der strukturpolitischen Maßnahmen leisten wird“, sowie dass die Ergebnisse der Bewertung von JZ mit den Ergebnissen der Bewertung von Verwaltungs- und Kontrollsystemen der Mitgliedstaaten¹² nicht unvereinbar waren. Es wurde keine weitere Verwendung der JZ zur Bewertung von Kontrollsystemen der Mitgliedstaaten festgestellt.

Wege vorwärts: in Richtung zu Erklärungen zur Mittelverwaltung auf der nationalen Ebene

Wir sind davon überzeugt, dass lediglich die fakultativen Bestandteile von JZ zur Verstärkung der Risikoverwaltung und der Rechenschaftslegung auf der nationalen Ebene beitragen. Allerdings haben nur zwei Mitgliedstaaten festgestellt, dass die Bewertung des Gesamtumfangs der Zuverlässigkeit – die einen Bestandteil der Jährlichen Zusammenfassung darstellt – die Risikoverwaltung und die Rechenschaftslegung auf der Ebene der Mitgliedstaaten verstärkt und dass sie es folglich begrüßen würden, wenn dieser Bestandteil verbindlich vorgeschrieben wäre. Manche Mitgliedstaaten sind zu dem Schluss gekommen, dass die im Hauptteil von Jährlichen Zusammenfassungen angegebenen Informationen die Risikoverwaltung und Rechenschaftslegung verbessern, jedoch nicht im Zusammenhang mit der Übermittlung von Jährlichen Zusammenfassungen sondern durch andere Formen der Berichterstattung (zum Beispiel jährliche Kontrollberichte, Bescheinigungsprüfungen). Daher und in Anbetracht der sehr unterschiedlichen Qualität der Bewertung des Gesamtumfangs der Zuverlässigkeit sowie angesichts der Tatsache, dass die Zusammenfassungen im Jahre 2007 zum ersten Mal erstellt wurden, vertreten wir den Standpunkt, dass diese Zusammenfassungen keinen bedeutsamen Beitrag zur Verbesserung der Risikoverwaltung und der Rechenschaftslegung auf der nationalen Ebene geleistet haben. Ausgehend von dem derzeitigen Rechtsrahmen sind wir ferner der Überzeugung, dass die Zusammenfassungen ein sehr beschränktes Verbesserungspotential in Bezug auf eventuelle Verstärkung der Risikoverwaltung und der Rechenschaftslegung aufweisen. Die Ausnutzung dieses beschränkten Potenzials hängt von der Bereitschaft der Mitgliedstaaten, positiv auf die nichtverbindlichen Anforderungen zu reagieren, sowie von der proaktiven Rolle der Kommission zur Promotion des Konzepts der Vollständigkeitserklärung und für Sensibilisierungsmaßnahmen. Beispiele für einen solchen Ansatz umfassen eine Reduzierung der Prüfungstätigkeit der Kommission dank JZ von hoher Qualität, die Ausarbeitung eines Aktionsplanes sowie einen breiteren Zugang zu JZ und zu den sich auf diese Zusammenfassungen beziehenden Unterlagen.

Wir vertreten zudem den Standpunkt, dass der Wert von JZ in ihrer derzeitigen Form sich nur dann verteidigen lässt, wenn diese Zusammenfassungen als ein Schritt zu den Erklärungen zur Mittelverwaltung auf der nationalen Ebene betrachtet werden. Sollte die Modifizierung von JZ unwahrscheinlich sein, halten wir ihren Wert für dermaßen niedrig, dass es nach unserer

¹¹ Jahrestätigkeitsbericht 2007 der GD Regionalpolitik

¹² Abschnitt 2.5.2 Bewertung der Verwaltungs- und Kontrollsysteme in den Empfängerländern.

Überzeugung gilt, über die Beibehaltung von Zusammenfassungen in ihrer derzeitigen Gestalt sorgfältig nachzudenken. Wenn die JZ zwecks der Verstärkung der Rechenschaftslegung eingeführt wurden und wenn dieses Ziel immer noch gilt, ist es dringend nötig, das Konzept von JZ zu verändern, so dass sie langfristig in die Erklärungen zur Mittelverwaltung auf der nationalen Ebene umzuwandeln sind. Nur in Anbetracht der zukünftigen Veränderungen sind die geltenden Regelungen wenigstens nicht nutzlos. Ferner vertreten wir den Standpunkt, dass die Wahl des richtigen Zeitpunktes von ausschlaggebender Bedeutung für den Erfolg dieses Projekts ist. Die vorgeschlagene Roadmap kann dem *Anhang X* entnommen werden.

Nach unserer Auffassung darf das zukünftige Modell der Erklärungen zur Mittelverwaltung auf der nationalen Ebene nicht eine vereinzelt Maßnahme darstellen, sondern es muss in einem engen Zusammenhang mit folgenden Konzepten betrachtet werden:

- a) Die akzeptable Fehlerquote (verbunden mit den Kontrollkosten), die mit der Stellungnahme zum Modell der „Einzigsten Prüfung“ eingeführt wurde;
- b) Administrative und legislative Initiativen, die auf die Vereinfachung der komplexen Regeln im Bereich der strukturellen und landwirtschaftlichen Ausgaben abzielen;
- c) Aspekte der Effizienz und Wirksamkeit im Gegensatz zur Beschränkung auf Fragen der Ordnungsmäßigkeit;
- d) Kultur-, Organisations-, und Rechtsunterschiede sowie sonstige Unterschiede zwischen den Mitgliedstaaten der EU.

Wir behaupten ferner, dass bei den Operationslinien ("baselines") für das Modell der Erklärungen zur Mittelverwaltung auf der nationalen Ebene Folgendes zu berücksichtigen ist:

- a) Die Erklärungen zur Mittelverwaltung auf der nationalen Ebene sollen externer Rechnungsprüfungskontrolle unterliegen, die durch die Oberste Rechnungskontrollbehörde (ORKB) oder von einer externen, unabhängigen, durch Ausschreibung ausgewählten, Rechnungsprüfungsgesellschaft durchgeführt wird;
- b) Gemeinsame Regeln für die Rechnungsprüfung der Erklärungen zur Mittelverwaltung auf der nationalen Ebene sind im Rahmen der Zusammenarbeit der ORKB auszuarbeiten. Es ist von ausschlaggebender Bedeutung, dass parallel zu den Aktivitäten auf gemeinsamer Plattform an der Entwicklung der Erklärungen zur Mittelverwaltung auf der nationalen Ebene gearbeitet wird.
- c) Respektierung der Unabhängigkeit der ORKB;
- d) Notwendig sind Regelungen zur Anerkennung der durch andere Rechnungsprüfungsstellen durchgeführten Arbeit;
- e) Die nationalen Erklärungen zur Mittelverwaltung sollen auf der entsprechenden politischen Ebene mit einem klaren Mandat von der Regierung erstellt werden;
- f) Die Umstrukturierung des geltenden Kontroll- und Berichterstattungssystems; da die Erklärungen zur Mittelverwaltung auf der nationalen Ebene als das Schlüsselinstrument in

Bezug auf die Rechenschaftslegung und Information fungieren würden, könnten andere Formen der Berichterstattung teilweise aufgehoben werden, während bestimmte Kontrollanforderungen die nationalen oder strukturellen Verhältnisse besser widerspiegeln könnten.

- g) Ein stufenweiser Ansatz (eng. cascade approach), wobei sich die Vollständigkeitserklärungen einer höheren Ebene auf die Vollständigkeitserklärungen der niedrigeren Ebenen stützen, ist zu empfehlen.

Regelungen zur Rechnungsprüfung

Die Einführung von nationalen Erklärungen zur Mittelverwaltung würde bedeuten, dass jeder Mitgliedstaat eine Vollständigkeitserklärung über die Angemessenheit der Kontrollsysteme sowie über die Zweckmäßigkeit und Ordnungsmäßigkeit der gemeldeten Ausgaben abgibt. Nach unserer Auffassung soll die vorgenannte Verwaltungsstellungnahme externer Rechnungsprüfung unterliegen. Die Rechnungsprüfung muss von den Verwaltungsbehörden unabhängig sein und kann daher nicht von der Kommission durchgeführt werden. Wir sind ferner der Auffassung, dass die Rechnungsprüfung durch den Europäischen Rechnungshof in der Praxis nicht durchführbar wäre, weil der Hof die Vollständigkeitserklärungen von 27 Mitgliedstaaten prüfen müsste. Da die Qualitätsprüfung der Ausgabe von öffentlichen Mitteln die Hauptaufgabe einer ORKB darstellt, ist die ORKB auch die natürliche Wahl als externer Rechnungsprüfer der Vollständigkeitserklärungen, denn die ORKBs besitzen die zur Rechnungsprüfung in einem öffentlichen Umfeld erforderlichen Qualifikationen und Erfahrung. Um jedoch den spezifischen Verhältnissen im jeweiligen Mitgliedstaat gerecht zu werden, sollte der Mitgliedstaat selbst entscheiden, ob die Prüfung von der ORKB oder von einem Privatunternehmen durchgeführt wird.

Der Rechnungshof sollte die Qualität von solch einer Zuverlässigkeitserklärung beurteilen und sie möglichst bei der Erstellung seiner eigenen Zuverlässigkeitserklärung berücksichtigen. Da die geprüfte Vollständigkeitserklärung einen zweifelsfreien Prüfungsnachweis darstellen würde, würde ein zufriedenstellendes Ergebnis der Bewertung den gemeldeten Informationen Glaubwürdigkeit verleihen. Folglich könnte der Hof entweder seine eigene Prüfungstätigkeit reduzieren oder sie stärker auf die Bereiche mit hohem Risiko konzentrieren.

Die vorgeschlagene Lösung erfordert eine enge Zusammenarbeit zwischen dem Europäischen Rechnungshof und den ORKB/den Privatunternehmen. Der Hof braucht einen direkten Zugang zu der Vollständigkeitserklärung, den Prüfungsberichten und den Prüfungsnachweisen, so dass er sich auf die Arbeit des anderen Rechnungsprüfers stützen kann. Zusätzlich sollten sich der Europäische Rechnungshof und die ORKBs/Privatunternehmen auf eine Prüfungsmethodik einigen. Nach unserer Auffassung könnte solch eine Zusammenarbeit gemäß den internationalen Rechnungslegungsstandards und unter Beachtung der Unabhängigkeit der ORKBs erfolgen.

Wir sind davon überzeugt, dass solch eine Unterlage sowohl für die Nationalparlamente als auch für das Europäische Parlament eine solide Basis für die Rechenschaftslegung über die anvertrauten Gelder darstellen würde. Zugleich würde es die Zuverlässigkeit der der Kommission gemeldeten Informationen erheblich erhöhen.

RÉSUMÉ

Le Parlement Européen nous a demandé de réaliser une étude sur les résumés annuels (RA) dans le contexte de la gestion partagée afin d'évaluer la conformité, la valeur ajoutée et l'impact potentiel de ces résumés annuels sur les Etats Membres et les autres parties prenantes au niveau de l'Union européenne (UE).

Pour parvenir à nos conclusions, nous avons examiné les documents-clés existants, conduit des entretiens avec différents acteurs, participé à une conférence sur la gestion financière des fonds¹³ de l'Union Européenne et mené une enquête auprès des autorités nationales désignées et des Institutions supérieures de contrôle (ISC) des Etats Membres (EM).

Bien que l'objet principal de l'étude soit les résumés annuels en tant que documents déjà existants, nous pensons que leur valeur doit être analysée dans le contexte plus vaste du débat initié par la Résolution de décharge 2003 du Parlement Européen, qui a à notre avis constitué la base des discussions futures. Cette Résolution considérait que les contrôles existants étaient insuffisants et demandait une attestation de conformité *ex ante* ainsi qu'une Déclaration d'assurance annuelle *ex post* de la légalité et la régularité des transactions par la plus haute autorité politique et de gestion des Etats Membres (le Ministre des Finances).

Nous pensons également que grâce à une série d'actions entreprises par la suite, tous les acteurs concernés se sont rapprochés de la demande du Parlement. Nous pensons en particulier aux déclarations au niveau opérationnel et à l'architecture d'audit mise en place pour la période de programmation 2007–2013. Le but des résumés annuels et des déclarations nationales de gestion (DNG), en tant qu'initiatives individuelles de certains Etats Membres, est de constituer l'instrument principal pour promouvoir l'obligation de rendre compte au niveau des Etats Membres.

Nous souhaitons également souligner que l'objet de l'étude était limité à un seul des deux liens principaux de la chaîne de responsabilité. Nous avons analysé certains éléments de cette chaîne au niveau des Etats Membres qui, malgré leur impact important, ne couvrent pas la chaîne de responsabilité globale au niveau de l'Union. Ainsi, l'analyse des bases de l'assurance présentées dans les Rapports Annuels d'Activité de chaque DG n'a pas été réalisée. Nous avons toutefois conclu que le système de rapports existant ne reflétait pas correctement la responsabilité des Etats Membres pour l'exécution d'une partie importante du budget de l'Union Européenne. Les principaux éléments manquants sont les suivants :

- a) Des prises de position des responsables¹⁴ au niveau politique – les rapports existants sont produits au niveau des autorités désignées, les prises de position des responsables prévues dans les résumés annuels ne sont réalisées que de façon volontaire et plutôt rare en pratique ;

¹³ Le séminaire « Financial Management of EU funds » (Gestion financière des fonds de l'UE) a été organisé par le Ministère des finances danois du 27 au 28 Novembre 2008 à la Haye

¹⁴ Dans le vocabulaire d'audit, les prises de position des responsables (ou déclarations de la direction) sont des prises de position par la direction de l'entité, communiquée à l'auditeur au cours de l'audit, soit spontanément soit en réponse à des demandes d'informations spécifiques. Elles font l'objet de la norme internationale d'audit ISA 580.

- b) L'audit des prises de position des responsables par un auditeur externe indépendant pour garantir au destinataire que les rapports sont corrects.

Dans ce résumé, nous présentons les conclusions de notre travail conformément à notre cahier des charges. Des considérations plus détaillées se trouvent dans les chapitres suivants du rapport.

Le processus d'établissement des résumés annuels

La Commission a joué un rôle de support au processus d'élaboration des Résumés Annuels, à leur contenu et au contrôle de leur qualité. Suite à un débat au sein du Comité de coordination des Fonds, une note d'orientation pour les Fonds Structurels a été publiée le 18 décembre 2007, mais certaines versions linguistiques étaient prêtes plus tard. Nous pensons que cette publication tardive a pu avoir une influence sur la qualité et la date de présentation des résumés annuels.

La plupart de nos sondés s'accordent sur le fait que la note d'orientation était claire et compréhensible. Nous la considérons également appropriée bien qu'il soit possible de l'améliorer (p.ex. en incitant à la présentation des parties volontaires).

Dans la note d'orientation sur les dépenses structurelles, la Commission recommande aux Etats Membres de présenter une analyse globale «afin de déterminer les conséquences pour l'Etat membre dans son ensemble, en soulignant les faiblesses systémiques et en résumant les principaux problèmes transversaux ainsi que pour indiquer quelles mesures ont été prises en conséquence». Dans les mêmes documents, la Commission encourage les Etats Membres à déterminer un niveau général d'assurance ainsi qu'à définir les modalités d'audit des résumés annuels par un organisme indépendant. Le texte proposé pour l'assurance globale indique clairement que les systèmes de gestion et de contrôle doivent être en conformité avec la législation communautaire. Seuls quelques Etats Membres ont suivi les suggestions de la Commission. Leurs autorités ont non seulement utilisé les formulations recommandées mais ont également inclus dans l'analyse globale une référence aux faiblesses systémiques et aux principaux problèmes transversaux. Dans certains autres cas, la formulation recommandée a été modifiée mais peut être toujours considérée comme fournissant une assurance raisonnable.

De son propre point de vue, la Commission¹⁵ a pris les mesures nécessaires pour suivre tous les défauts en termes de qualité ainsi que de non-respect des exigences juridiques minimum (y inclus l'exhaustivité et l'exactitude). Pour autant que nous sachions, les mesures prises par la Commission consistaient principalement en des communications aux Etats Membres dont les résumés annuels n'étaient pas conformes ou d'une faible qualité. Nous avons également noté que la Commission avait envoyé des lettres aux Etats Membres pour les inciter à envoyer les résumés annuels et/ou pour énumérer les faiblesses détectées dans les résumés déjà envoyés, ainsi que pour demander les corrections nécessaires. En outre une procédure d'infraction a été engagée à l'encontre d'un Etat Membre.

Nous avons pu vérifier l'existence de procédures nationales pour l'élaboration des résumés annuels sur un échantillon très réduit¹⁶. Cinq EM sur les dix qui ont répondu à notre questionnaire ont établi des procédures internes écrites pour le processus d'établissement des RA. Nous partageons l'avis de

¹⁵ Le rapport sur l'exécution du plan d'action pour le renforcement de la fonction de surveillance de la Commission dans le contexte de la gestion partagée des actions structurelles, SEC(2008) 2756.

¹⁶ A cause d'un faible nombre de réponse à notre enquête.

certaines EM qu'elles ne sont pas nécessaires car il existe d'autres procédures traitant de l'envoi de données connexes. Nous partageons également l'opinion exprimée qu'à certains égards la note d'orientation de la Commission joue un tel rôle dans la procédure.

Valeur ajoutée pour les parties prenantes

Après un an de mise en œuvre des RA, les avis des acteurs clés sont assez modérés. La Cour des comptes européenne (CDC) croit que, dans la situation actuelle, «les résumés ne peuvent pas (...) être considérés comme une appréciation fiable du fonctionnement des systèmes de contrôle». La Cour attend aussi de la Commission qu'elle utilise les RA comme un outil pour identifier et promouvoir des bonnes pratiques parmi les EM et pour analyser le lien entre la conformité des systèmes et les critères définissant le niveau d'erreur acceptable. La Commission soutient que «les résultats constituent une bonne base pour motiver les Etats Membres à soumettre des résumés annuels d'une meilleure qualité l'année prochaine, ce qui contribuera de manière plus importante à l'assurance pour les actions structurelles». En même temps elle souligne l'importance des règlements sectoriels pour donner un assurance sur l'utilisation des fonds communautaires. En outre, selon la Commission, la possibilité pour les résumés d'aller au-delà d'«une simple liste d'informations» n'est garantie par aucune base juridique. La plupart des EM traitent les RA comme une charge administrative supplémentaire, en soulignant en même temps le caractère redondant des données se trouvant dans les résumés.

Nous partageons l'avis de la plupart de nos interlocuteurs sur la valeur limitée des RA pour 2007. La valeur des exigences obligatoires à l'égard des RA est triple: elles permettent la consolidation des données au niveau de l'EM, le lancement du processus technique et celui du débat sur la possibilité d'aller plus loin, c'est-à-dire jusqu'à des prises de position des responsables.

Selon la CDC, les premiers résumés annuels pour 2007 ne pouvaient être considérés comme une évaluation fiable du fonctionnement des systèmes de contrôle, notamment à cause de différences dans la présentation et de l'absence fréquente de déclaration sur l'exhaustivité et l'exactitude des données sous-jacentes. En conséquence, bien que les RA aient été considérés comme un élément supplémentaire de contrôle, l'assurance provenant des RA était très limitée.

La Commission a présenté sa propre évaluation dans un rapport d'activité annuel¹⁷. Il a été dit que « la présentation formelle par les Etats Membres de ces informations renforce la responsabilité des Etats Membres pour l'utilisation des fonds et contribue à l'assurance de la Commission ». La Commission a aussi affirmé que «les résultats constituent une bonne base pour motiver les Etats Membres à soumettre des résumés annuels d'une meilleure qualité l'année prochaine ce qui contribuera de manière plus importante à l'assurance pour les actions structurelles» et que les résultats de l'évaluation des RA n'étaient pas en contradiction avec l'évaluation du système de gestion et de contrôle des EM¹⁸. Nous n'avons pas identifié d'autre utilisation des RA pour l'évaluation des systèmes de contrôle des EM.

Perspectives: vers une déclaration nationale de gestion

Nous sommes d'avis que le renforcement de la gestion des risques et de la responsabilité au niveau national ne repose que sur les éléments non-obligatoires des RA. Seuls deux EM trouvent que la

¹⁷ Le rapport d'activité annuel pour 2007 de la DG Politique régionale

¹⁸ Présenté dans la partie 2.5.2 Evaluation de systèmes de gestion et de contrôle dans les pays bénéficiaires.

partie «Assurance globale» du Résumé Annuel renforce la gestion des risques et la responsabilité des Etats Membres et voudraient donc que la partie «Assurance globale» devienne obligatoire. Certains EM pensent que les informations présentées dans le résumé annuel améliorent la gestion des risques et la responsabilité, non toutefois dans le contexte de la préparation du RA, mais par le biais d'autres rapports (p.ex. rapports de contrôle annuels, audits de certification). Par conséquent, vu la qualité variée de la partie «Assurance globale» et du fait que les résumés ont été élaborés pour la première fois pour 2007, nous sommes d'avis que ces résumés n'ont pas amélioré la gestion des risques ni la responsabilité au niveau national de manière significative. Nous soutenons également que, dans le contexte juridique actuel, il y a très peu de marges d'amélioration pour les RA, qui puissent résulter en une meilleure gestion des risques et une plus grande responsabilité. Ces marges dépendent de la volonté des EM de répondre de manière positive aux demandes non-obligatoires ainsi que du rôle proactif de la Commission dans la promotion du concept de prise de position par les responsables et dans des actions de sensibilisation et d'information. Des exemples d'une telle approche consistent notamment en des travaux d'audit plus léger par la Commission en cas de bonne qualité des RA, au développement d'un Plan d'action et en un accès plus large aux RA et aux documents annexes.

Nous pensons également que la valeur des RA dans leur forme actuelle ne peut être défendue que considérés comme un marchepied vers les DNG. Si les possibilités de changement des RA s'avéraient trop restreintes, il nous semble que leur valeur serait faible au point que leur existence future en l'état devrait être examinée de près. Si la raison d'être des RA est de renforcer la responsabilité et s'il continue à en être ainsi, alors il est nécessaire de changer la forme des RA avec pour objectif à long terme de les transformer en DNG. C'est seulement à la lumière de futurs changements que les dispositions actuelles ont une valeur au moins limitée. En outre nous sommes d'avis que les délais sont d'une importance capitale pour le succès de ce projet. Une proposition de feuille de route se trouve en *Annexe X*.

Nous sommes d'avis qu'un modèle futur de déclaration nationale de gestion devrait être étroitement lié avec ce qui suit :

- a) Le concept du taux d'erreur tolérable (lié au coût du contrôle), comme introduit par l'avis de la CDC sur le contrôle unique;
- b) Les initiatives administratives et législatives ayant pour but de simplifier les règles complexes dans le domaine des dépenses structurelles et agricoles;
- c) Les aspects d'efficience et d'efficacité par rapport aux questions de la pure régularité;
- d) Les différences culturelles, organisationnelles, juridiques et autres entre les membres de l'UE.

Nous affirmons également que les fondations pour le modèle DNG devraient prendre en compte ce qui suit :

- a) Les DNG devraient faire l'objet de contrôles réalisés par les Institutions nationales supérieures de contrôle ou par une firme d'audit externe indépendante choisie par appel d'offres;
- b) Des normes communes pour l'audit des DNG doivent être élaborées dans le cadre de la coopération entre ISC. Il est important de faire ce travail commun en même temps que le travail lié au développement des DNG;

- c) Respect de l'indépendance des ISC;
- d) Des dispositions doivent être prises pour la reconnaissance du travail réalisé par les différents organismes de contrôle;
- e) Les DNG doivent être élaborées au niveau politique approprié avec un mandat clair du gouvernement;
- f) Un réaménagement du système de contrôle et de reddition de comptes actuel: puisque les DNG constitueraient l'outil clé de responsabilité et d'information, une partie autres rapports pourraient être éliminées et certaines exigences de contrôle pourraient mieux refléter les conditions nationales ou organisationnelles;
- g) Une approche en cascade devrait être encouragée lorsque les prises de position des responsables d'un niveau supérieur dépendent de celles de niveaux inférieurs.

Dispositions concernant l'audit

La mise en place des DNG signifierait que chaque EM produirait une prise de position des responsables sur la conformité des systèmes de contrôle ainsi que sur l'exactitude et la régularité des dépenses rapportées. Selon nous une telle déclaration devrait faire objet d'un audit externe. Puisque l'audit doit être indépendant des fonctions de gestion, la Commission ne peut pas le mener. Nous sommes également d'avis qu'un audit réalisé par la CDC ne serait pas pratiquement faisable vu le besoin de contrôler les prises de position des responsables dans les 27 EM. Vu que le contrôle des dépenses publiques est le rôle principal d'une ISC, cette dernière semble être un choix naturel en tant qu'auditeur externe des prises de position des responsables, avec les compétences et l'expérience nécessaires pour réaliser un audit dans un environnement public. En revanche, pour refléter la situation spécifique d'un EM, c'est à ce dernier que devrait revenir le choix de décider si le contrôle doit être réalisé par l'ISC ou une société privée.

La CDC devrait évaluer la qualité d'une telle assurance et, dans la mesure du possible, la prendre en considération pour l'élaboration de sa DAS. Puisque la prise de position des responsables auditée constituerait une information probante pour l'audit, une évaluation positive permettrait de se fier aux données incluses dans le rapport et donc de réduire les échantillons d'audit ou les concentrer sur les domaines à haut risque.

La solution proposée demande une étroite coopération entre la CDC et l'ISC / la société privée. La CDC doit avoir un accès direct aux prises de position des responsables, aux rapports d'audit et aux informations probantes sous-jacentes afin de pouvoir se reposer sur le travail d'un autre auditeur. En outre, la méthodologie d'audit devrait être convenue entre la CDC et l'ISC / la société privée. Selon nous, une telle coopération est possible en conformité avec les normes internationales d'audit et en respectant l'indépendance de l'ISC.

D'après nous un tel document pourrait constituer une base solide pour rendre compte de l'utilisation des fonds publics devant les parlements nationaux et le Parlement européen. Dans le même temps, ceci augmenterait fortement la fiabilité des données communiquées à la Commission.

1. OBJECTIVES OF THE STUDY

The study is set in a wider context of accountability under shared management and the delivery of assurance over the implementation of the EU budget. By virtue of Article 274 of the EC Treaty, it is the European Commission that has its own responsibility for the implementation of the budget. At the same time approximately 80% of the total expenditure (agricultural and structural aid) is managed by Member State administrations. Accordingly the same article requires Member States to cooperate with the Commission.

According to the Treaties and the Financial Regulation, it is the duty of the European Court of Auditors to audit the legality and regularity of the transactions underlying the annual accounts of the European Union. For a number of years the Court's opinion given in the Statement of Assurance has not been unqualified with regard to the spending under shared management. This situation gave rise to a series of actions aiming at the improvement of management and control systems, as well as the enhancement of the accountability of Member States.

One such action resulted in the legal obligation imposed on Member States to produce at the appropriate national level, an Annual Summary of the available audits and declarations. On the other hand, certain Member States initiated a voluntary initiative to provide national declarations to demonstrate national accountability.

The broad objective of the study is to evaluate the compliance, added value and possible impact of Annual Summaries, specifically in comparison to "national management declarations" as advocated by the European Parliament. The second objective is to formulate recommendations on improvement of the quality and the process of elaboration and control of these documents.

These two objectives were split into more specific goals/questions to be investigated. They were formulated under four headings:

1. **Summaries' content and procedures.** The objective was to verify routines designed to ensure completeness, accuracy and quality of the summaries, their real value in the context of management and control systems, as well as to identify views of the key stakeholders (current state) and expectations for the future improvements.
2. **Impact and added value.** The objective was to review the usefulness of summaries for various stakeholders in terms of risk management and accountability at the national and European levels, as well as to make a proposal for necessary changes in short- and long-term perspectives.
3. **Audit arrangements.** The objective was to investigate whether an audit of the annual summaries by a national audit office/ECA/EC would be feasible, and what other possible ways and levels (regional, national, EU) there are for which assurance can be put on summaries.

4. **Summaries' usefulness for the European Court of Auditors.** The objective was to examine the impact of existing summaries for the ECA and in particular the conditions as regards content, quality, timeliness, audit arrangements etc., for the Annual Summaries to be useful for the European Court of Auditors' preparation of the annual Statement of Assurance.

Detailed list of objectives is included in the *Annex I Detailed List of Objectives*.

2. HISTORICAL BACKGROUND

Article 274 of the Treaty establishing the European Community makes the Commission responsible for the implementation of the budget with regard to the principles of sound financial management, and also requires the Member States to cooperate with the Commission to ensure that the appropriations are used in accordance with these principles.

The European Court of Auditors – as an external auditor for each financial year – audits the implementation of the European Union budget. According to **Article 248 of the Treaty**, the ECA provides the Parliament and the Council with a Statement of Assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.

The **Statement of Assurance**, introduced in 1995 (for financial year 1994), has never been entirely positive on all operations for any given financial year, except for the reliability of the accounts. This indicates that no reasonable assurance can be placed upon the legal and regular implementation of material parts of the general budget of the European Union.

In this context, the European Parliament began to play an extremely important role. Two **discharge reports** for 2003 and 2004 constituted fundamental milestones verbalising the baselines for the improvement of the accountability within the European Union. They proposed *inter alia* the introduction of an ex-ante Disclosure Statement and an ex-post Statement of Assurance to be produced by the Member States. A representative of the Member State should confirm that the systems have been put into place, and that they are operating effectively, in particular as regards the management of the risk of error in the underlying transactions. It was suggested that “a declaration at political level covering all Community funds in shared management and signed by Finance Ministers (...) would be a big step forward”. This view was also supported by the Internal Audit Service of the Commission which advocated “Disclosure Statements by managing authorities with a clear legal authority for penalties affecting the overall funding of the Member State concerned, in case of inadequate disclosure”¹⁹. Those views were partially reflected in the legal framework for years 2000-06 and even more for 2007-13. An annual Disclosure Statement as recommended by the Parliament includes description of control system, assessment of its effectiveness and confirmation by external auditor as well as plan for remedial actions. An obligation to draw ex post assurance declaration per programme subjected to an audit was also ensured in the legislation. Those declarations are not, however, anchored at the political level as the Parliament would like to see, but are produced at the technical or managerial level. This strong support for the National Management Declarations (to be issued at the political level) was **rejected during the ECOFIN Council** on 8 November 2005²⁰, where it was concluded that existing “operational-level declarations can provide an important means of assurance”.

¹⁹ Annual Report to the Discharge Authority on Internal Audits carried out in 2003, COM(2004) 740 final.

²⁰ 13678/05 (Presse 277).

A series of further steps has been taken in order to achieve positive SoA. In its 2000 discharge resolution of 10 April 2002, the European Parliament requested the European Court of Auditors to provide an opinion on the feasibility of introducing a single audit model applicable to the European Union. The Court replied to this request with the **Opinion No 2/2004 on the 'single audit' model** (and a proposal for a Community internal control framework). In its report the Court stresses weaknesses of the existing control framework, of which the most important are the following: unclear and inconsistent objectives, lack of coordination, no information on costs and benefits. It also gives the characteristics for an effective and efficient internal control framework, which includes the following:

- a) objectives of internal control systems are clearly and comprehensively defined and disseminated and internal control systems should actively contribute to improving the management of the EU budget by including safeguards that remedial action is taken and recoveries made;
- b) legislation underlying policy and processes should be clear, unambiguous and sufficient enough to secure the proper use of funds, but not unnecessarily complex; the 'owner' of the checks should be the European Union, and not the individual control organisations;
- c) an effective chain of controls operating to common standards, with each level having specific defined objectives which should take into account the work of the others;
- d) the Commission should define the minimum requirements for control systems at all levels within the process, which should take into account the specific characteristics of the different budgetary areas; control procedures should be implemented to an adequate common standard;
- e) the type and intensity of checking within internal control systems would be set with reference to the cost and benefits.

The Commission produced a follow up to the Court's Opinion in two separate communications: first the "Roadmap to an Integrated Internal Control Framework" in June 2005 and then the "Action Plan towards an Integrated Internal Control Framework" in January 2006.

The **Roadmap** clearly states that "it is not possible for the Commission to achieve a positive DAS unless Member States – fulfilling their obligations under Articles 274 and 280 of the Treaty – can provide the Commission with reasonable assurance for the transactions which they implemented." Therefore the Commission proposes to take into account the elements requested by Parliament (annual audits of each paying authority, ex-ante Disclosure Statements and ex-post Declarations of Assurance at Member State level).

The **Action Plan** addressed 'gaps' in the Commission's control structures and identified 16 areas for action by the end of 2007. Actions 5-8 refer to management declarations and audit assurance. In the progress report of February 2008, the Commission reported on the progress related to management declarations and audit assurance. It noted that:

- a) shared management legislation for 2007-13 requires Member States to provide an annual audit opinion and details of the results of controls;

- b) the revised Financial Regulation requires an Annual Summary of available audits and declarations. The obligation to produce an Annual Summary was clarified in Article 7(5) of Regulation (EC) No 885/2006 and further detailed Guidelines were addressed to Member States in December 2007;
- c) some Member States submitted the voluntary declaration and some expressed their intentions to take actions in this respect.

In June 2006 within the framework of the **Inter-institutional Agreement**, the Parliament, the Council and the Commission agreed “on the importance of strengthening internal control without adding to the administrative burden for which the simplification of the underlying legislation is a prerequisite”. It was further agreed that “the relevant audit authorities in Member States will produce an assessment concerning the compliance of management and control systems with the regulations of the Community. Member States therefore undertake to produce an Annual Summary at the appropriate national level of the available audits and declarations”. However, some Member States expressed their position that “the content of this paragraph does not impose obligations on the Member States different from those established in (...) regulations” and “it is only the Commission which is obliged to give evidence to the European Parliament with regard to the implementation of expenditure or the operation of financial control systems.”²¹

In order to give effect to the above provisions, Article 53b(3) was introduced to the **Financial Regulation** which states that Member States shall produce an Annual Summary at the appropriate national level of the available audits and declarations.

Furthermore, an amendment to the **Implementing Rules of the Financial Regulation** was introduced specifying that the summary shall be provided by the appropriate body designated by the Member State, and that for structural actions the part related to audits should include the audit opinions of the audit authorities, and the part related to declarations should include the certifications by the certifying authority. This phrasing was an evident step back in relation to the proposals of the Parliament.

In December 2007 the Commission issued a **Guidance Note** to the Member States through the Coordination Committee of the Funds.

All but one Member States submitted the Annual Summaries. The Commission has instituted infringement proceedings against this Member State.

In 2008 the Commission as well the ECA carried out **evaluations of Annual Summaries**. Detailed information is provided under title III.

In November 2008 the Commission communicated a **revised Guidance Note** to the Member States.

²¹ "A" Item Note 9050/1/06.

3. STUDY APPROACH

1. The findings in this report are based on an analysis of the Annual Summaries, existing evaluations of summaries, Guidelines, Communications between the EC and Member States, as well as other relevant documents.
2. In addition, we performed a number of interviews which helped us to understand the views of different stakeholders. Our interviewees were:
 - a) A representative of the Audit Authority in one Member State²²,
 - b) Representatives of the European Court of Auditors,
 - c) A representative of DG Budget, the European Commission,
 - d) Representatives of the Internal Audit Service, the European Commission,
 - e) Representatives of DG Regional Policy, the European Commission.
3. We also performed a survey. The respondents were two-fold:
 - a) Representatives of Member States' bodies designated²³ to provide summaries according to the national regulations,
 - b) Representatives of Supreme Audit Institutions.
4. To conclude the study and corroborate its results we invited experts in the field to carry out a critical review of the study's results²⁴.

It should also be noted that 2008 was the first year for the submission of the Annual Summaries. Therefore, for obvious reasons we concentrated on documents which had been produced for the first time.

We also stress that setting the study in a wider context makes it extremely difficult to draw very specific conclusions or recommendations. All elements of control systems are closely interrelated and proposals for improvement in one area have very direct effects in others. Some of our conclusions and recommendations therefore have a rather general nature and area influenced by development in the areas which were not subject of our study (e.g. DAS methodology, common auditing standards).

²² The objective of this interview was to get a preliminary understanding of the process of the preparation of the Annual Summaries.

²³ In a number of cases Audit Authorities were assigned to be designated bodies.

²⁴ We initially planned a panel discussion, however due to technical and organisational problems, a face-to-face and telephone discussion was carried out.

4. WORKS DONE

4.1. PRESENTATION OF THE APPROACH TO THE EP

Our approach was presented and discussed to re-ensure full understanding and agreement on goals and methods²⁵. As a result of the meeting, a few amendments were introduced to our initial proposal.

4.2. INVENTORY AND ANALYSIS OF ANNUAL SUMMARIES

We made a request to the Commission to gain access to all submitted Annual Summaries as well as all communications with the Member States in this respect. After lengthy discussions, we found an arrangement to access a certain portion of requested documentation. By 11 December, we had received summaries from 23 Member States. In some cases documents were incomplete or the translation was not provided.

For agricultural funds, AS (synthesis) were required in the case of 11 countries, since only countries with more than one paying agency were obliged to submit AS. Initially we received AS in national languages. By 5 January we received English versions of the AS.

The inventory of received documents, both for structural funds and agriculture, is contained in the *Annex II List of received documents*.

During our review we focused in particular on the following issues: elements of assurance, representation power, compliance with the Guidance Note, comparability and quality. The existing structure of an AS (both for structural funds and for agriculture can be found in the *Annex VI The structure of AS*).

4.3. ANALYSIS OF GUIDELINES

We analysed four of the Commission's Guidelines (two in relation to Structural Action and two in relation to Agriculture Expenditure):

- a) Guidance Note on the Annual Summary in relation to Structural Action and the European Fisheries Fund, dated 18/12/2007, which was to assist Member States in the submission of Annual Summaries for 2007;
- b) Guidance Note on the Annual Summary in relation to Structural Action and the European Fisheries Fund (revised), dated 12/11/2008, which is to assist Member States in the submission of Annual Summaries for 2008;

²⁵ Meeting with Mrs De Lange and EP officials on 24 September 2008.

- c) Guideline regarding the establishment of the annual Synthesis concerning agricultural expenditure under the EAGF and the EAFRD under Article 7(5) of Commission Regulation (EC) no 885/2006; AGRI/64647/2007;
- d) Guideline no 8 regarding the establishment of the annual Synthesis concerning agricultural expenditure under the EAGF and the EAFRD under Article 7(5) of Commission Regulation (EC) no 885/2006; AGRI/64647/2007-en-rev1.

The Commission's Guidelines were analysed to assess whether the new reporting requirements have been clearly communicated to Member States. We focused on the following aspects of the communication (for a detailed analysis, refer to the *Annex III Guidance Notes Evaluation*):

- a) **Legal basis.** Indication of the legal basis of AS. We have checked whether the MS received a reference to respective legislation along with a clear explanation of its meaning, if required.
- b) **Relation to existing reporting system.** It should be clearly stated when AS do not have to be prepared (partly or completely) or can rely on existing reports, or a reference to existing reports can be made. Situations when AS reporting requirements are (partly or completely) covered by an existing reporting system should be foreseen.
- c) **Scope and format of information.** Definition of reporting period(s), cut off problems (cut off driver should be clearly stated), format – a template and format of information, the programmes/funds it should cover. For sections where a template is not possible (such as overall summary), a clear indication of the required content should be given, stating the purpose of the section, required elements and examples.
- d) **Responsibility.** A clear indication of a responsible entity should be provided. For programmes where more than one country is in charge of the process (e.g. INTERREG), clear responsibility rules should be defined. There should also be a definition of who should sign the summary.
- e) **Reasons.** Indication of reasons for the new reporting requirements, in particular stating benefits for the Member States to encourage them to prepare voluntary parts of AS. Since the sections of AS with potential for added value are voluntary, it is very important to present incentives for MS to prepare them.
- f) **Formal settings.** Deadline for submission, submission channels etc.

4.4. ANALYSIS OF EXISTING EVALUATIONS

Before analysing the original documents we reviewed evaluations that already existed. We tried to identify both the Commission's and the Court's opinion on two aspects: operational effectiveness in the collection process, and current and potential added value of AS.

To the best of our knowledge, the Commission informed the Parliament on the progress of 2007 AS evaluation four times: 22 February, 25 March and 21 April 2008 and 5 March 2009. Our analysis of the Commission's evaluation is based on the progress report dated 21 April²⁶ (as being the most complete) and the update from the report dated 5 March 2009²⁷. We also analysed preliminary evaluation of the statements of assurance and the Annual Summaries (synthesis reports)²⁸ and on the synthesis of Commission's management achievement in 2007²⁹.

The basis for the Court's opinion evaluation was the ECA's Annual Report concerning the financial year 2007 and the ECA's opinion on AS, NMD and audit work on EU funds of national audit bodies³⁰.

Opinions crucial to the study can be found below. If not stated otherwise, these are opinions presented by the authors of respective evaluations.

4.4.1. Commission's assessment of Annual Summaries

Structural Funds

On 21 April 2008 the Commission reported that two countries had not submitted AS. In one case the Commission planned to launch the infringement procedure. The second country concerned had submitted separate control reports for each fund, but they included the majority of information meeting minimal requirements. The Commission followed up on non-compliance cases and the number of countries which generally complied with the minimum requirements (with minor gaps) increased. Member States have been requested to provide additional information, in order to clarify inconsistencies or in order to comply with the format of the Commission Guidance Note and improve on the quality of their summary.

According to the Commission, the Directorates-General have taken account of the information provided in the AS for the assessment of MS' management and control system included in the Annual Activity Reports.

In our opinion, an analysis of the quality of the overall analysis has not been performed. The "quality" analysis performed by the Commission was limited to the existence check of overall analysis and declaration as to the completeness and accuracy of the information provided. Additionally the use of the template provided has been verified.

On 5 March 2009 the Commission reported that all countries except one had delivered AS compliant with minimum requirements and the vast majority used the template of the Guidance Note. The non-compliance case is under examination in order to decide whether the documents received allow the infringement procedure to be discontinued. At the same time the Commission noted that no further

²⁶ Communication letter from the Director-General of Regional Policy to the Committee on Budgetary Control on 21 April 2008.

²⁷ Communication letter from the Director-General of Regional Policy to the Committee on Budgetary Control on 5 March 2009; it related in principle to AS for 2008, but summary of the Commission's assessment for 2007 was in the annex.

²⁸ Preliminary evaluation of the Statements of Assurance provided by the directors of the paying agencies and the Annual Summaries (synthesis reports) provided by the coordinating bodies for agricultural expenditure under the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

²⁹ Communication from the Commission to the European Parliament, the Council and the Court of Auditors, Synthesis of the Commission's management achievements in 2007.

³⁰ Opinion No 6/2007 on the Annual Summaries of Member States; 'national declarations' of Member States; and audit work on EU funds of national audit bodies.

action could be taken in case of lack of voluntary elements, except for encouraging MS to follow best practice.

Detailed information on AS submission for 2007 can be found in *Annex IV Commission's assessment of AS on structural actions*.

Agriculture

Annual Summaries were to be presented by Member States which have more than one paying agency. Eleven Member States were required to present AS (Synthesis Report). As reported by the Commission all but one country submitted their AS between 15 and 25 February 2008. One country announced its AS for the end of March and delivered it in early April.

According to the Commission all AS provided presented a factual overview of Statements of Assurance from directors of the Agencies and certificates from certifying bodies in the format required by the Commission's Guidelines. All AS that showed reservations or qualifications included further analysis of identified problems.

The Commission concluded that Member States had complied with legal requirements and followed the Guidelines established by it; however, the quality of additional analysis could still be further improved.

4.4.2. Commission's management achievement in 2007

Structural Funds

The Commission informed that by the end of April 2008, all Member States except one had presented Annual Summaries which complied, or mainly complied, with the minimum requirements of the Guidelines. However, the absence of overall analysis or conclusions in many cases meant that the added value was limited, due at least partly to the novelty of the requirement. Letters have been sent in the event of non-transmission or non-compliance and the Commission has begun legal proceedings against one Member State.

The Commission agreed that the Court of Auditors' findings on Structural Funds demonstrated an unacceptably high error rate. The Commission was convinced that the requirement for Annual Summaries would make Member States more accountable for the use of Structural Funds, provided that they follow the recommendations to improve the quality. This process would help to enhance the Commission's own assurance.

Agriculture

In 2007 some control instruments became fully applicable for the first time. This includes the Statement of Assurance to be given by Member States' paying agencies, the Annual Summary (synthesis report) to be provided by the national coordinating bodies, and the obligation of the certification bodies to verify and validate inspection statistics and post-payment checks. As the Commission stated, Member States have generally complied with their new legal obligations.

4.4.3. ECA's Annual Report concerning the financial year 2007

The Court considered that, for this first year of Annual Summaries, the Commission has adequately supervised the process, both by issuing clear Guidelines and by pursuing the reasons for non-compliance with deadlines and criteria for scope and quality³¹.

At the same time the Court pointed out that the disparity of presentation and the frequent absence of a statement on the completeness and accuracy of the underlying data have meant that AS do not yet provide a reliable assessment of the functioning and effectiveness of the supervisory and control system.

The Commission replied that almost all Member States finally complied with the requirements, which provides a good basis for improving the quality of AS for the next year. The Commission will present revised Guidelines.

In the report, the Court emphasises the importance of the quality of primary controls (at beneficiary level), which cannot be either substituted or corrected on higher levels of control (monitoring controls).

4.4.4. ECA's opinion on AS, NMD and audit

The Court recognises the fact that the legislation restricts the AS to simple cross-sector summaries. An added value potential still needs to be created by the Commission. A National Management Declaration has much more potential of increasing national accountability in shared management process, but they are a voluntary initiative of few Member States. Their value will depend on the scope and quality of the underlying work.

The Court also recognises the possible use of national audit work, provided it is in line with international audit standards; however, both AS and NMD report on the control systems in a given country. The Court also points out that its audit methodology focuses on horizontal risks (conclusions are generally provided by budgetary area rather than by individual MS) and that the biggest perceived risk is at the level of beneficiary and not at the level of control systems of a Member State or Commission.

The Court points out that non-audited management declarations – such as AS – do not constitute conclusive audit evidence. Opinions produced by National Audit Bodies may constitute audit evidence on which the Court can rely on. In order to do this, direct evidence of the sound basis of their work must be obtained – according to international auditing standards.

³¹ In our opinion, only the existence of elements has been checked without an analysis of the content of the elements with value-added potential (overall analysis and Statement of Assurance). Please refer to *Annex IV Commission's assessment of AS on structural actions*.

4.5. INTERVIEWS

The two-day interview session which took place on 24 and 25 September 2008 was aimed at getting to know and understand the opinions of stakeholders directly involved in the process³². We tried to identify the underlying goals of AS legislation, various views on the first year exercise – trying to define improvements and hear the voice of auditors (external – from the ECA, and internal – from Internal Audit Service). Again we looked at both: the efficiency of the process of AS collection and the added value of the latter. A second set of consultations within the institutions was carried out at the end of the study process with a view to discuss some of the findings presented below.

4.5.1. Intended goals for AS introduction³³

As we were informed, the Commission's intention was to have a conclusion on all audits performed by the Member States in the field of structural funds and agriculture. This intended conclusion was expected to go beyond a simple summary of expenditure and audits, especially by presenting an assessment of the overall impact of all findings and an overall opinion on the regularity of spending.

4.5.2. Annual Summaries collection process for 2007

Both DG Regional Policy and the ECA are positive on the AS collection process for 2007. In a few cases National Management Declarations have also been provided on a voluntary basis, some of them along with an audit certificate.

A problem of tough deadlines has been indicated. The deadline for submission was 15 February; the deadline for Annual Activity Report is 31 March. Even if the AS are submitted on time, a month for possible corrections to be brought to the AS is a short period.

4.5.3. Currently perceived value

It has been recognised that since the AS are by definition just summaries, they have very limited added value. The Commission has simplified its Guidelines emphasising the importance of the quality of AS in order to gain more added value.

In the Court's opinion, information included in AS can also be derived from Certificates of Expenditure and Control Reports that make the majority of information in AS redundant. Additionally, AS have limited direct impact on DAS since the error rate stated in a sample is a major source of assurance. Of course, strengthening of internal control should result in reduced error rate.

4.5.4. Potential value

Some of our interlocutors claimed that AS should be treated as a stepping stone towards the National Management Declaration. AS and NMD would constitute representation of appropriate spending and effective controls at national level. AS and NMD should not only present assessments in respect of the whole country, but also show "building blocks" of the overall conclusion, presenting at least opinions on separate programmes along with reasons for qualification.

³² List of interviewees is presented in the *study approach* section.

³³ Interview with Head of Unit in charge of FR on 24 September.

AS and NMD should be subjected to an external audit, which could be performed by any professional body. There are various actors who could potentially provide assurance on AS and NMD: SAI, subcontracted external audit firms, internal audit in a given country, the ECA and EC. The ECA should have influence on the audit approach followed to harmonise the audit work on AS and NMD. Clean opinions expressed in national AS and NMD should in theory correspond to a low error rate detected by the ECA. If not, corrective action should take place in respect of the approach followed for the audit of AS and NMD. The audit of AS and NMD should follow a single audit concept.

4.6. THE HAGUE CONFERENCE

The Project Leader took part in a conference organised by the Dutch Ministry of Finance in The Hague. Under the title “Financial Management of EU funds”, prominent speakers from various institutions, both at the national and European level, presented their views on the issue of Member States’ accountability under shared management, the role of Supreme Audit Institutions, as well as perspectives for the National Declarations. There were 92 participants in the conference representing the European Parliament, European Commission, European Court of Auditors, and public administration bodies from the following countries: the UK, Lithuania, the Czech Republic, Austria, Greece, Spain, Slovakia, Denmark, Poland, Slovenia, Belgium, Latvia, the Netherlands, Germany, Lithuania, Sweden, Romania, Estonia, Malta and Finland.

The conference confirmed differences of views amongst Member States with respect to the role of accountability and responsibility in improvement of EU financial management, the importance of legality and regularity and the prospect of the National Management Declarations. The approaches of those countries which produce some kind of national declaration were presented. Although the NMD share national accountability as a basic starting point, they also have substantial variances. Therefore, there is a need for further discussion at various forums, both at the European and national levels.

4.7. NATIONAL MANAGEMENT DECLARATION

As NMD are a voluntary initiative of a few MS there is no definition or even minimal requirements adopted by the Commission. Based on the documents analysed in the course of the study we can state that NMD is understood as an annual declaration of a MS, which should:

- a) be made at a proper political level to present the MS’s accountability,
- b) present figures of money received and money spent in the period,
- c) assure legality and regularity of underlying transaction (by means of an “assurance statement”),
- d) assure that financial management of EU funds in shared management has been in compliance with EU regulation.

Since our conclusion clearly supports the introduction of NMD and treats existing AS as transition reports only, we decided to present the result of our analysis of the NMD that we gained access to during our study. In fact our access was limited to three NMD, one of which was only in national language. Therefore, we are not in the position to present a comprehensive analysis of solutions adopted by MS, but we can present our view on presented format and content of NMD, and on some problems encountered by MS when preparing NMD.

One approach was to present a consolidated statement on the use of EU funds, based on the concept of financial consolidated statements, which is well established in the private sector. Consolidated expenditure accounts³⁴, balance sheets and cash flow statements have been presented along with the respective explanatory notes. In addition, information on accounting policies, reporting standards, events after the balance sheet date and contingent liabilities have also been presented. However, no assurance as to the proper working of controls has been produced, although by presenting figures in the abovementioned statements, the MS claims the underlying transactions were legal and regular. Consequently the performed audit on the above consolidated statement is supposed to assure the correctness of the figures, including legality and regularity of the underlying transactions, although proper working of the controls has not been audited.

A second approach was to formulate a management representation on the proper operation of the controls by presenting a general statement that “functioning of the systems set up by MS, including the measures taken for the financial management and control of resources concerning the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) for the financial year XXXX provide reasonable assurance on the legality and regularity of the underlying transactions, as well as of the eligibility of payment requests.” The figure of total expenditure and revenue has also been indicated and claimed to be regular and legal. The assurance given was weakened by a phrase “to the best of my knowledge”.

In both cases there was no more detailed managerial assurance on the proper working of key controls and/or evidence of actions taken by the management to reach that assurance.

We believe that all approaches proposed by the MS should be carefully considered by the Commission. In our view, the use of the concept of consolidated financial statement brings much transparency, as it tries to present a true and fair view of operations, which is broader than a pure flow of money. Receivables and payables are presented in the balance sheet as well as the source of financing of net assets. The difference between net cash outflows and gross EU expenditure is also visible. Furthermore, explanatory notes help to understand the figures, and the concept of segment reporting allows the data presented (in this case used only for Gross expenditure statement) to be broken down for each fund separately.

Meanwhile, we point out that the clear presentation of figures alone does not assure legality and regularity of underlying transactions; a presentation of proper working of controls is still needed. In this respect we suggest making use of concept and experience in the implementation of SOX³⁵. We acknowledge the fact that under SOX the controls reported are aimed at assuring correctness of financial statements and not the legality and regularity of the underlying transactions. However, we

³⁴ As defined in the respective NMD: “it shows the EU funded element of amounts paid out by the national government bodies supported wholly or partially by the EU on which the MS anticipates EU funding at the point the payment is made”.

³⁵ Sarbanes-Oxley Act implemented in the USA in 2002 to raise confidence in the financial reporting system of public companies and protect investors.

believe that the general concept of management presenting assurance on the proper functioning of controls along with the elements supporting this assurance, should be used in NMD. As SOX has been practically tested in the private sector one should take the chance to learn from this experience when constructing NMD.

We also consider that a proper spending of EU money should not be limited to the legality and regularity of underlying transaction. Economy, efficiency and effectiveness of spending should also be ensured and presented in NMD and confirmed by VFM audits.

4.8. SURVEY

Survey questionnaires were sent out to the authorities of all MS. In some cases we performed additional phone interviews to receive clarifications and additional information. The objective of the survey was to gather views of the MS with respect to the current status quo as well as regarding the prospect of the management declarations. There were two types of questionnaires as well as two target groups, i.e. designated authorities and Supreme Audit Institutions.

The questionnaire addressed to SAI aimed at presenting views on currently existing AS and potential audit arrangements of NMD and/or AS in the future. With their audit experience in the public sector in general and in EU financed projects in particular and, furthermore, having the legal mandate to act at the national level, SAI seemed to be the most natural candidate for the role of national auditor of NMD and/or AS. Since their roles in audit of EU financed programmes differ from country to country we firstly tried to establish to what extent the particular SAI is currently involved in the process of building up the assurance. The next question aimed at presenting the main challenges faced by SAI when auditing NMD/AS and opinions on whom else, if not SAI, could audit them. We were also interested to know their views on the ECA's potential role of principal auditor (as defined in the international standards of auditing), on the role of currently shaped AS in the overall EU control framework, as well as their possible improvements. Since the reason for not yet having a positive DAS is the error rate which is above the materiality threshold and the systems' weaknesses, we also asked about the expected influence of AS and NMD on this error rate.

By sending out our survey to the designated bodies, we wanted to receive their feedback on possible prospects related to the AS development and the introduction of NMD. In the first instance we wished to evaluate whether there is at least a common position on elementary issues such as joint efforts towards positive DAS or by the MS taking part of the political responsibility for the EU budget implementation. Our goal was then to find out MS' opinions on the existing procedures and possible shortcomings related to the AS elaboration and the impact on their national systems. Finally, we were interested in getting opinions on possible ways forward including NMD and audit arrangements.

The response rate was relatively low. We received 10 responses from designated authorities and 10 from SAI. This constitutes a 37% response rate. We believe that the reasons for such a low response rate could have been the following:

- a) No clear and uniform position amongst different stakeholders within the national administration.

- b) Belief that a national position is well known and therefore there is no need to express it repeatedly.
- c) Belief that keeping the discussion active could potentially lead to developments which might not be welcomed by the national administration.

A summary of the results is provided below, while detailed results are presented in *Annex VIII*. Regarding the answers received from designated bodies, we have observed the following:

- a) All respondents agree that both the European Commission and the Member States should make a collective effort towards the positive DAS. Four of them highlight the role of the simplification of rules, as well as further work on weaknesses identified by the ECA, including their definition and materiality; two mentioned the need to focus on efficiency and effectiveness of the funds.
- b) Unsurprisingly only two MS wish for further improvements of AS, and three perceive NMD as a tool positive to DAS.
- c) Only half of the respondents have any written internal procedures formalising the elaboration process of AS. The other half argues that the procedures are not necessary or that the EC Guidance Note fulfils such a role.
- d) The opinions on the Guidance Note are generally positive with a reservation concerning the late delivery of the national language versions.
- e) Only two MS believe that the Overall Assurance section of the Annual Summary strengthens risk management and accountability of the Member States and accordingly would like to see the Overall Assurance section become mandatory (which supports the findings under point b)). Some MS conclude that the information presented in the body of AS improve risk management and accountability, not however in the context of AS delivery, but through other reporting lines (e.g. annual control reports, certification audits). Therefore all but one MS would not welcome the Overall Assurance section as mandatory.
- f) No respondent sees the point in giving the audit assurance on the Annual Summaries.
- g) Almost all MS were reluctant in giving their expectations in a trade off process for a good quality Overall Assurance section. Instead they pointed out a very indirect link between the Overall Assurance section and the error rate, as well as the segregation between control cost owner (MS) and the control beneficiary (the Commission). Few suggestions were related to: partial closure, ex-ante auditing as opposed to punitive ex-post audits and limitation of EU controls.
- h) No MS is of the opinion that Annual Summaries provide additional value to the assurance and the accountability process at the level of the EU. They treat them as a “mere list” of data already reported on different occasions and therefore without any significance of assurance.
- i) Five MS agree with the statement that Member States should take a portion of political responsibility for the EU budget implementation in the area of agriculture and structural

actions. In two cases this is accompanied by a support for a political level declaration stating responsibility for the national management and control systems over EU funds. Four respondents also agree that such a declaration should be audited and the auditor should be SAI (4 responses) or Audit Authority (2 response).

- j) The reported key problem areas related to AS include the following:
- timing constraints,
 - nature of AS limited to a mere summary, and in effect, limited added value,
 - weak linkage between AS and reports of the audit authority,
 - redundancy of information,
 - benefits for the EU not for the MS,
 - inconsistency between the fact that MS are responsible for EU funds implementation while the responsibility for setting up complex rules, making this implementation difficult lies with the EU,
 - administrative burden of the collection of information,
 - unclear objectives along with lack of effects.

It should also be noted that the survey results are biased geographically (uneven distribution) since the response rate from the northern part of the EU was incomparably higher than the response from the southern countries.

We also found a negative correlation between the percentage of EU money in the national budget and the MS' attitude towards NMD. However we would rather refrain from drawing the conclusion that this is a key factor for the MS' willingness to introduce NMD. Instead we claim that the reluctance of certain countries to participate in the debate on possible development might be rooted in cultural differences and specifically it can be related to the distinction between "results-oriented" and "rules-application" cultures.

In the case of SAI we can present the following observations:

- a) SAI have substantial experience in auditing EU funds (4 assessed their experience as high; 3 as medium; 2 as low).
- b) The most common challenge faced by SAI in the audit of EU funds is reporting lines, where SAI usually report to national Parliament.
- c) Only one SAI presented the view that the audit of AS will provide more assurance to MS, the Commission and the ECA. At the same time one SAI advocated that the AS "is a relatively weak instrument".

- d) Audit of AS is perceived as feasible mainly when performed by SAI (5 responses) rather than by the ECA (2) or a private firm (2). As far as the feasibility of NMD audit is concerned, we have received many questionnaires without any position being taken, but, from those fulfilled, we can say that SAI, the ECA or private firms are equally accepted as potential external auditors.
- e) It has been indicated by a few SAI that the ECA playing a role of principal auditor would not be consistent with Art. 248 of the Treaty. Differences in fiscal years have also been pointed out.
- f) SAI were sceptical about the role of AS/NMD in the reduction of error rate.
- g) In the opinion of SAI, the value of AS is limited, since they do not provide any kind of assurance. One possible use of AS is a kind of a checklist to ensure the completeness of certifications and audits. Consequently, no place for SAI to build up assurance for AS is perceived, whereas an audit of NMD could build up assurance for these reports – in the view of a few SAI.
- h) The role of AS, as they are now defined, on EU control framework is assessed as low. Possible indicated use was limited: information from AS can be reproduced in AAR, a possible means of a better overview of EU control framework for the EP or Commission.

4.9. CRITICAL REVIEW

We applied to different organisations and persons to take part in the critical review of our work. Four experts in the field agreed to share their views and express their opinions on the study's approach and outcomes, based on the draft version of the report. Comments from two experts are summarised in the Annex IX. Most of them are taken into account in the body of the present report. The following persons agreed to take part in our critical review:

Jules Muis is the former Director-General of the Internal Audit Service of the European Commission and Vice President and Controller of the World Bank, where he played a leading role in introducing modern controllership. Mr Muis has been internationally active in public accounting and auditing on various professional and technical committees for most of his professional life. He is also an active discussant and participant in change initiatives by multilateral organisations advocating good governance concepts.

Dorota Dobija is Professor of Accounting and Management at the Kozminski University, Director of the Centre of the Research on Corporate Governance, as well as visiting Professor at numerous universities in the US and Europe. She is also an author of various publications related to strategic managerial accounting and corporate governance.

Jan Zoller is working for the Dutch Ministry of Finance as Senior Policy Advisor for financial management of EU funds in the Netherlands. He is responsible for the national declaration in the Netherlands. Besides this, he has coordinating tasks regarding the financial management of EU funds in the Netherlands.

Maarten Smit is working for the Dutch Ministry of Finance as Senior Policy Advisor for financial management of EU funds in the Netherlands. Among others things, he is responsible for issues such as financial management and simplification of the structural policies, the annual discharge procedures and the Annual Summary.

5. STUDY RESULTS

5.1. ACCOUNTABILITY CONTEXT

It is generally accepted that accountability is one of the key concepts of democratic government. At the same time, the meaning of accountability is not equally recognised in all MS; the most visible difference being between the Anglo-Saxon way of understanding the concept and the close-to-responsibility meaning of accountability in continental Europe. Since taking part in a “debate on accountability” is far beyond the scope of the study, we limit our considerations to the following statements which should not raise any controversy:

- a) National administration should be accountable to citizens at EU level for spending of EU funds – that can be reached by means of reporting to the EP;
- b) National administration should be accountable to citizens at MS level for spending of EU funds – that can be reached by means of reporting to the national parliament;
- c) Due to different meanings of accountability among MS, the EU-level accountability mechanism should be well defined and, accordingly, attention should be given to the need for a common understanding of the term. Initiatives should be undertaken to raise awareness.

One of the crucial elements of accountability is an assurance on the proper supervision of the entrusted money provided by management – management representation (assurance statement), and confirmed by an external, independent auditor – audit assurance (audit opinion).

Translating this general concept into the current EU reporting system, we can state that the accountability at EU level is ensured through the budgetary discharge process, with the EP being the final addressee. From this perspective one can see the following key elements:

- a) Management representation. The Commission’s management representation in the form of a synthesis report, where general assurance is formulated. This is based on:
 - Annual Activity Reports provided by each DG with an assurance statement (Declaration of Assurance)
 - Annual Report from Internal Auditor. No general opinion is submitted by IAS
 - Commission’s accountant signing off on the consolidated accounts³⁶;
- b) External auditor’s assurance. The ECA’s opinion on the reliability of the accounts, and the legality and regularity of the underlying transactions, is an audit assurance from an independent external auditor – ECA’s opinion;
- c) Replies and hearings in the EP, being part of discharge procedure.

³⁶ Article 129, Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities.

The assurance presented to the EP at EU level must be substantially based on the assurances reached at MS level (as 80% of the budget is spent under shared management). This also means that the quality of assurance reached at EU level clearly depends on the quality of assurance at MS level. The existing elements of assurance at MS level unfortunately cannot be regarded as satisfactory for this purpose. Below we present managerial reports, some characteristics of which exclude them from performing the function of management representation:

- a) The Statement of expenditure submitted by Certifying Authority is an assurance statement on accuracy, legality, eligibility and regularity of underlying transactions.
 - It is to be submitted each time an application for interim payment is sent and, as such, it can cover different periods. Thus it is highly probable that, in a given year, the statements of expenditure will not cover the entirety of the 12-month period reported in Annual Activity Reports (when one statement covers less than 12 months and the next one is not submitted by the end of the year).
 - It covers each operating programme separately, which means that cross-cutting issues are not reported.
 - As being submitted by a Certifying Authority for a specific operating programme, representation is at a relatively low level, in the context of MS responsibility under shared management system.
- b) Annual Report, to be sent by managing authority by 30 June, which presents progress on the implementation of the operational programme in terms of achieved targets and money spent.
 - As no assurance statement is included, it cannot be regarded as a management representation.
- c) Annual Summary. As it has no assurance statement (voluntary section), it cannot be regarded as a management representation.

With respect to an external auditor's assurance, there is only one candidate – annual control reports, which provides an annual audit opinion on the reliability of the accounts and on the legality and regularity of the underlying transactions. It is to be provided by the Audit Authority for a 12-month period ending on 30 June, and to be sent by 31 December. However, the Audit Authority cannot be regarded as an independent external auditor, since its work is supervised by the Commission. Therefore, it cannot constitute a building block of an audit assurance at MS level; it is part of a managerial supervision exercised by the Commission.

As indicated above, there is a substantial assurance gap at MS level. This could be closed by the implementation of NMD, which would introduce solid management representation at MS level, especially if being audited by an external auditor. The external audit at MS level would also enhance the auditor's assurance chain up to EU level.

5.2. SUMMARIES' CONTENT AND PROCEDURES

5.2.1. Weak legal basis

The concept that finally led to the elaboration of Annual Summaries has been developing over the last few years, mainly during discussions in the context of the budgetary discharge process. The European Parliament was advocating in the first place a declaration at the political level covering all Community funds in shared management and signed by Finance Ministers. This was based on the assumption that the responsibility of the Commission in the budget implementation should be supported by the MS taking at least a portion of political responsibility for budget implementation.

Annual Summaries however, have their direct legal roots in the Inter-Institutional Agreement. Based on it, Article 53b(3) was introduced to the Financial Regulation, stating that Member States shall produce an Annual Summary at the appropriate national level of the available audits and declarations.

Further to the above, an amendment to the Implementing Rules of the Financial Regulation was introduced, specifying that the summary shall be provided by the appropriate body designated by the Member State, and that for structural actions the part related to audits should include the audit opinions of the audit authorities, and the part related to declarations should include the certifications by the certifying authority. This phrasing was an evident step backwards in relation to the proposals by the Parliament. The efforts made by the Commission to make the best of this text ended with the distinction between mandatory and voluntary elements of AS.

We point out that the wording of IIA and consequently the Financial Regulation and its Implementing Rules was insufficient not only to meet the expectations of both the European Parliament and the Commission but also to provide elementary elements like who should sign the summary or even if the summary should be signed at all.

5.2.2. Collection process – existing evaluations

In the Commission's own opinion the collection process of AS was successfully managed. All countries, except one³⁷, have finally submitted their AS, although some with a substantial delay. The adequacy of the Commission's supervision was confirmed by the ECA. The Commission followed the cases of non-compliance with minimum requirements and finally the AS that had been sent by MS generally met the formal requirements defined in the Commission's Guidance.

We believe however, that the added value of first year AS was low. In the Commission's opinion, this is due to the absence of overall analysis or conclusions in many cases. Furthermore, the ECA's view was that AS do not yet provide a reliable assessment of the supervisory and control system – due to differences in presentations and the frequent absence of a statement on the completeness and accuracy.

In relation to agricultural expenditure, the requirement to submit an AS was limited to MS with more than one paying agency; only 11 MS were therefore obliged to deliver AS. Further analysis of identified problems was required in four cases, in which there were reservations or qualifications. All

³⁷ In fact, all MS submitted their AS, but one only for the programming period 2000-2006.

concerned countries submitted AS. In the Commission's own opinion the quality of information can be further improved. Our analysis of the above-mentioned four cases showed that the information provided was inconsistent and of relatively low value.

The perceived low value of received AS confirms the problem already indicated by our interviewees and underestimated by the Commission in its official assessment documents. The parts of AS with added value potential are voluntary. Incentives for MS should be created to encourage them to prepare more valuable overall analysis and give overall assurance.

In our opinion, the Commission has adequately supervised the technical aspects of AS submission and consequently followed up the non-compliance cases. However, we also think that the efforts were too concentrated on formal requirements and the quality analysis performed was limited to the existence check of quality elements.

5.2.3. Procedures related to elaboration of Annual Summaries

Guidance Note

The Guidance Note for structural funds was issued on 18 December 2007. However, according to information gained from communication letters and questionnaires, some national versions were available later. The Commission should ensure that national versions of final Guidance for the given year are also available early enough to enable them to be used reasonably. The Guidance Note (English version) for the 2008 reporting period was published on 12 November 2008.

In our opinion, which has also been confirmed by our surveys, information in the Guidance Notes was generally presented in a clear and concise way. There was also an improvement noted in the Guidance Notes for 2008. However, we have found some shortcomings which are presented below:

- a) No real incentives for submission of non-mandatory sections have been formulated. The first Guidance Note in relation to structural funds did not present any incentives and the changes introduced into the Guidance Note for 2008 were too limited. They state only that "such a global analysis by the designated body will provide valuable information and highlight good practices which can be communicated centrally to the different bodies responsible for improving the effectiveness of their management and control systems and increasing harmonisation. The Commission will use such analysis as an additional source of information for its assessment of Member States' management and controls systems reported in the Directorates-General Annual Activity Reports."
- b) The Guidance Note for structural funds was issued on 18 December 2007. But according to information gained from communication letters and questionnaires, some national versions were available later. The Commission should ensure that national version of final Guidance for the given year is also available early enough to enable a reasonable use of it. The Guidance Note (English version) for 2008 reporting period was published on 12 November 2008.
- c) The Guidance Note on structural funds does not exclude the fact that the designated body may have an auditing mandate, stating only that it must be centrally appointed to be able to perform the coordinating, collecting and compiling tasks. Therefore, the decision as to the nature of designated body (managerial or auditing) was left to MS. In our opinion the AS

should be produced by a managerial body which, according to country-specific regulation, can be held responsible for the system of EU funds implementation in the MS.

- d) The Guidance Note for 2007 on agricultural expenditure clearly divided the synthesis report into three sections. The first one presenting factual information on statements of assurance and opinions, being a simple aggregation, was clearly presented. The second section, which was supposed to be an analysis of data presented in section 1, was not precisely defined. The nature of the third section, the overall summary, was not clearly distinguished from section 2, and a structure for the presentation of information was not clearly presented. Furthermore, some of the information is redundant. The table in Annex 1 presenting information on Statements of Assurance also includes information on the opinion of the certification body (column 11 and column 12), which is redundant with the detailed information on the opinion of the certification body presented in the Annex 2 table. The requirement to explain differences between Statements of Assurance and opinions thereon is also expressed in both synthesis sections (2.2 and 3.2) and in section 4 "overall summary".
- e) The changes to the Guidance on agricultural expenditure introduced for 2008 were limited. The distinction between section 1 and section 2 was made clearer, a year-to-year analysis was introduced and the overall summary now has to be transmitted as a separate document.

We suggest adding some structure to the overall analysis section, which could improve its possible value; but we expect that added value of AS for the 2008 reporting period will remain at a low level. We also believe that the Guidance Note could be further improved to achieve more consistency, clarity and more direct guidance on the format of the information, especially in sections of potential added value (overall analysis, overall level of assurance). A late availability of national versions of the Guidance Note could also lower the quality of AS submitted.

National procedures

We were able to verify the existence of national procedures for the AS elaboration on a very modest sample³⁸. Five out of ten MS that responded to our questionnaire have established written internal procedures for the process of AS elaboration. We share the opinion of some MS that they are not necessarily due to the existence of other procedures regulating the submission of related data. We also agree that in some respects the EC Guidance Note plays such a role or the procedures.

5.2.4. Procedures to ensure completeness and accuracy of the summaries

In the documents received, we found a number of cases of non-compliance or partial compliance with the minimum requirements of the Financial Regulation. We agree with the deficiencies detected by the Commission (see below).

According to the Commission³⁹, it took measures to follow up any shortcomings in quality as well as non-respect of the minimum legal requirements. Additionally, an infringement procedure against

³⁸ Due to low response rate in our survey.

³⁹ Progress report on the action plan to strengthen the Commission's supervisory role under shared management of structural actions, SEC (2008) 2756.

one Member State has been launched. The Commission is also of the opinion that Annual Summaries have strengthened the assurance process for structural actions. On the other hand, the Commission states that "To contribute substantially to an appraisal of the effectiveness of the Member State's management and control systems, an Annual Summary would have to go beyond the minimum requirements"⁴⁰.

To our knowledge, the measures taken by the Commission rely predominantly on communications sent to Member States, of which the AS was non-compliant or of weak quality. We also noted that the Commission sent letters to the Member States urging them to submit Annual Summaries and/or listing deficiencies detected in summaries that had already been submitted, as well as requesting necessary revisions. Examples of such deficiencies included:

- a) inconsistencies between data provided by MS and data stored in the Commission's information system,
- b) missing programmes or tables,
- c) lack or incorrectness of error rate,
- d) lack of overall analysis,
- e) too brief description of audit findings,
- f) wrong calculation of the ratio of expenditure checked,
- g) misinterpretation of the amounts paid by the Commission (the information desired was in fact the amounts that the Commission has paid, disregarding the year this expenditure was declared to the Commission or paid by the final beneficiary),
- h) non-compliance with the format of the template,
- i) lack of the information on audit activity for the programming period 2000-2006,
- j) provision of more than one Annual Summary per Member State,
- k) no information on the follow-up of systemic problems,
- l) inconsistencies between Table 12 (audit activity) and overall analysis section,
- m) lack of signature in the body of the Annual Summary,
- n) wrong cut-off date for the information on audit activity.

The process of quality assurance was ended by the final communication letter from the Commission with its opinion on the compliance with the content requirements. In some cases the Commission took note of commitment to send better quality information in the next period and thus did not

⁴⁰ Parliamentary questions to Madame Day - Discharge 2007.

launch the infringement procedure. In other situations, the Commission noted that it would follow up certain information in the framework of the analysis of Article 13 reports⁴¹.

5.2.5. Compliance with regulations – elements of assurance and analysis

In case of agricultural expenditure, there is no overall assurance foreseen to be included in AS. The Guidance Note indicates that Statements of Assurance are to be sent by each paying agency along with the annual accounts. Consequently none of the MS has sent an overall assurance. Generally, MS complied with formal requirements defined in the Guidance Note. A list of Statements of Assurance and that of opinions have been presented, along with information on reservations and qualifications, if applicable. Nevertheless, the analysis provided was predominantly of a low added value; information provided was too general and sometimes incomplete, while contradictory views of the paying agency and certifying agency were not always explained.

In the overall summary section, the required control statistics of the paying agencies and the recovery of undue payments were provided, however in a different format and scope. The overall summary as such was laconic.

In its Guidance Note on structural expenditure, the Commission recommends the Member States to provide an overall analysis “in order to determine the implications at the level of the Member State as a whole, highlighting any systemic deficiencies and summarising the main cross-cutting issues, and indicate any further actions taken as a consequence.” In the same documents the Commission encourages the MS to determine an overall level of assurance, as well as to establish arrangements for the Annual Summary to be audited by an independent body. The proposed wording for the overall assurance clearly addresses the issue of compliance of management and control systems with the regulations of the Community.

Only few Member States followed the Commission’s suggestions. Its authorities not only used the recommended wording, but also included in the overall analysis reference to systemic deficiencies and main cross-cutting issues. In some other cases the recommended text is altered but can still be regarded as providing **reasonable assurance**.

Some Member States, although not applying the reasonable assurance wording, declared that there were no systemic deficiencies or that there was no information contradicting the data provided. This approach can be considered as providing **limited assurance formula**⁴².

In the case of a few Member States, the overall analysis was limited to the **list of major findings**, sometimes accompanied by too unclear phrasing to express the conclusion whether it represents assurance value.

In some cases, the overall analysis section does **not** include any **assurance** value. Instead, a very critical overview of Structural Funds management system or discussion on VAT eligibility is provided.

⁴¹ Commission Regulation (EC) no 438/2001.

⁴² Using analogy to IFAC standards the objective of limited assurance could be a reduction risk to a level that is acceptable in the circumstances, but where that risk is greater than for a reasonable assurance.

We believe that one of the reasons why some countries did not decide to apply voluntary elements of the AS could be the inadequate position of the designated bodies. Implementing Rules of the Financial Regulation impose on MS the obligation to designate an authority responsible for providing the Annual Summary. In some cases legal power to provide AS may be limited to the mandatory elements of AS, and providing additional elements would require some extra empowerment.

Most of the Annual Summaries that we reviewed did not include any overall analysis sections or were provided in national languages⁴³. We present the summary of assurance wording from the accessed overall analysis in the Annex V Summary of Assurance Wording.

5.2.6. Legal representation

In relation to agricultural expenditure, the Guidance Note clearly defined that the responsibility to produce synthesis lies with coordinating bodies. In one case we could not clearly define the entity that produced the AS since the cover letter was in a separate file and only available in the national language. All three remaining countries submitted AS prepared by coordinating bodies.

In relation to structural funds it was up to each Member State to designate the authority or body ("designated body") that would produce the Annual Summary. According to the Guidance Note, the designated body should be centrally appointed. As such a designated body, responsibility can be assigned to different entities, but the head of this designated body will sign the summary. During our review we noted the following:

- a) In most instances the identification of a legal basis for the designation of the responsible body is very difficult.
- b) It seems that the power of representation is located at a rather low level. We believe that there should be a clear reference for position of the signor as well as legal base for this.
- c) Sometimes it is very difficult to identify a person signing the Annual Summary. The signature only appears in cover letters, or there is only signature without position or full name.
- d) In most cases the designated body is the Audit Authority.
- e) At least one Member State delegated the Minister of Finance to sign the Annual Summary.

5.3. VALUE ADDED AND POSSIBLE IMPACT

5.3.1. Voluntary and mandatory requirements

The potential value of existing AS relies on two elements: overall analysis and overall assurance. Both elements as prescribed in the Guidance Note are voluntary. While the first one is a kind of analysis of provided specific information, the latter is a Management Representation on Internal Control. We are

⁴³ No translation was attached.

of the opinion that the overall analysis could have played the role of “an assessment concerning the compliance of management and control systems” as prescribed in the IIA, and therefore be legally rooted in the provisions of the IIA.

With regard to the mandatory requirements, the added value of the Annual Summaries is very modest. It is three-fold:

- a) Consolidation at MS level. Due to the fact that almost the same information is provided by the MS in the Annual Control Reports and Annual Statements, the value is indeed limited.
- b) Launching technical process. The expectations as to AS after the final phrasing in the Implementing Rules, were rather limited. The expectation was to launch the process and to carry it out technically. For such limited expectation, one can say that it worked successfully. The value is then a technical process as such, that was followed by almost all MS. In these terms it can be treated as a good preparatory exercise before the NMD can be applied.
- c) Initiation of discussion over possible move forward to management representation statements.

5.3.2. Impact for the Commission

Value added elements and discharge procedure

2007 was the first year of application of AS. The Commission focused its efforts on the collection process putting less attention on the value of AS received. The Commission claimed that requirements, against which the received AS were assessed, had both a formal (minimal requirements) and quality nature. They were defined as follows:

- a) The minimal requirements:
 - Single Annual Summary with complete information for all Funds should be provided;
 - Expenditure concerning programming period 2000-2006 should be included.
- b) The “quality” requirements:
 - Use of the template provided in the Commission’s guidance;
 - Existence of declaration as to the completeness and accuracy of the information provided;
 - Existence of overall analysis of the information provided and/or Statement of Assurance.

The value of declaration or overall analysis has not been analysed. There was simply a general statement that “the quality of additional analysis still can be further improved”.

As already mentioned above, we agree that the technical management of the collection process for the first year of AS submission should be regarded as a success for the Commission. At the same time, we believe that the value analysis of AS submitted cannot be reduced to a simple existence check of management declarations or Annual Summaries. An analysis of the value of received documents taking into account the goals of AS introduction should be performed. As this was missing, the question remained open as to whether the AS that were received did provide additional assurance at the MS level regarding the regularity and legality of underlying transaction and effectiveness of internal controls.

The role of AS in the discharge procedure was also difficult to define. The Annual Activity Report of DG REGIO observes that the AS “reinforces the accountability of Member States for the use of the Funds and contributes to the Commission's assurance”, but the only symptoms of this contribution are limited to the indication that the assessment of the Annual Summaries reveals no inconsistencies with the conclusions reached by other means. The conclusion as to the adequacy of the management and control system in the MS was based on other information sources, as presented in section 2.5.2 *Assessment of management and control systems in the beneficiary countries* of the Annual Activity Report.

Reporting system

Taking into account the reporting system in place and presented below, the submission of AS gives a confirmation of information already possessed by the Commission.

5.3.3. Impact for Member States

Reporting system

On the basis of the review of the content of AS, other reports, Guidance Notes and our surveys and interviews, we can conclude that the majority of data required by AS is redundant, being already reported in other reports. The new elements of AS are the overall summary and overall assurance. The remaining information is presented in other important reports to be submitted by MS to the Commission:

- a) Statements of expenditure, which constitute management representations that all expenditure presented are eligible, that the statement is accurate and the results based on reliable accounting systems. They are prepared separately for each operating programme. They are to be sent together with the application for interim payment and as such can cover different periods.
- b) Statements on withdrawn and recovered amounts and pending recoveries⁴⁴, which present information also covered by AS. The statements are to be submitted by 31 March each year.

⁴⁴ Commission Regulation (EC) No 1828/2006 of 8 December 2006, Annex XI Statement on withdrawn and recovered amounts and pending recoveries.

- c) Annual reports⁴⁵, to be sent by the managing authority by 30 June, which present progress on the implementation of operational programmes in terms of achieved targets and money spent.
- d) Annual control reports, which cover the majority of AS content, refer to audit work. They include both a list of audits carried out (with description of the principal findings and conclusions) and an indication of any systemic problems (along with measures taken). Annual control reports can cover more than one programme or Fund; if so, information should be broken down by programme and by Fund. Annual control reports should be sent by 31 December each year by Audit Authority and should cover a 12-month period ending on 30 June of the year concerned⁴⁶.
- e) Annual audit opinions⁴⁷ on whether the systems functioned effectively so as to provide reasonable assurance that statements of expenditure presented to the Commission are correct and, as a consequence, reasonable assurance that the underlying transactions are legal and regular. They should be sent by 31 December each year by Audit Authority.

Risk management and accountability at the national level

We were unable to find any evidence of the impact of mandatory elements of AS on the improvement of risk management and accountability at the national level. Annual Summaries in their current shape, and as some MS rightly point out, are mere lists of information with very limited if any assurance value. This view is also supported by the outcome of our survey in which only two MS agreed that the Overall Assurance section of the Annual Summary strengthens risk management and the accountability of the Member States. Therefore we are of the opinion that only good quality and mandatory assurance could lead to the improvement of risk management accountability at the national level.

We found it very encouraging that only three MS disagreed with the view that Member States should take a portion of political responsibility for the EU budget implementation. It is even more promising that all our respondents agreed that both the European Commission and the Member States should make a collective effort towards the positive DAS. This constitutes a good starting point for further discussion.

On the other hand, we observe with regret the reluctance of some MS to disclose information or present their views. This might indicate that transparency understood in the context of accountability at national level could be put on the agenda.

5.4. AUDIT ARRANGEMENTS

In our opinion, a management representation on the adequacy of control systems, as well as accuracy and regularity of reported expenditure, should be subject to an external audit. This would strongly increase the reliability of reported data and thus could be useful for:

⁴⁵ Article 67 of Council Regulation (EC) No 1083/2006

⁴⁶ Council Regulation (EC) No 1083/2006 of 11 July 2006.

⁴⁷ Commission Regulation (EC) No 1828/2006 of 8 December 2006, Annex VII: *Model annual opinion*

- a) DG which could base the assessment of the system of MS on an audited report,
- b) ECA, since the reports would constitute conclusive audit evidence,
- c) MS, who could present the proper spending of EU money, both to the Commission and to its Parliament.

Based on all the sources of information used in this study and following our own analysis, we concluded that AS have very low added value potential and present a repetitive and “stepping stone” nature. Therefore, efforts to put more reliance on these reports and to obtain assurance as to their correctness would not bring any new value; this would rather provide MS with new arguments to question the whole concept of AS. We therefore concentrated on possible ways of auditing NMD only, bearing in mind that for the time being, NMD is much more a concept than a report with an established form and structure⁴⁸.

In our opinion, an audit of NMD by all three potential auditors (ECA, SAI, private audit firm) is feasible. An audit by the ECA of all 27 NMD would not be practical (knowledge of country-specific regulations, reporting lines, operation of administration, local language etc.), and, if executed, would probably require a substantial use of MS level auditors (either SAI’s audit resources or contracted by SAI private audit firm) or a substantial commitment of ECA’s resources in the MS. Therefore, our analysis presented below focused on two other solutions; namely NMD being audited either by SAI or by a private audit firm. The ECA’s role, which is described in detail in the paragraph *Summaries’ usefulness for ECA*, would be to determine conditions under which it can place reliance on such audit work and to assess whether they have been fulfilled.

Since the response rate to the conducted survey was relatively low, its statistical value is moderate. Nevertheless, based on the information received, we can conclude the following:

- a) None of the surveyed SAI presented arguments of a general nature, which would question the feasibility of NMD audit, as being performed by SAI or by a private firm.
- b) No other possibilities to audit NMD have been presented than those considered above (audit by the ECA, or by SAI, or by a private audit firm).
- c) The value of AS in building EU control framework has been assessed as low.
- d) The main obstacles to a close cooperation of the ECA and SAI for the audit of AS/NMD, which in practice should take the form of the ECA being a principal auditor, were highlighted as: threat to independence of SAI, lack of legal basis to report outside MS, time consuming coordination, legal constraints at EU level (Article 287 of the Treaty, ex Article 248).

We do not believe it is possible to come up with one solution to suit all stakeholders. Placing reliance on MS, NMD should acknowledge the existing differences and limitations. It should be based on the concept of accountability of each MS for the EU money received. Thus it should be up to MS to decide whether NMD are audited by SAI or a private firm, whilst the ECA should assess the quality of such an assurance. MS with properly presented NMD, which show that controls are working correctly and the reliability of which is assured by an audit “accepted” by the ECA, should have clear benefits compared

⁴⁸ Elements of NMD concept are presented under section *National Management Declaration*.

to MS with an incorrectly working system. In this way, the required quality of the audit will be ensured by means of the ECA's annual assessment, and each country will be able to choose a solution which better suits its specificities.

The table presented below summarises the pros and cons of having NMD audited by SAI or by a private audit firm.

	Pros	Cons
Audit by SAI	<ul style="list-style-type: none"> • Knowledge of MS administration • Experience in audit of EU financed projects (differs however from country to country) • Natural role of SAI is to audit national spending. In many MS, the scale of EU financed projects is so substantial that SAI audit of EU spending becomes a natural activity which will be or is already required by national Parliament. In all countries there is a national contribution to EU financed programmes 	<ul style="list-style-type: none"> • Different experience in assessing adequacy of controls and in the audit of financial statements akin to private sector financial statements • Legal limitations to report outside MS • Independence from the ECA
Audit by a private audit firm	<ul style="list-style-type: none"> • Experience in audit of SOX-based reporting can be beneficial in audit of NMD • Experience in accrual accounting. • Increased knowledge sharing potential as views can be exchanged not only within SAI • Direct reporting line to the ECA can be ensured in the contract 	<ul style="list-style-type: none"> • Limited experience in public sector, thus substantial efforts in the first year's audits • As the natural role of SAI is to audit public money, an audit of substantial part of this spending by another auditor could to some extent be regarded as taking over SAI's competence

The following table highlights the consequences to ECA, Member States and the Commission of having NMD audited.

	Pros	Cons
Consequences to the ECA	<ul style="list-style-type: none"> • Conclusive audit evidence on the quality of spending for each MS • Reliable and more direct than AAR or SR source of information for assessment of control systems in MS • Should reduce sample sizes in substantive testing • Should enable 	<ul style="list-style-type: none"> • Audit work required to place reliance on NMD can be substantial, especially at the beginning • If reporting at EU level (ABB and ABM) is not harmonised with reporting at MS level, the direct use of NMD audit can be limited, and efforts to "translate" it into EU reporting framework can be substantial

	concentration of audit efforts on problem areas as the problems will become more visible	
Consequences to Member State	<ul style="list-style-type: none"> • Can prove that EU money has been spent correctly since the management representation will be assured by an independent professional auditor • Should increase the effectiveness of the controls and as a consequence reduce withdrawals and recoveries • Should increase the quality of reports • Increased transparency 	<ul style="list-style-type: none"> • Additional costs (money, time, administrative burden)
Consequences to Commission/EU	<ul style="list-style-type: none"> • Source of complete and reliable information on the quality of spending • Reduction of own controls/audits • Should increase the effectiveness of the controls and as a consequence reduce withdrawals and recoveries 	<ul style="list-style-type: none"> • Additional costs – MS will probably advocate that EU should participate in the costs of new reporting system • Need for substantial administrative efforts to establish new system or redesign the existing one: preparing format of NMD, getting agreement of MS, replacing some of existing reports, establishing reporting channels

5.5. SUMMARIES' USEFULNESS FOR ECA

Nature of ECA's work

The DAS audit performed by ECA is two-fold. Firstly the ECA issues an opinion on the reliability of the accounts, which is basically based on principles of well established rules for the audit of financial statements. In this respect, the Court verifies whether the Commission has applied the relevant accounting rules in a proper way and whether the consolidated final accounts give a true and fair view of the EU finances. Secondly, the ECA issues an opinion on legality and regularity of the underlying transaction, which is based on the ECA's own methodology, since the existing international standards do not directly refer to this type of external audit. However, the methodology developed by the ECA uses the concepts and logic of existing international standards.

For the second opinion presented above, there is potential for use of reliable management representation from MS, especially if its reliability would be strengthened by the independent opinion of an external auditor. Since about 80% of the EU budget is subject to shared management, the legality and regularity of EU transactions is built on transactions at MS level. In other words, if the

legality and regularity of transactions is ensured at MS level, it will ensure that about 80% of EU budget is spent “correctly”.

It should also be noted that the ECA performs a number of value for money (VFM) audits, where economy, efficiency and effectiveness of actions taken is verified. The results are presented in “Special Reports”. The need for this type of audit work has been raised by MS in the survey conducted by us, and it would, in our opinion, meet public expectations if EU money was used more effectively. The verification of the quality of spending, not only legality and regularity, could be incorporated into NMD which could then also be a valuable source of information for the ECA when producing its “Special Reports”.

We also note some issue in the direct use of NMD. The ECA does not performs its audits “per MS”, rather, as a consequence of the implementation of Activity Based Budgeting (ABB) and Activity Based Management (ABM), “per clusters of ABB”, as implemented by the Commission since 2004. Therefore, there can be practical problems with the direct use of AS/NMD prepared by each MS if their structure does not reflect ABB clusters. We suggest using the concept of segment reporting, presented in one NMD submitted for 2007, where information was broken down per fund. That would create a link between NMD (MS level report) and sectoral reporting.

ECA’s methodology for DAS audit⁴⁹

As indicated above, the audit methodology used by the ECA for the reliability of the accounts is based on international standards. According to the latter, placing reliance on the work of other auditors is possible, provided that certain conditions are fulfilled. This is described below under the section “conclusive audit evidence”.

The methodology used for assessing the legality and regularity of the underlying transaction is not that different than one used for financial audit. The final opinion is based on assurance derived from both an assessment of respective controls (NMD could serve as solid evidence of well operating controls) and substantive testing (tests performed by the ECA, based on which error rate is extrapolated on the whole population). As the table below indicates, there is a direct relation between assessment of respective controls and the extent of substantive testing.

⁴⁹ Based on “The DAS Methodology”, The European Court of Auditors, <http://eca.europa.eu/portal/pls/portal/docs/1/1671539.PDF>

Diagram: The different scenarios for DAS work⁵⁰

Assessment of inherent risk	Overall evaluation of supervisory and control systems	Assurance obtained from combined risk assessment	Residual level of substantive testing to be carried out	Minimum degree of confidence to be derived from substantive testing (%)
Not high	Excellent	High controls assurance	Minimum substantive testing	45
	Good	Medium controls assurance	Standard substantive testing	67
	Poor	Low controls assurance	Focused substantive testing	92
High	Excellent	Medium controls assurance	Standard substantive testing	67
	Good	Medium controls assurance	Standard substantive testing	80
	Poor	Low controls assurance	Focused substantive testing	95

Two important sources of information of “management representation” at EU level, on which the assessment of controls is currently based, are: Annual Activity Reports (especially annexed declaration of Directors-General, which states whether they have reasonable assurance that the systems in place ensure legality and regularity of underlying transactions) and Synthesis Reports (general Commission conclusions).

Thus, if the NMD of a given MS would present the view that respective controls are operating correctly at the MS level, that should be more direct evidence than the above-mentioned AAR and SR (since as a consequence of shared management, AAR and SR are built up on managerial controls at MS level). That should enable a reduction of the sample size for substantive testing and/or enable the focus of testing on MS where the reliability of controls is assessed as low. Additionally, in our opinion, the ECA could to some extent rely on substantive testing performed in the course of the external audit of NMD.

The audit methodology used in VFM audits can differ from case to case, but should generally be based on principles presented above for audit of legality and regularity of underlying transactions. This means that also in this case, the ECA could make reasonable use of work by other auditors.

⁵⁰ Reproduce from the above-mentioned “The DAS Methodology”, The European Court of Auditors, <http://eca.europa.eu/portal/pls/portal/docs/1/1671539.PDF>

Conclusive audit evidence

Before placing reliance on the work of another auditor, the auditor himself needs to ensure that certain conditions have been met. According to international auditing standards⁵¹, the conditions for a principal auditor (possible role of the ECA) to place reliance on the work of other auditor are defined as follows:

- a) Professional competence of the other auditor in the context of the specific assignment should be considered.
- b) The principal auditor should perform procedures to obtain sufficient appropriate audit evidence, that the work of the other auditor is adequate for the principal auditor's purposes, in the context of the specific assignment.
- c) The principal auditor should consider the significant findings of the other auditor. Discussion with the other auditor and/or with management can be required. Additional tests can also be performed by the principal auditor to reach the required level of confidence.

According to the official IFAC study presenting the possible application of the above-mentioned rules to the public sector⁵², the principles contained within it are generally applicable in the public sector. The differences between public and private sector relate more to the environment in which the audit is performed than to the audit itself.

The Commission's draft Guidance Note⁵³ also declares the possibility of using the work of another auditor to build up assurance, finally at the MS level. This concept also refers to the single audit model.

Legal and technical constraints

- a) Reporting lines. The ECA should have access to NMD and audit opinions thereon, as well as to audit working papers in order to be able to use NMD as a source of assurance. The majority of SAI cannot directly report outside MS. In some cases however, the report can be obtained indirectly (either from local Parliament or respective ministry), but it does slow down and complicate the process. Contracted private firms could also report to the ECA if such a reporting line were foreseen in the contract.
- b) Different fiscal years. There are some differences as to the end of the fiscal year. For DAS it is the end of December; for the United Kingdom the budget year ends by the end of March; for the Netherlands it is the end of October.
- c) Difference in methodology used. To place reliance on the work of another auditor, the ECA must be satisfied with the methodology used and audit performed by the auditor in question.

⁵¹ International standard on auditing – 600 Using the work of another auditor.

⁵² Using the work of other auditors – Public sector perspective, IFAC study 4, October 1994.

⁵³ Draft Guidance Note on the concept of reliance on the work of other auditors.

Being independent institutions, SAI will probably not directly follow the ECA's instructions, suggestions and recommendations. In our opinion however, it should be up to the ECA to decide whether, and if so to what extent, it can rely on the work of NMD and its audit. The ECA should clearly communicate conditions for placing reliance on the audit of NMD and be open to cooperation with MS level auditors. Yet, in cases where placing reliance will not be possible, the ECA should perform the audit itself.

- d) Limitations of current EU regulations. It was pointed out by two SAI that it will not be possible for the ECA to play a role of principal auditor under current regulations concerning the ECA's work (especially Article 287, ex Article 248, of the Treaty), where it is stated that "the Court of Auditors and the national audit bodies of the Member States shall cooperate in a spirit of trust while maintaining their independence". We agree that it excludes the possibility of supervision or direct influence on the work of SAI (which would require a change of the above-mentioned article of the Treaty), however we think that the proposed solution where the ECA assesses the possibility of placing reliance on SAI's work each year is still feasible.

6. RECOMMENDATIONS

6.1. LEGAL BASIS

As the existing legal basis for the mandatory elements of Annual Summaries appears to be insufficient for going beyond a mere list of information, we recommend to introduce legal provisions to the Financial Regulation, as well as to its Implementing Rules, requesting Member States to produce management representation at an appropriate political level. Besides this, it is crucial to consolidate the commitment to a continuous improvement of control systems at national level, possibly through legal provisions. Such provisions should also provide the legal basis for obligatory reporting on new initiatives and actions taken that aim at achieving strengthened accountability and the issuance of NMD in a longer-term perspective.

6.2. ASSURANCE ELEMENTS

After reviewing the assurance elements in the submitted Annual Summaries, we can draw the following recommendations:

- a) Regardless of the nature and scope of provided assurance, in most cases the overall analysis was signed by representatives of Audit Authorities. In our view Annual Summaries should be part of management assurance and should therefore be based *inter alia* on audit work; but at the same time they should not be under the responsibility of audit bodies.
- b) Overall analysis is often mixed with a form of assurance; there should be a clearer distinction between the two. The revised Guidance Note for 2008 splits them into section 3 and 4. The requirements of the Guidance Note for the overall analysis are limited to highlighting systemic deficiencies and summarising cross-cutting issues. We believe that it would be helpful if an example and/or more specific requirements were given. It should be also considered to introduce into voluntary requirements the limited assurance form as the first step (short-term objective) to be transformed later on into reasonable assurance (long or mid-term objective).

6.3. INCENTIVES

Given that the mandatory elements of AS do not represent substantial added value, priority should be given to the promotion and championing of the voluntary elements i.e. overall analysis and overall assurance. During its discussion with the Parliament, the Commission declared that it “will take (...) into account in assessing the risk attached to the relevant programmes” the assurance provided in the AS. As a result, it may “reduce its own audit work in relation to them and rely more on that of the Member State. This will also reduce the risk of Commission financial corrections”. Although we find this approach adequate, we did not find evidence of any formal communication to the MS in this respect.

We therefore believe that this approach should be further developed and communicated to the MS (for example in the body of the Guidance Note). We would also welcome the inclusion in the Guidance Note of a framework for NMD for those countries that decided to introduce them.

6.4. RAISING AWARENESS

It should also be noted that relying on the willingness of MS cannot be considered as a satisfactory promotion of the recommended arrangements. Stronger incentives in the form of concrete benefits could encourage MS to voluntarily give extra assurance or decide to introduce NMD. On the other hand, from the analysis of the survey results it is clear that the concept of National Management Declarations is not understood well enough. Hence, there is a strong need for more proactive involvement of the relevant institutions in promotion and awareness raising.

We also argue that promotion and awareness raising activities should be formalised in an Action Plan and supported by adequate funding. The Action Plan should include a learning process i.e. twinning projects, study visits, network arrangements, as well as conference and research projects.

Another means for raising awareness at MS level could be ideally, public access to AS/NMD or at least a common platform to exchange views amongst MS. Increased transparency could also serve as a tool for strengthening accountability of the officials responsible for AS/NMD.

6.5. COMMISSION'S EVALUATION

For the 2007 AS, the Commission focused on the collection process; the cases of initially unfulfilled formal requirements have been consequently followed up and all MS finally submitted their AS. However, the value added elements of the received reports has not been analysed, only their existence has been checked. We suggest for the 2008 AS and successive periods, to focus much more on the content of AS instead of the form. That should also raise the discussion of the real value of AS and, in our opinion, should lead to the conclusion that AS should be replaced by NMD within the foreseeable future.

6.6. REPORTING SYSTEM

In our opinion, the structure and content of NMD should be considered in the wider context of the whole reporting system at MS level on the use of EU funds. NMD should constitute the backbone of the system providing reliable and complete information, but also avoiding redundancy of information. Since the ultimate scope of NMD is still evolving, it is not possible to provide specific recommendations as to the structure of the reporting system. Nevertheless some general rules should be followed:

- a) All reports should be treated as parts of the system, with NMD being the final statement;

- b) Redundancy should be minimised, but in cases when information is required before the submission deadline for NMD, some duplication cannot be avoided;
- c) Information presented in other reports should be reconciled to NMD to prevent occurrence of material differences.. To be able to do that, the format of the information, terminology used in different reports, reporting periods, cut-off drivers and reporting deadlines should all be harmonised;
- d) NMD should be subjected to an external audit which would ensure their reliability.

Furthermore, since NMD are at the same time the final report at MS level and a building block for reporting at EU level (AAR and SR), they should be presented in a form which is “compatible with” EU level reporting. The Commission has implemented Activity Based Budgeting (ABB) and Activity Based Management (ABM), and the Court reports “per clusters of ABB”. The structure of NMD should take this into account.

Due to the above, we recommend producing – in close cooperation with countries voluntarily preparing NMD – a framework for NMD format and content. That would not only help the volunteers in their search for an appropriate format of NMD, but would also ensure compatibility of the data.

For the transition period, it should be clearly stated when AS do not have to be prepared (partly or completely) or can rely on existing reports, or whether a reference to existing reports can be made. Situations where AS reporting requirements are (partly or completely) covered by already existing reporting systems should be foreseen and avoided. One of the cases when AS submission should not be required is when a MS has produced a NMD, which met the above-mentioned requirements as defined by the Commission. That would require respective legal changes.

6.7. ECONOMY, EFFECTIVENESS AND EFFICIENCY OF SPENDING

During the process of re-designing the existing reporting system in view of shifting more accountability to MS, it should not be forgotten that the money received from the EU and spent by MS is to bring additional value and should be spent “wisely”. Therefore, not only compliance with EU regulations, but also economy, effectiveness and efficiency (3 E’s) in spending should be ensured by management and taken into account by an external auditor.

6.8. SHAPE OF NMD

NMD as a voluntary initiative of a group of countries does not have any format and/or required content by the Commission. The presented approaches to NMD were substantially different. We see a need for a common framework for future NMD if they are to be a part of a coherent reporting system. The idea of relying on the concept of consolidated financial statements, which is well established in the private sector, should be promoted; but consideration should be given to the different nature of EU funds spending and the activity of a private firm, especially when the legality and regularity of the underlying transactions is considered.

We would also like to stress that the assurance role of NMD should not be limited to pure “assurance statement”, but it should also present assurance of the proper operating of key controls along with a description of work performed to achieve the level of assurance presented in NMD. Consequently, an audit of NMD should also include verification of whether both key controls are operating correctly and whether management actions were sufficient to produce the assurance on them. In our opinion, lessons can be learnt from the introduction and operation of SOX legislation in the USA.

6.9. AUDIT OF AS/NMD

We consider that management representation of MS on the adequacy of control systems and accuracy and regularity of reported expenditure should be subject to an external audit. Due to the low value of AS in their current shape we think that the role of such management representation can be played only by NMD. Taking into account the diversity of MS systems, the decision of which body should audit NMD should be left to MS – provided that it will be done professionally and in accordance with the accepted international auditing standards. In practice we see two possible auditors of NMD: either SAI or a private audit firm. Since EU funds constitute a substantial amount of public spending in many countries, we believe – though not excluding the possibility of the use of a private audit firm – that an audit by SAI would be more practical.

The work of MS level audit of NMD should be subject to the ECA’s review, which would express its opinion on whether or not it can place reliance on the audit work.

6.10. NMD USEFULNESS FOR ECA

We share the view of the ECA that NMD should be audited to constitute conclusive audit evidence and as a consequence, be a valuable source of information for the ECA. We also believe that the requirements of international standards enable the ECA to play the role of a principal auditor. Attention must be given to the independence of SAI.

The ECA should make the decision of whether or not to rely on the annual audits, with due consideration to the quality assessment of the audit work performed at MS level. That would increase the quality of audit at MS level, and as a consequence the assurance level gained from management declarations submitted to the Commission. Properly audited NMD, which would present controls as operating correctly, should result in the ECA’s positive evaluation of supervisory and control systems; this would lead to reduced and more focused sampling for substantive testing.

ANNEX I: DETAILED LIST OF OBJECTIVES OF THE STUDY

1. Summaries' content and procedures

- a) Do all Annual Summaries actually address the issue of compliance of management and control systems with the regulations of the Community for all sectors covered?
- b) Are the procedures related to elaboration of Annual Summaries, their content and quality control sufficient?
- c) Which procedures has the EC put in place in order to ensure completeness and accuracy of the summaries? Are they sufficient?
- d) Did the EC issue adequate Guidelines in a timely manner?
- e) What are the opinions of the key stakeholders (current state) and expectations for the future improvements?

2. Impact and added value

- a) What is the usefulness of summaries for various stakeholders?
- b) Did the EC/ECA make use of summaries in its Annual Activity Reports/Annual Report?
- c) How have the summaries improved, if at all, risk management and accountability at the national level?
- d) How and at what cost could be changed (in terms of contents and procedures) in order to improve risk management and accountability at the national level in a short-term perspective?
- e) How and at what cost could the summaries be changed (in terms of contents and procedures) in order to improve risk management and accountability at the national level in a longer term perspective? e.g. incentives and/or legal provisions for the generalisation of best practice - NMD
- f) If changed, how could the summaries potentially improve risk management and accountability at the national level?

3. Audit arrangements

- a) Would an audit of the Annual Summaries by a national audit office/ECA/EC be feasible?
- b) What are the other possible ways and levels (regional, national, EU) at which assurance can be put on summaries?

- c) What are pros and cons of SAI's audit of summaries for MS/SAI/EC/ECA?

4. Summaries' usefulness for ECA

- a) Under which conditions as regards content, quality, timeliness, audit arrangements, etc., could Annual Summaries be useful for the European Court of Auditors' preparation of the annual Statement of Assurance having regard to international standards on auditing?
- b) What is the impact of existing summaries for ECA?

ANNEX II: LIST OF RECEIVED DOCUMENTS**Structural Funds**

Title of document	Date	MS Code	Remarks
Annual Summary, incl. cover letter	26.03.08	Country B	-
Annual Summary, Region within the Country B	none	Country B	No cover letter, no date
Audits Summary in English for 2000-2006	none	Country C	No cover letter, date of signature 15.02.08, no date of post mail
Annual Summary	none	Country C	No cover letter, date of signature 15.02.08, no date of post mail
Annual Summary, revised 1	15.04.08	Country C	Date of signature 09.04.08
Annual Summary, revised 2	20.05.08	Country C	Date of signature 17.05.08, separate cover letter
Annual Summary, incl. cover letter	15.02.08	Country D	-
Annual Summary, incl. cover letter	12.02.08	Country E	Only national language version is available
Annual Summary, revised 1	28.03.08	Country E	No cover letter, date of signature 28.03.08, no date of post mail, whole text of AS in national language
Annual Summary, revised 2	28.05.08	Country E	Only cover letter, whole text of AS in national language
Annual Summary, incl. cover letter	15.02.08	Country F	No signature, whole text in national language
Annual Summary, incl. cover letter	15.02.08	Country F	Whole text in national language
Audits Summary in English for 2000-2006	none	Country F	No cover letter, date of signature 15.02.08, no date of post mail
Annual Summary revised, incl. cover letter	25.04.08	Country F	Includes financial tables attached to payment requests, whole text in national language
Annual Summary	none	Country G	No cover letter, date of signature 15.02.08, no date of post mail; there are also Agri documents not relevant here

Annual Summary revised, incl. cover letter	not complete	Country G	Date of the cover letter incomplete (i.e. 05.2008); unchanged date of signature of AS (i.e. 15.02.2008; document itself was created on 15.04.08)
Annual Summary, incl. cover letter	15.02.08	Country Z	Separate cover letter (in ENG and national language), two explanatory notes (one not dated, in ENG and national language), attachments in Excel files (x6) not dated and not signed, text in national language)
Letter	06.05.08	Country Z	Response to Commission's letter from 23.04.08, text in national language
Annual Summary	none	Country H	No cover letter, date of signature 15.02.08, no date of post mail, text in national language; includes AS from the region with cover letter (in national language) dated on 13.02.08 and sent on 15.02.08
Audits Summary in English for 2000-2006	none	Country H	No cover letter, date of signature 15.02.08, no date of post mail
Audits Summary in English for 2000-2006, incl. cover letter	15.02.08	Country H	Date of signature 13.02.08
Annual Summary, revised, incl. cover letter	18.06.08	Country H	-
Annual Summary, incl. cover letter	15.02.08	Country I	Separate cover letter, only information on Advance Payments received from the Commission in 2007 for 2007-2013
Audits Summary, incl. cover letter	15.02.08	Country I	Separate cover letter, multiple files separate for each programme (each in TIF and DOC versions), tables not signed and not dated, date appearing in the file's name assumed on the basis of the cover letter, also Agri documents not relevant here
Audits Summary, revised 1, incl. cover letter	10.03.08	Country I	Separate cover letter, supplementary information on ESF, date appearing in the file's name assumed on the basis of the cover letter, table not signed and not dated
Annual Summary, revised 2, incl. cover letter	03.04.08	Country I	Separate cover letter, date appearing in the file's name assumed on the basis of the cover letter, tables not signed and not dated
Annual Summary, incl. cover letter	14.02.08	Country N	No date of signature, there are also 4 files without dates containing summaries for respective EU funds i.e. FIG, ESF, ERDF (x2)
Audits Summary for 2000-2006	none	Country N	Several files, no date, no signature, cover letter most likely that of 14.02.08

Annual Summary, revised 1, incl. cover letter	14.03.08	Country N	No signature, separate cover letter
Annual Summary, revised 2, incl. cover letter	27.05.08	Country N	Signed but not dated
Audits Summary in English for 2000-2006, incl. cover letter	none	Country O	No signature, cover letter dated on 15.02.08, lack of complete AS
Annual Summary, incl. cover letter	15.02.08	Country Q	Date of signature hardly legible, most probably 15.02.08, text of AS in national language
Audits Summary in English for 2000-2006	none	Country Q	No cover letter, no date of signature
Annual Summary, revised, incl. cover letter	16.05.08	Country Q	Date of signature hardly legible, text of AS in national language
Annual Summary, incl. cover letter	15.02.08	Country R	-
Annual Summary, revised, incl. cover letter	25.03.08	Country R	-
Annual Summary, incl. cover letter	22.02.08	Country P	Separate cover letter in ENG, attachment consist of two separate files, which do not contain any date nor additional signatures, ENG version of AS in MS Word (probably a translation working document) contains some irregularities when comparing with TIF files, there is also a letter to Commissioner Danuta Hübner (15.02.08, in national language and ENG)
Audits Summary in English for 2000-2006	none	Country P	Cover letter most probably that of 22.02.08, no date, no signature
Annual Summary	none	Country S	Cover letter not relevant to the AS file; date of signature 15.02.08
Annual Summary, revised	none	Country S	No cover letter, date of signature 16.04.08
Annual Summary, incl. cover letter	14.02.08	Country M	Separate cover letter in ENG, seemingly two identical AS in national language
Audits Summary in English for 2000-2006	14.02.08	Country M	-
Annual Summary, incl. Cover letter	14.02.08	Country T	-

Annual Summary, incl. Cover letter	15.02.08	Country W	Date of signature 15.02.08, whole text in national language
Annual Summary, revised, incl. Cover letter	24.04.08	Country W	Date of signature 17.04.08, no signature, whole text in national language
Audits Summary in Portuguese for 2000-2006	none	Country W	No cover letter, no date of signature
Annual Summary	none	Country V	No cover letter, date of signature 16.04.08, whole text in national language
Annual Summary	none	Country V	No cover letter, no date of signature, no signature, whole text in national language
Annual Summary, revised, incl. cover letter	24.04.08	Country V	Date of signature 24.04.08, whole text in national language
Annual Summary	none	Country AA	No cover letter, no date of signature, no signature, two language versions national language and ENG, there are also other files: two Cover letters - not addressed to the Commission, accompanied by attachments (executive summaries of audits x4)
Annual Summary	none	Country Y	No cover letter, date of signature 15.02.08, whole text in national language, there are also separate Agri documents
Annual Summary, revised, incl. cover letter	04.04.08	Country Y	Date of signature 04.04.08, whole text in national language
Annual Summary, incl. cover letter	15.02.08	Country X	Signed but no date of signature, AS makes reference to attachments (Excel Tables 1, 2, 3), text in national language
Annual Summary, revised 1, incl. cover letter	05.03.08	Country X	Signed but no date of signature, AS makes reference to attachments (Excel Tables from 1 to 3, 4 to 9 and 12, 13), text in national language
Annual Summary, revised 2, incl. cover letter	22.05.08	Country X	File contains additional information on submitted AS, signed but no date of signature, text in national language
Audits Summary in English for 2000-2006	none	Country X	Cover letter most probably that of 05.03.08, Table 13 in national language, no date, no signature
Audits Summary for 2000-2006	none	Country AB	No cover letter, no date of signature, no signature
Annual Summary, incl. cover letter	15.02.08	Country AB	Only Table 8, no date of signature, no signature
Annual Summary, revised, incl. cover letter	28.03.08	Country AB	Several files, Tables 4 and 8 in separate files, no date of signature, no signature

ibidem	28.03.08	Country AB	Document attached to the cover letter of 28.03.08, signed and dated on 31.01.08
ibidem	28.03.08	Country AB	Document attached to the cover letter of 28.03.08, signed but not dated
ibidem	28.03.08	Country AB	Document attached to the cover letter of 28.03.08, signed but not dated

Agriculture

Title of document	Date	MS Code	Remarks
Annual Summary, incl. Cover letter	07.02.08	Country A	-
Annual Summary, incl. Cover letter	07.02.08	Country B	-
Annual Summary	07.02.08	Country I	No cover letter, EN translation of AS included
Annual Summary	13.02.08	Country K	No cover letter, EN translation of AS included
Annual Summary, revised 1	10.03.08	Country K	-
Annual Summary, incl. Cover letter	15.02.08	Country O	-
Annual Summary	13.02.08	Country T	No cover letter, EN translation of AS included
Annual Summary	12.02.08	Country U	No cover letter, EN translation of AS included
Annual Summary, incl. Cover letter	none	Country W	Separate cover letter in the national language - not dated, EN translation of AS included, further clarification in the PT_Fischer Boel_16.04.08 file
Annual Summary	11.02.08	Country V	No cover letter, EN translation of AS included
Annual Summary, incl. Cover letter	13.02.08	Country Z	-
Annual Summary, incl. Cover letter	08.02.08	Country AB	-
Annual Summary revised 1, incl. Cover letter	26.02.08	Country AB	Separate cover letter

ANNEX III: GUIDANCE NOTES EVALUATION

	Structural Funds - AS		Agriculture - SR	
	Guidance issued on 18/12/2007	Amendments - Guidance revised, issued on 12/11/2008;	Guidance - AGRI/64647/2007	Amendments - Guidance revised - AGRI/64647/2007-en-rev1;
Legal basis	Respective paragraphs of Inter-Institutional Agreement, Regulation (EC) No 1995/2006 and Implementing Rules of the Financial Regulations have been cited and the full names of the regulations have been given.	No amendments.	Respective paragraphs of Inter-Institutional Agreement, Regulation (EC, EUROTOM) No 1605/2002 and Implementing Rules of the Financial Regulations have been cited and the full names of the regulations have been given. Specific agriculture regulations are also cited and fully named - Regulation (EC) No 885/2006.	No amendments.
Relation to existing reporting system	<p>Although Commission recognised the fact that deadlines for the information on withdrawals, recoveries and pending recoveries set in sector regulations are later than the 15 February, MS were "asked" to provide this information.</p> <p>It was said that NMD cannot replace AS since there is a formal legal requirement to produce AS and NMD are voluntary.</p>	<p>Commission made more realistic requirement for the information on withdrawals, recoveries and pending recoveries stating that it should be provided if "final and complete".</p> <p>It was clearly stated what relation there should be between AS figures and periodical reporting for both 2000-2006 (expenditure declarations) and 2007-2013 (SFC2007) periods. Any discrepancies in the new programming period should be explained.</p> <p>It was clearly stated</p>	The indicated regulation - (EC) No 885/2006 - defines that a synthesis report (equivalent to Annual Summary) should be prepared IF there is more than 1 paying agency in the country. In case of 1 paying agency, the Statement of Assurance of the director of the paying agency and the certificate constitute by definition the Annual Summary.	No amendments.

		that in case MS submit by 15 February the annual control reports providing aggregated information in line with Table 12 of the Annex, it can be considered as fulfilment of the AS requirements as for audit activity.		
Scope and format	<p>It was clearly defined that AS are to be delivered in 2008 (since for 2007) and they should contain information for both 2000-2006 and 2007-20013 periods.</p> <p>For expenditure sections it has been said that information should cover all expenditure certified for a financial year per operational programme. Since the tables from the template report also refers to payments, it was not clear if the certification or payment is the cut-off driver (to decide if transaction belongs to period N or N+1) – it has been corrected in the revised Guidance Note.</p> <p>For audit section, requirements are defined separately for the 2000-2006 and 2007-2013 periods. For the 2000-2006 period, information required is based</p>	<p>It was clearly stated that all expenditure certified and declared in a given year, regardless if paid or not, should be reported. The template tables were respectively changed – amounts of expenditure have been removed.</p> <p>Overall analysis and overall level of assurance sections have been included in the template report. Tables from the template report have been simplified (for expenditure payments have been removed, for recoveries information has been limited to public contribution only) and put in line with explanations.</p> <p>INTERREG programmes and ETC are clearly included in reporting process. It was explained that part 1 of AS should be provided by country in which paying authority (INTERREG) or</p>	<p>The synthesis should cover the Statements of Assurance given by the directors of the paying agencies and the certificates issued by the certification bodies. Two separate sections were recommended and two corresponding tables were presented in the annexes.</p> <p>Information in table Annex 1 on opinion of certifying institution (column 11, 12) is redundant compared to information in the table Annex 2.</p> <p>Assurance section should be divided into 2 parts. Part 1 being a factual overview of all paying agencies will be just an aggregation of information from statement of assurance of particular paying agencies. Explanation to each column of the table is provided. Part 2 should describe in a concise way the possible implications at the level of the Member State as a whole – specific consideration are stated.</p>	<p>In the assurance section, Part II has been developed. New requirements were added: more detailed information in case when reservation relates to the accreditation conditions, reasons for differences between the Statement of Assurance and the opinion thereon, description of changes to previous year.</p> <p>The requirement on the Overall Summary section to explain differences between Statement of Assurance and the opinion thereon remained.</p> <p>In Overall Summary section requirement of year-to-year analysis was added.</p>

	<p>on information normally provided for annual bilateral coordination meeting. For the 2007-2013 period, information is based on information from annual control reports.</p> <p>A template AS report has been presented including all required tables. Overall analysis and overall level of assurance section was not included in the template. A format for overall analysis has not been provided – there is just brief description of the required content.</p> <p>INTERREG programmes and ETC are clearly proposed to be excluded from the 1st year of AS reporting.</p>	<p>certifying authority (ETC) is located, and part 2 of AS should be provided by country in which body coordinating the report (INTERREG) or audit authority (ETC) is located.</p>	<p>Certification section should also be divided into: 1 factual section with overview of certificates for each paying agency, 2. Member State level as a whole – similarly to assurance section.</p> <p>Overall summary section should present summary of assurance and certification sections. It should explain any discrepancies between the two present main issues. There should also be information on the control statistics of the paying agencies and the recovery of undue payments. No structure of overall section and/or required minimum elements were defined.</p> <p>Types of opinions and conditions for each type application are clearly defined.</p>	
Responsibility	<p>It was clearly stated that Member States should designate an authority/ body to produce one AS for each Fund covering both 2000-2006 and 2007-2013 periods. The head of this designated body should sign the summary.</p>	<p>No amendments.</p>	<p>The synthesis has to be established by the coordinating body.</p>	<p>No amendments.</p>
Reasons	<p>It was stated that the aim is to create consistent, comparable and useful information to aim for positive Statement of Assurance.</p>	<p>It was stated that overall analysis will identify good practice which can be communicated to different bodies in the MS. The Commission will use it as an</p>	<p>Benefits for the Commission have been defined: AS can become an important part of the information for the annual activity report produced by the Director-General of</p>	<p>No amendments.</p>

	<p>Benefits for the Commission have been defined: AS can become an important part of the information for annual activity report produced by each Directorate-General on the management of the funds and the declaration of assurance by the Director-General on the guarantee concerning the legality and regularity of expenditure under the EU budget.</p> <p>No benefits to MS, except for legal requirement fulfilment, have been indicated.</p>	<p>additional source of information for its assessment of MS management and control system reported in the Directorate-General's Annual Report.</p>	<p>DG AGRI on the management of the funds and his declaration of assurance concerning the legality and regularity of the underlying transactions.</p> <p>No benefits to MS, except for legal requirement fulfilment, have been indicated.</p>	
Formal settings	<p>The deadline for submission has been set for 15 February. It was recommended to transmit the report via SFC 2007 (Structural Funds Common Database).</p>	<p>To avoid multiple submissions, the SCF 2007 channel became the only one. It was foreseen that some senders may not have access to the system and contact e-mail address was indicated.</p>	<p>The deadline for submission has been set for 15 February. Two documents (separate for assurance and separate for certificate) in Word format should be sent by regular post (stated address) and by e-mail (stated address)</p>	<p>An additional document – for Overall Summary – should be sent.</p>

ANNEX IV: COMMISSION'S ASSESSMENT OF AS ON STRUCTURAL ACTIONS FOR 2007

Country	Delay [days]	Min requirements			Quality			
		25/03/2008	21/04/2008 progress	05/03/2009 progress	T/T*	C+A/C+A*	OA/OA*	All/All*
Country A	n/d	-	-	compliant	-	-	-	-
Country B	o/t	5 AS	minor gaps	compliant	- /Partially	-/Partially	-	-
Country C	o/t	fulfilled	fulfilled	compliant	T	C+A	OA	yes
Country D	o/t	fulfilled	fulfilled	compliant	T	C+A	OA	yes
Country E	o/t	no info on 2000-2006 ⁵⁴	minor gaps	compliant	- /Partially	-/C+A(2007-13)	-	-
Country F	o/t	fulfilled	fulfilled	compliant	T	C+A	-	-
Country G	o/t	minor gaps	minor gaps	compliant	T	C+A	OA	yes
Country H	o/t	2 AS	2 AS	compliant	-/T	-/C+A	OA	-/yes
Country I	o/t	significant gaps	minor gaps	compliant	-	-	-	-
Country K	n/d	-	-	non-compliant	-	-	-	-
Country L	o/t	no info on 2000-2006	minor gaps	compliant	-	-	-	-
Country M	o/t	fulfilled	fulfilled	compliant	T	C+A	OA	yes
Country N	o/t	no info on 2000-2006	minor gaps	compliant	-/T	-/C+A(2007-13)	-	-
Country O	o/t	significant gaps	significant gaps ⁵⁵	compliant	-/T	-	-	-
Country P	5	minor gaps	minor gaps	compliant	T	-	-	-
Country Q	3	minor gaps	minor gaps	compliant	T	-	OA	-
Country R	3	no info on 2000-2006	minor gaps	compliant	-	-	-	-
Country S	o/t	fulfilled	fulfilled	compliant	T	C+A	-	-
Country T	o/t	minor gaps	minor gaps	compliant	T	C+A	-	-
Country U	o/t	minor gaps	minor gaps	compliant	T	C+A	OA	yes
Country W	o/t	minor gaps	minor gaps	compliant	T	-	-	-
Country V	6	minor gaps	minor gaps	compliant	T	C+A	-	-

⁵⁴Country E informally indicated that it will provide information by the end of March 2008⁵⁵ Significant Progress noted by Commission but still significant gaps category

Country X	3	minor gaps	minor gaps	compliant	T	C+A	-	-
Country Y	o/t	minor gaps	minor gaps	compliant	T	C+A	OA	yes
Country Z	o/t	significant gaps	significant gaps ⁵⁶	compliant	-	-	-	-
Country AA	o/t	minor gaps	minor gaps	compliant	T	C+A	OA	yes
Country AB	3	minor gaps	minor gaps	compliant	T	-	-/OA (3 of 4 regions)	-
27	n/d -2 o/t - 19 delayed - 6	fulfilled – 5 minor gaps - 11 significant gaps – 3 no info on 2000-2006 – 4 more than 1 AS - 2	fulfilled – 5 minor gaps - 17 significant gaps – 2 more than 1 AS - 1	compliant – 26 non-compliant – 1	16/19	12/15	9/10	7/8

Explanations:

* – progress as reported on 05/03/2009

o/t – on time

n/d – not delivered

Minimum requirement – was defined by Commission as: provision of a single Annual Summary with complete information for all Funds and expenditure concerning programming period 2000-2006.

Quality:

T – use of the template provided in the Commission's guidance

C+A – existence of declaration as to the completeness and accuracy of the information provided

OA – existence of overall analysis of the information provided and/or Statement of Assurance

⁵⁶ Proposed launch of infringement procedure

ANNEX V: SUMMARY OF ASSURANCE WORDING

1.	Country D	<p>Based on the results of the above certification of expenditure and audit summary, the management and control systems established for the programming period 2000-2006 complied with the applicable regulatory requirements and functioned effectively so as to provide reasonable assurance that statements of expenditure certified to the Commission are correct and, as a consequence, reasonable assurance of the legality and regularity of the underlying transactions.</p> <p>The nature of the findings identified has not indicated any systemic deficiencies. Cross-cutting deficiencies were identified over the sufficiency of the monitoring of verification checks performed by the Intermediate Bodies and the documentation, monitoring and control of contract changes. Measures have been taken on both issues.</p>
2.	Country G	<p>According to the results of audit activities performed in 2007 by the Auditing Authority, no material deficiencies or systemic problems were detected in the management and control systems that would seriously affect the functioning of the systems. However several recommendations were made to improve the national management and control systems. The audit findings and recommendations will be followed up in 2008.</p> <p>As a result of the audits carried out in 2007, cases of irregularities were detected and reported to the European Commission. Cases of irregularities have been treated satisfactorily by making use of preventive measures and by making necessary financial corrections.</p>
3.	Country AA	<p><i>The designated body</i> is not the audit authority for the programming period 2000-2006 and therefore has very limited experience of the programming period on which to base its analysis. The data provided here are certified by the authorities concerned according to the template provided in <i>Draft Guidance Note of the Annual Summary in relation to Structural Actions and the European Fisheries Fund</i>. In performing its other duties we did not receive any information contradicting the data provided.</p>
4.	Country H	<p>Starting from the audit results for 2007 and earlier for the assessment of the systems described in the table above, the managing authority for Objective 2 and for the structural programme for the <i>Region</i> fishing industry will assess and review Article 4 controls more closely in situ during 2008. The paying authority's controls have already been intensified for all Objectives and the checklist used has been updated. As regards the controls of work done by the audit authority, these are comprehensive and fall within a range of 43.1%–52.7% of the cumulative eligible expenditure declared to the Commission as of 30 June 2007. The error rate is low in all the programmes, but somewhat higher for Objective 3 because there has still been no decision to approve the amended project plan for an ongoing project, even though the amended project budget has been approved by the managing authority. After approval of the amended project plan this error in Objective 3 will disappear. There is a greater error in a project within the <i>Region</i> structural programme for fishing. The practices have also been investigated by the police authority and the investigation</p>

		<p>has been referred to the Public Prosecutor's Office in the Government Offices on <i>Region</i>. As soon as this case has been prosecuted and settled or the prosecution discontinued, the <i>Region</i> provincial government will submit a report and proposals for action.</p> <p>On the basis of the above control work on the systems and work in the programmes carried out by the audit authority, and that of the independent body, the conclusion is that the systems are working effectively and expediently, so that the principle of sound economic management has been taken on board. The errors which have emerged in the individual programme work are minor and have been corrected or will be corrected within a short timeframe. The expenses declared to the Commission are consistent with the payments made as these are shown on the project records and accounts and they appear correct and fair.</p>
5.	Country H	<p>The management of Structural Fund resources is an extremely burdensome and complicated system in <i>the Country</i>. Because of EU provisions, Structural Fund resources cannot be managed in the same manner as purely national funds. The provisions on the Structural Funds have brought unfamiliar features into the national administrative culture, such as audits between the various Ministries and multiple, overlapping verifications and audits. In addition, national decisions have been taken in <i>the Country</i> in order to delegate the responsibility for making financing decisions to the administrative sectors of several Ministries and even to organisations outside the State budget economy. The complexity of the management system and particularly the large number of financing authorities and sectors mean that management is difficult to control and thus prevent the creation of clusters with expertise in the management and control of the Structural Funds. For those implementing the projects and the general public, this appears as an incoherent management system and a jungle of terms and conditions for aid, reinforcing their view of bureaucratic EU activities.</p> <p>Both for those implementing the projects and for the authorities controlling them, the eligibility of expenditure still means not only appropriate requirements, but also problematic factors that create insecurity. As an example of the latter, the prerequisite concerning the durability of operations, which is included in the terms and conditions of financing, practically prevents any experimental and innovative projects where the durability of results cannot be ensured many years in advance.</p> <p>Because of the nature of EU financing, it is often more important in the Country and other Member States too, to use funds for national targets than to achieve results including an EU dimension in the projects to be financed. In this respect, financing from the Structural Funds appears less effective than purely national budget financing. The difference is highlighted by the principle of additionality, on the basis of which EU financing cannot replace national public financing. This requirement logically means that, in principle, the projects financed within a Member State using Structural Fund resources have less added value than those financed using purely national public funds.</p> <p>As in any other categories of expenditure in the EU budget, it must be primarily ensured in the structural policy that the budget resources of the Union bring genuine added value compared with national level operations.</p>
6.	Country Q	<p>The management and control systems of the EU financial assistance developed in <i>the Country</i> by taking into consideration the conclusions of the programmes audits for the 2000-2006 programming period are in line with EU legal requirements; the functioning of the management and control systems is deemed to be good. The management and control systems of the monies of the EU Structural Funds function effectively and their measures reduce the likelihood of errors and irregularities by facilitating</p>

		<p>their timely identification and correction; project monitoring is adequate. It should be noted that according to the auditors' recommendations, the improvement process of the system, the generation and implementation of specific proposals and recommendations and the monitoring of the implementation of the auditors' recommendations should be continuous.</p> <p>The auditors' most frequent observations can be broken down into several groups:</p> <ul style="list-style-type: none"> ↳ Minor clerical errors in documents related to the administration of the EU financial assistance. ↳ Deficiencies in publicity. It should be noted that the most frequent observations concern minor discrepancies which are easily corrected. ↳ Minor deficiencies in the written working procedures of institutions administering EU financial assistance. <p>The auditors' most frequent recommendations could also be broken down into several groups:</p> <ul style="list-style-type: none"> ↳ to adjust the written working procedures of institutions administering EU financial assistance; ↳ to enhance the analysis of various data on irregularities, projects managers' errors, etc. <p>At the moment, the development of the management and control systems for the 2007-2013 programming period is almost completed; there is no expenditure to be declared.</p>
7.	Country T	<p>No financial transactions have yet been carried out for the programming period 2007-2013. The 2007-2013 Operational Programme was approved by the Commission at the end of 2007.</p> <p>I wish to point out that the regularity of financial transactions and the reliable accounting thereof in 2007 have not yet been audited.</p> <p>With regard to the LEADER+ programme 2000-2006, it should be pointed out that an exchange of views is presently taking place with the European Commission on the eligibility for subsidy of the VAT eligible for the VAT Compensation Fund. In anticipation of the outcome of this exchange of views, a correction for VAT eligible for the VAT Compensation Fund over the period 2000-2006 has been made in the 2007 declaration. The present certificate is based on this declaration. Because the exchange of views with the European Commission on the eligibility for subsidy of the VAT eligible for the VAT Compensation Fund has not yet been completed, we reserve the right, depending on the outcome of this exchange of views, to review the declaration again at a later stage.</p>
8.	Country Y	<p>The major findings relating to the functioning of systems for structural and other similar measures arising from auditing work performed and the reports prepared in 2007, as set out in point 2, can be condensed into the following groups:</p> <ul style="list-style-type: none"> ↳ written procedures: procedures at certain institutions are not described in writing with sufficient detail; institutions do not carry out prompt changes to procedures, and in places operations are not performed in accordance with procedures; ↳ performing checks pursuant to Article 4/438: deficiencies in performing checks pursuant to Article 4/438; sufficient number

		<p>of on-the-spot checks are not carried out in a timely manner, checks are not complete (issue of keys to division of costs – non-verification, poor control of public procurement procedures); lacking/incomplete check lists, insufficient evidence of checks performed, non-documented selection of samples of operations, where checks are not 100%;</p> <ul style="list-style-type: none"> ↳ information systems: information technology systems (ISARR, ESF module, separate accounting of projects) do not support implementation and checking in an adequate degree and with sufficient reliability; ↳ audit trail: the audit trail, primarily as a result of the deficiencies indicated in the above groups, is frequently inadequate; ↳ personnel: in certain fields there are insufficient personnel, and personnel often have insufficient experience. <p>The above findings relate to the Cohesion Fund, where there are no findings that would require corrective activities. In relation to the above deficiencies, recommendations have been given for their elimination, and these are regularly monitored and will continue to be until they no longer pose any serious risk for the functioning of the aforementioned systems.</p>
9.	Country AB - I	<p>Limited assurance has been provided for the Structural Funds ... audits. Of the four XXXs audited, follow-up reviews were conducted for two of them. The reviews helped to establish which recommendations had been implemented and which had not. A review of the follow-ups showed that the XXXs had accepted our comments and recognised where action needed to be taken. However, progress has been slow, in particular Control of Delegated Agents where 15 recommendations had not been implemented.</p> <p>A review of the follow-ups showed one recommendation that had been implemented and one that had not. YYY appears to be taking action and hopes to finalise the SLA after the review meeting has taken place (the meeting was scheduled for after the follow-up). The Debt Recovery follow-up confirmed that although action had yet to be taken, a newly appointed lead manager would be responsible for risk and control of Finance.</p>
10.	Country AB - II	<p>In the case of the EAGGF and FIFG reviews, XXX identified weaknesses in several control systems which have resulted in agreed Action Plans. For the measures reviewed in the EAGGF Programme the weaknesses were mainly minor, although a general issue across both Programmes was a lack of formal Article 9 checks by the Paying Authority before payment was made to beneficiaries. This work has recently been moved to another area in the Rural Payments and Inspections Directorate and staff recently carried out the required Article 9 checks prior to the December 2007 Declaration of Expenditure to the EC.</p> <p>In the case of FIFG, notwithstanding the issue above regarding the Paying Authority, XXX noted that the MA staff had failed to report any irregularities since the start of the Programme. In addition, XXX noted that reconciliations of the key expenditure components had not been completed and that there were errors across the various records used by the MA.</p> <p>This audit issue was raised during a DG Fish mission to the Region in September. XXX is in the process of completing its follow-up review of the FIFG Programmes and has noted that MA staff has now listed all potential irregularities and these will be reported soon. In addition, a great deal of work has been completed in the reconciliation area, although XXX staff noted that there was a</p>

	<p>lack of any clear audit trail in terms of identifying any discrepancies noted during this exercise by the MA. XXX's follow-up review included further independent detailed work in this area at which time XXX successfully reconciled all years with the exception of two, details of which have been passed back to the FIFG MA for final resolution.</p> <p>For ERDF and ESF funded programmes, overall, we have taken reasonable assurance from the system audit reviews as to the effectiveness of controls applied by the implementing authorities during the course of the year, with programme and financial monitoring systems being particularly effective. There was scope for improvement, however, in document filing and retrieval, risk management and the quality of, and compliance with, procedural guidance. Furthermore, there was scope for improvement in the Article 4 visits reporting systems, risk management and the quality of, and compliance with, procedural guidance.</p> <p>We also performed a review of the arrangements for setting up a shadow round (SR) as a precursor to the introduction of the 2007-13 programmes. This programme did not utilise any EC funds and the projects funded under the SR will be considered for assimilation into the formal OPs by the relevant Programme Monitoring Committees. Controls were found to be effective. There were satisfactory systems of controls in place for project appraisal, approving and processing applications, and the controls covering the claims processing and payment systems were operating effectively. Targets for submission of claims and progress reports were being met and there was a reliable audit trail of actions taken. Monitoring records reflected the claim details and local records are reconciled to monthly SEAS output. Our recommendations were intended to strengthen the existing controls in relation to procedural guidance, documentation and financial control and will be applied to the systems set up to administer the OPs now that these have been approved by the EC.</p> <p>Our closure audit of the SIAP programme was planned and performed with a view to achieving reasonable assurance about whether the final certificate of expenditure and the application for payment of the balance of the Community aid were free of material misstatement. The examination was conducted in accordance with internationally accepted auditing standards and included examining, on a test basis, evidence supporting the amounts and disclosures in the documents, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the closure documents. The scope of the examination covered all the transactions during the whole period of its execution. The value of the population subject to the audit was €4 963 516.</p> <p>There were no limitations to the scope of the examination. In our opinion, strong management had been applied from the start of this programme, there was an accurate and reliable audit trail and we found sufficient documentation on file to support claims and actions taken. There were no cases subject to legal proceedings. There was no ineligible expenditure found in the sample selected for testing and we confirmed that errors found in the various checking processes had been satisfactorily dealt with by the MA where appropriate ineligible expenditure has been deducted from the final claims and they did not appear to affect the amount of the Community aid payable.</p> <p>Based on our examination and the conclusions of other national checks, we were of the opinion that the final certificate of</p>
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		expenditure presented fairly, in all material respects, the expenditure incurred in accordance with the Programme, the Financing Agreement and the Regulations, and that the application to the Commission for payment of the balance of the Community aid was valid.
11.	Country AB - III	<p>The system audits completed on the management and control systems used by the XXX as the Managing and Paying Authority for the Region in 2007 provide an overall substantial level of assurance. This is an improvement from previous years and XXX has addressed many of the issues that have been identified by previous audits (Article 4 and 10 problems for example). In particular the Annual Assurance audit has provided a strong level of assurance over many of the key processes used by XXX, key financial reconciliations for example.</p> <p>Overall, the expenditure verified percentages are close to the 5% minimum required by the regulations and the team responsible for the audit of operations has an appropriate plan in place to ensure this target is exceeded.</p> <p>The error rates for some of the funds and objectives are high. However, these figures have been analysed by the Article 10 team and there is no evidence that these are systemic errors. There are a number of sponsors where further work is ongoing to hopefully reduce the amount of the irregularity and the figures will be revised accordingly once this work has been completed.</p>
12.	Country M	<p>The results of the certifying activity and audit summaries contained in the annual summary report indicate that during the year ended on 31 December 2007, the operation of the management and control systems of the structural measures basically complied with the applicable regulatory requirements. The findings of the audit activities performed by the Office in 2007 indicate that the certified statements of expenses are accurate and, as no major insufficiencies were found in the operation of the control and management systems during the audits held in 2007, the underlying transactions seem to be lawful and regular.</p> <p>During the audit of the operational programmes of the 2004-2006 programming period, supported within the framework of the structural measures and the projects co-financed from the Cohesion Fund, the XXX fulfilled the minimum (5 and 15%) audit requirements and regularly monitored compliance with the representativity criteria. During the audits closed in 2007, no significant error ratio was established over 2%, apart from the findings of the system audit of the implementation of the Regional Development Operational Programme conducted in 2007, where the Office found suspicion of irregularities with regard to the use of the technical assistance resources. The amount involved in the suspected irregularity (HUF 20,913,984) is 2.11% of the amount involved in the audit, and is only 0.025% of the total certified payments made within the framework until 31 December 2007. With regard to this subject, the audit proposed to the competent managing authority reviewing the regularity and lawfulness of all applicable payments, financed from technical assistance and not covered by the audit. Based on this proposal, the managing authority began an investigation and will inform the XXX and the EU Commission on its findings after the deadline for completion by 15 April 2008.</p>

ANNEX VI: THE STRUCTURE OF AS

The structure of AS for Structural Funds

1. Expenditure certified in the year 20..
2. Audit activity in the year 20....
3. Overall analysis
4. "Overall level of assurance" statement (*added in the Guidance Note for AS 2008*)

The structure of AS (Synthesis Report) for Agriculture

1. Synthesis of the statements of assurance
 - 1.1 The Statement of Assurance
 - 1.2 The Synthesis
 - first part – factual overview
 - second part – description of possible implications of the individual statements of assurance at the level of the Member State as a whole
2. Synthesis of the certification bodies' certificates
 - 1.1 The Statement of Assurance
 - 1.2 The Synthesis
 - first part – factual overview
 - second part – description of possible implications of the individual statements of assurance at the level of the Member State as a whole
3. Overall summary

ANNEX VII: SUMMARY OF THE SURVEY RESULTS FOR SAI

No.	Question	Country S		Country T		Country AA		Country X		Country D	
		Answer	Comments/Description	Answer	Comments/Description	Answer	Comments/Description	Answer	Comments/Description	Answer	Comments/Description
1	How would you assess the experience of your organisation in auditing EU funds (Low, Moderate, High)? Please present your argumentation.	Medium	A number of EU-related audits (including a parallel performance audit on Structural Funds and a number of Financial and Compliance audits) have been carried out over the past 4 years. Methodology used was same as for audits of national funds. No Section within SAI, however, specialises in EU-related audits.	High	Our institution has been auditing different aspects of EU funds since 1995. Since 2003 the institution publishes annually the EU Trend Report.	Low	Our institution does not conduct separate audits on EU funds. Our audits of EU funds are included in the audit of the financial statements of each entity. However, performance audit of EU related issues are carried out intermittently.	High	Our institution is acting as Winding up Body for Structural Funds and Cohesion Fund 2004-2006 and carrying out independent EU funds audits	Medium	Our involvement in the audit of EU funds, involves EU funds disbursed through the State Budget which are audited with the rest of the Budget, under our Office's statutory obligation (grounded in the Constitution of our country) and the audit of the organisation, which handles all the agricultural payments in our country.
2	Please briefly describe your core activities already performed concerning the audit of AS or NMD		SAI only requested AS from body compiling them for information purposes. No review on these Summaries carried out by SAI		The institution annually performs an external audit of the NMD, which is a declaration signed by the minister of Finance on behalf of our government. As the NMD is more inclusive than the AS, the institution does not additionally audit the AS. The AS are discussed in our annual EU Trend Report.		Our institution annually audit the Central Government Annual Report in which the NMD is included. Our institution does not audit the AS.		Our institution does not audit neither AS nor NMD, however within the activities as winding up body we summarise findings of all checks carried out by national and EU audit bodies and examine if all recommendations have been fulfilled and if there is not any problem which remain opened.		The AS prepared in our country is not audited as such, there is no regulatory requirement for its audit and the Ministry of Finance, which prepares it, has not chosen for it to be audited. An NMD has not been prepared.
3	Please describe main challenges for SAI potentially acting as an external auditor of AS or NMD, especially in respect of:										
	a. Appropriate, internationally recognised auditing standards		No problem anticipated here		No specific challenges. The auditing standards as used with respect to the annual regularity audit of our budget also apply to the audit of the NMD. In principle, the AS could also be audited in the same way as other regularity audits are carried out in our country.		Our institution does not audit the AS. The audit of the Central Government Annual Report in which the NMD is included is audited according to internationally recognized auditing standards.		This is relevant and could support credibility of AS and NMD		Our Office conducts its audits in accordance with the International Standards on Auditing and therefore this is not a challenge for us.

<p>b. Legal limitations in reporting directly to the Commission (e.g. country specific constrains, where reporting outside the country is not possible)</p>		<p>SAI submits all its audit reports to the Speaker of the House, in terms of SAI's legislation.</p>		<p>The institution reports to our Parliament, not to the Commission. However, once a report is published for parliament, it is a public document and can as such be sent to the Commission.</p>		<p>The Audit Act does not regulate the audit of EU funds. However, the audit of the Central Government Annual Report in which the NMD is included is regulated in the Audit Act.</p>		<p>There is no legal basis for reporting to the Commission in the Law on our institution. Our institution has special provision in the Law, where reporting to the Commission is set, however this exclusively relates to the winding up declarations for programming period 2004-2006</p>		<p>The Auditor General under the appropriate Article of the Constitution, submits annually a report to the President of the Republic who subsequently sees that it is submitted to Parliament. There is no reference in the Constitution or other legislation, of a reporting procedure to an authority outside the country. The question has sensitive legal/ constitutional aspects which (if need arises) should be resolved with the Attorney General of the Republic (who is also the legal adviser of the State).</p>
<p>c. Possible ways how to build up the assurance to Member State level which would be acceptable by ECA (it is highly probable that assurance expressed by SAI will relay on audits performed by other auditors, acting at lower levels)</p>		<p>Any audits by SAI would necessarily have to rely heavily on work of other auditors and certifying bodies.</p>		<p>ECA largely relies on testing a sample of transactions, while in our country a Single Audit model is used. In this model the SAI relies as much as possible on the adequate functioning of the internal control systems and internal audits carries out by the audit departments of the government ministries.</p>		<p>The institution audit the EU funds. That audit constitutes the bases for the NMD and is carried out according to standards accepted by ECA.</p>		<p>Establishing the model of building up the assurance by the range of audits with specified audit approach</p>		<p>Any such work would have to be performed under the provisions of ISA 600, although what is acceptable to ECA can only be answered by ECA. However, there should not be a breach of SAIs independence as stipulated in the INTOSAI principles on independence and a hierarchy between the ECA and the SAIs should not emerge in contradiction with the Treaty on the functioning of the EU (Article 287).</p>
<p>d. Shortage of resources (e.g. staff, skills, experience, financial)</p>		<p>Any consideration to audit AS would necessarily take low priority by SAI in view of other urgent and mandatory audit tasks by the SAI.</p>		<p>No specific challenges, although using an approach that would fully satisfy ECA, probable would cost much more staff resources than currently available</p>				<p>Shortage of staff and financial</p>		<p>Given the fact that the total public expenditure for co-financed EU projects through the State Budget for 2007 was around €XY million in comparison to €Z.EQA million for the total public expenditure, the resources required to perform audits in the way that might be required by ECA (or review of such audits performed by other auditors) seem disproportionate. Also, there is shortage of staff for such audits of EU funded projects, which will have to be addressed if the SAI is to perform this function.</p>

	e. Other. Please specify										There are issues of principle and independence, if SAIs of member states (which are at par with ECA auditing the European Commission/Executive) are required to report to such an Executive, as is the European Commission, especially given that they may need to cooperate in their audit work with ECA which audits it.
4	What other pro's and con's of SAI's audit of summaries for MS/SAI/EC/ECA do you see?		Pros - Ensuring that all certifications and audits of EU funds have actually been carried out. Cons - Another layer of control that is perhaps not essential. What is important is to ensure that current audit and controls are effectively being carried out.	YES	The most important con is that the AS is a relatively weak instrument, as it is not accompanied by an official declaration by the responsible minister that that information provided in the AS is true and fair. In the case of our country another con is that the institution is already annually auditing our Member state declaration, which is a much stronger instrument, including a declaration on the regularity on the level of the final beneficiaries.				Our institution is the only really independent body in the state and its opinion based on audit activity could provide additional assurance for AS - that is pros. However, cons is that institution should take responsibility, which could be doubtful related to its independence		PRO's - Additional assurance factor. Positive contribution to EU governance. Building up expertise in the audit of EU funds. CON's - Additional resource requirements and time strains on the relevant parties. Issues of principle and independence relating to SAIs as also stipulated in the INTOSAI principles on independence and to hierarchy between the ECA and the SAIs emerging, in contradiction with the Treaty on the functioning of the EU (Art. 287). Possible strain in relations (between SAIs and ECA). Resources diverted from work on national funds in order to perform this work. Whole exercise might not offer ECA considerable added value due to different audit approaches, timing and coordination difficulties for the work to be incorporated in the DAS process.
5	Would an audit of the AS be feasible if performed by (please specify why):										
	a. SAI	YES	But only limited to ensuring that all certifications and audits of EU funds have actually been carried out.	YES	It can be audited by a SAI like any other government document		Has not been considered.	YES	Independent, unbiased, objective	YES	Even if SAIs performs the audit work, relying also on the audit of other auditors under IAS 600, there would still remain the issues mentioned in question 4 above.

	b. ECA	YES	Serves as additional audit information for ECA.	NO	It would require ECA to audit (in theory) 27 AS's. In each Member State ECA would then draw a sample of transactions to be tested. The testing of the sample would require much more staff than ECA could have.	NO				YES	ECA could perform the audit instead of the SAIs, again using the work of other auditors. In our country the Independent Audit Authority for the Structural as well the Cohesion financed projects, is only one entity, the Internal Audit Service (IAS), which makes this easier and ECA could rely directly on IAS's work. For the CAP payments, again only one entity is the certifying authority for the disbursements. However there would most probably be issues of acceptance arising by the member states of an involvement by ECA to such an extent.
	c. Private audit firm	NO	Engaging private sector audit firms would entail substantial additional increase in expenses which can be avoided.	YES	Can be audited by a Private Audit Firm, as long as it is certain that all applicable rules are followed and that the outcome is completely independent.		Has not been considered			YES	A private audit firm could perform this task. However there would also most probably be issues of acceptance arising by the member states' governments for such an involvement by a private firm of auditors.
	d. Other. Please specify			NO			Has not been considered.				
6	Would an audit of the NMD be feasible if performed by (please specify why):										
	a. SAI	YES	N/A. But would be feasible if NMD were made by MS	YES	The examples of our country show that this is possible.	YES	The audit of the Central Government Annual Report in which the NMD is included is regulated in the Audit Act.	YES	Independent, unbiased, objective	YES	An audit of the NMD would depend on the nature of the NMD which is not yet compulsory and not standardised. If it entails the audit of accounts and figures, the SAI would make use of IAS 600. If the NMD is of a different nature though, it may not be so feasible to audit. Also, the issues mentioned in question 4 are relevant as well.
	b. ECA	YES	N/A. But would be feasible if NMD were made by MS	NO	It would require ECA to audit (in theory) 27 NMD's. In each Member State ECA would then draw a sample of transactions to be tested. The testing of the sample would require much more staff than ECA could have.	NO				YES	In theory ECA could perform this work, in the same lines that the SAIs would have done it. However there would most probably be issues of acceptance arising by the member states for such an involvement by ECA to such an extent.

	c. Private audit firm	NO		YES	In principle possible, if done in a fully independent manner, and separately for each NMD.		Has not been considered			NO	A private audit firm could perform the task as well. However there would also most probably be issues of acceptance arising by the member states' governments for such an involvement by a private firm of auditors.
	d. Other. Please specify			NO		NO	Has not been considered.				
7	What problems and benefits do you anticipate if ECA would play the role of a principal auditor and would like to place reliance on your audit of EU funds?		Pros - ECA can cover more audits - therefore less interruption for MS where ECA's audits of MS are concerned. Cons - Possible time-consuming coordination between ECA and SAI i.c.w. review of SAI's methodology in these audits.		The main problem would be the independence. All SAI's are independent. It is not conceivable that ECA could tell SAIs what they have to do and how they do it.		The Audit Act does not regulate the audit of EU funds. Our institution does not conduct separate audits on EU funds. Our audits of EU funds are included in the audit of the financial statements of each entity.		We do not anticipate any problem. Benefits could result from co-operative approach of independent bodies on EU and national level which could lead to the positive DAS		See response to question 4 above.
8	What are the other possible levels (regional, national, EU) at which assurance can be placed on summaries?		No further levels of assurance for Annual Summaries felt necessary. NMD, where undertaken, would serve this purpose of further EU-related funds assurance.		Both the AS and NMD should be accompanied by the required level of assurance on Member State level.						Assurance can be placed on the Independent Audit Authority for the Structural and Cohesion Fund financed projects (which in Cyprus is the Internal Audit Service - IAS) and, also, the private audit firm which is the Certifying Authority for the CAP payments.
9	Do you think that AS will have an impact on the reduction of error rate level? If yes, please describe in what way. If not, please explain why.	NO	Simply summarising certifications and audits carried out would probably not have any significant impact on error rate levels.	NO	No. It only gives an overview of error percentages by region, but does not include 1) assurance that the information is correct, and 2) underlying information about where errors occurred and why.	YES	But not necessarily enhanced accountability		We assume that AS itself will not have impact on the reduction of error rate level. There are another audit steps and procedures, which could affect error rate level.	YES	The AS could have a medium and longer term impact on the reduction of error rate levels as it might raise awareness on the national level, on complying with EU and national rules of accountability (especially if in the future, it is submitted to Parliament as well). However it is unlikely that it would have an immediate impact and lead to a positive DAS opinion for the reasons mentioned in question 4 above.

10	Do you think that NMD will have an impact on the reduction of error rate level? If yes, please describe in what way. If not, please explain why.	NO	N/A. NMD not undertaken locally.	YES	The NMD can give specific information about where errors occurred and why. This would make it possible to address these problems, which in turn should lead to better functioning systems and less errors.	YES	But not necessarily enhanced accountability		We assume that NMD itself will not have impact on the reduction of error rate level. There are another audit steps and procedures, which could affect error rate level.	YES	The same answer as to question 9, although an NMD signed by the Minister of Finance would carry more weight in comparison to the AS not signed by him.
11	Please describe key problem areas related to the concept of the AS and proposals as to future improvements. How and at what cost the summaries could be changed (in terms of contents and procedures) in order to improve risk management and accountability at the national level (e.g. incentives and/or legal provisions for the generalisation)?		AS can be useful as a checklist to ensure that all certifications and audits, in terms of EU regulations, have been carried out. Such a checklist is of interest, in particular, to audit authorities. However, further audits on AS are not considered essential, except to ensure that relevant certifications and audits have actually been carried out.		The key problem of the AS is that it does not include any kind of assurance that the figures stated there are true and fair, and it is not externally audited. The way to improve it is to transform it into a full NMD, including independent audit opinion by the SAI.		Has not been considered.		Legal provisions should change AS in order AS could become source for additional assurance. It should happen at cost of EU.		The AS is a useful document summarising the expenditure of EU funds in member state countries as well as the relevant audits and findings with respect to the disbursement of these funds. It also carries the statement of the Ministry of Finance, providing reasonable assurance to the legality and regularity of the underlying transactions. However, the problem with the concept of the AS, is that it might not contribute significantly towards a positive DAS opinion. There is also the issue of timing in the issuance and audit of the AS, for it to be incorporated in the DAS process. AS could evolve into a NMD instead of creating a new format for it, but the problems would still remain. If a way of streamlining the audit procedures of the auditors for the EU funds and those of ECA is not found, it is unlikely that the AS or an NMD will directly influence the state of affairs leading to a positive DAS opinion.
12	Please describe how you would see the role of SAI in building up the assurance for AS/NMD.		Sufficient for SAI to ensure that compilation of AS is timely, complete and accurate. N/A for NMD.		The SAI can externally audit the NMD and as such provide additional assurance.		Has not been considered. It is a matter of legislation.		By independent audits		For the reasons mentioned in the answers of questions 4 and 5 we do not see a role of our SAI in building up the assurance for AS or NMD.
13	In your view, what can be the role of annual summaries, as they now stand, in the overall EU control framework? What improvements would be needed for them to be relied upon to a larger extent?		AS, as indicated above, could serve as a checklist to ensure that all certifications and audits have actually been carried out in terms of EU regulations.		As they now stand, the AS can have a very limited role in the internal control framework of the EU. The best improvement that can be made, is that they are transformed in NMD's.		Has not been considered.		AS can play proactive role if it could be used as a tool for vindication of improvement. As AS stand now, we do not foresee indications how AS contribute to positive DAS.		Annual summaries could be a useful tool that could improve the awareness of the Executive and Parliament in the management and control of EU funds. As far as improvements are concerned and the future of AS in the overall EU control framework, the answer to question 11 above is relevant.

ANNEX VIII: SUMMARY OF THE SURVEY RESULTS FOR DESIGNATED BODIES

	Y/N	Comments/Description	Y/N	Comments/Description	Y/N	Comments/Description	Y/N	Comments/Description	Y/N	Comments/Description		
1		Do you agree that both the European Commission and the Member States should make a collective effort towards the positive DAS? If yes, in your opinion - the best way to achieve it is:	YES		YES	Both the Commission and the Member States have responsibilities when it comes to the management of 80% of EU-funds. For that reason, joining forces seems a prerequisite for any improvement in the funds under the shared management principle. Consequently, no 'best' way to achieve a positive DAS can be identified and therefore, all options underneath can potentially contribute towards a positive DAS. Above all, increased national responsibility should be considered a vital element for any improvements in the current financial management system.	YES		YES		YES	The Commission and MS should make a collective effort towards the achievement of a positive DAS. However, the suggestions at (a) to (c) will not be sufficient in themselves to achieve a positive DAS quickly.
		a. Focus on weaknesses identified by the ECA and work in partnership with EC to address those weaknesses?	X		X	ECA findings and reports serve as an important source of information for the Commission that it can use to - for example - target problem areas. Unfortunately, the ECA Annual Report does not report on Member State basis. This makes it difficult for a Member State to extract information on problems/specific areas in their own country.	X				X	
		b. Further improvements of AS			X	Being a mere collection of existing reporting requirements at present, the AS has limited value. Any improvements, e.g. the inclusion of an overall assurance section, can contribute to improved financial management on national level (and ultimately to a more positive DAS).				Further improvement of AS is not a good strategy.	X	
		c. Work towards NMD			X	The NMD as developed in the country T serves to contribute to a positive DAS. It is a political document that aims to give assurance on the legality and regularity of expenditure and the setup of systems, signed by the minister of Finance. In addition, our SAI provides an external opinion.				This can be the right way if the management declarations would be for the systems (funds) under the responsibility of the Managing authorities.	X	
		d. Other (please specify)			X	Initiatives from the European Commission to simplify regulation and speed up the finalisation of projects (i.e. partial closure) are a vital element in improving the financial management system.			X	To focus on weaknesses is important, but more important is to clarify the responsibilities of different players and assurance they can and could give.	X	There should be a more focussed effort at simplification of the CAP and then, if necessary, a discussion about the tolerable level of error (linked to costs of control).

2	Do any written internal procedures for the process of AS elaboration exist in your country?	NO	The Guidance Notes of the Commission re Annual Summaries, Withdrawals and Recoveries etc. are sufficient.	NO	The Ministry of Finance, as coordinating body draws up a timetable and makes the necessary arrangements with parties involved. Regarding the individual AS, the guidance notes may differ per area. The departments responsible draw up the AS themselves. Therefore, it would not be efficient to draw up an overall internal procedure. Our country would welcome a harmonisation of Guidance Notes so as to improve the manageability on national level.	NO		NO	YES	There are internal procedures for the CAP synthesis.		
3	Do you think your national procedures for the process of AS elaboration are sufficient? If not, do you think internal written procedures on the elaboration of AS would enhance their quality?	N/A		N/A		YES		NO	Not applicable for the first part question. for the second part the answer is no.	YES	The procedures are sufficient.	
4	Do you think that the Guidance Note produced by the EC was:											
	a. Clear and understandable (sufficient)	X		X	More than one GN was issued by the Commission. It would be helpful if the different GNs could be harmonised.	X	No		Guidance Note (GN) is understandable, but the purpose is not clear. AS, as required by the GN, should produce information on certified expenditure, certified by the Paying/Certifying Auth. and on audits carried out by Audit Auth. This is not a good concept as EC needs assurance from the Managing authority (MA) that managed expenditure (for the projects carried out by/under the responsibility of MA) the underlying transactions are compliant by rules, eligible etc.	X	The Commission's efforts on producing and communicating the contents of Guidance Note on the annual synthesis was much appreciated.	
	b. Complete (covering all substantial issues)	X		X	Regarding the AS yes. However, our country would appreciate the inclusion of the relation of NMD vs. AS. Delivering both seems unfortunate. If possible, our country would like their NMD to cover AS-requirements. Requirements related to NMD's covering AS could be included in the GN.	X	No			X		
	c. Issued in timely manner (both English and national language versions)	X	(However, the functionality that allows the structured input of the Annual Summary in the SFC was released very late and very close to the deadline).		The AS was not published in our language. The GN for the first AS for structural funds did appear rather late, especially regarding the fact that it was the first AS to be issued.	X	No				X	
	d. Too extensive					X	No					
5	Did your country provide an Overall Assurance section? If yes, please describe briefly the procedure for its establishment? If not, why	NO	The legislation already caters for mandatory assurances e.g. winding-up opinions for 2000-2006 Structural & Cohesion	NO	Our country chose not to include an overall assurance section because this is (more than) covered by our NMD. So as to avoid double work/costs our country decided to focus on improving	NO	Our country will annually provide a national statement concerning the management of EU funds. We will present the first statement in April 2009, covering 2008. No	NO	Overall Assurance is professionally not acceptable. See text under question no. 4. Also there is no clear separation of duties between the MA and the auditors. MA is	YES	Our country makes use of the Overall Assurance section.	

	not?		Funds and annual and final opinions for Structural & Cohesion Funds 2007-2013.		quality of its NMD as the most important instrument of accountability of EU-funds in our country.		overall assurance is provided in order to avoid duplication of work.		responsible for the complying with all the relevant rules, eligible expenditure and exact information on projects and expenditure. Auditors are responsible to give reasonable assurance that the opinion comply with the findings of the audit work done.		
6	Do you agree that the Overall Assurance section of the Annual Summary strengthens risk management and accountability of the Member States?	NO	vide above	YES	An overall assurance section in the AS increases its quality if based on specific requirements as to the quality, form, type of assurance given. It should be regarded as a first step towards improved management and accountability on national level. Our NMD for example, is a form of political accountability. This is not required for the AS.	NO		NO		NO	The section does not in itself strengthen risk management and accountability of the MS. However, the synthesis should be seen as part of the wider framework of certification audits, statements of assurance (national management declaration), which has led to some degree of improvement.
7	Do you think that the Overall Assurance section of the Annual Summary should be mandatory?	NO	vide above	YES	If subject to specific requirements (as mentioned above).	NO		NO		YES	Our country would be content for completion of the Overall Assurance section to be mandatory.
8	Do you think that the Annual Summary should be subject to an audit? If yes, the auditor should be the:	NO		NO	As long as the AS is a collection of existing requirements, an audit seems a useless repetition. Regarding the overall assurance section, the following audits will prove usefull:	NO		NO		NO	Our country does not see the need for an audit of the synthesis. The audit of the Paying Agencies' accounts and statements of assurance are sufficient.
	a. Audit Authority			X							
	b. National Supreme Audit Institution			X							
	c. External private public accounting company				In our country, the NSAI gives an external opinion. However, another independent external audit could be an alternative.						
	d. European Court of Auditors										
	e. Other. (Please specify)										
9	What benefits (e.g. less financial corrections, fewer audits) for your country would you expect to obtain from the EU institutions as a result of the delivery of good quality Overall Analysis and Overall Assurance that would go beyond the minimum requirements from the Commission?		Few benefits, if any are expected. A good quality overall assurance does not mean that there are no systemic problems. These would still lead to financial corrections.		Improved financial management on national level is expected to lead to fewer corrections from the Commission, a reduced administrative/control burden and the opportunity to finalise projects at an earlier date (i.e. partial closure).		In the areas of shared management the majority of the costs of undertaking controls are borne by MS. However, the benefit of these controls accrues to the EU budget, and therefore only indirectly to the MS itself. This results in little incentive for the MS to devote sufficient resources to controlling EU funds, and explains why the Commission needed to resort to defining the type and intensity of control procedures in regulation. We are of the opinion that good control systems should be rewarded and that the incentives for the MS for to establish effective control systems should be much clearer. Less audits is a more concret suggestion on benefits.However such benefits are already existing in sector		The concept is not OK to give benefits.		Please see answer to Q6. The benefit of the synthesis is simply to summarize the key points arising from the accounts, certification audits, statements of assurance and opinions on the statements of assurance.

							regulation, (ex the annual statement and control report from the AA for Structural funds). We are therefore concerned about unclear relations between possible benefits from AS and sector regulations.				
10	What effective incentives should/could the Commission provide for that purpose?		Not applicable		On the one hand, the Commission can facilitate partial closure initiatives, limit its controls both in scope and timeframe (e.g. review at the level of the audit authorities within a fixed period of time after the finalisation of the project) so as to reduce the administrative/control burden at the level of the beneficiary and provide guidance on how to shape this 'overall assurance section' or NMD's. On the other hand, the Commission can make it attractive for a MS to make an effort for improvement. It can do so by visibly unburden MS that deliver good quality accountability.		See answer to question 8.		To stop with the AS and start from the beginning.		Preventative audits by the Commission that do not lead to disallowance and a more proportionate approach to the application of disallowance following scheme compliance audits would promote a more constructive dialogue as regards control weaknesses.
11	Do you think that Annual Summaries improve risk management and accountability at the national level? If yes, please describe in what way?	NO	The information included in the Annual Summary is already provided through various other reports such as annual control reports, statements of withdrawals and recoveries etc.	X	In the sense that it forces MS to coordinate the AS on national level. This in turn triggers thoughts on how you have organised your own financial management system.	NO		NO			Please see answer to Q6
12	Do you think that Annual Summaries provide additional value to the assurance and the accountability process at the level of the EU? If yes, please explain how as compared to the existing reporting requirements.	NO	The Commission will only use such analysis as an additional source of information for its assessment of Member States management and controls systems reported in the Directorates' General Annual Activity Reports (since the information will be provided by the Member States in advance).	NO	At present, there is limited added value for the Commission because the mandatory part of the AS consists of information that is already available to the Commission. If an overall assurance section was to be included, value added would be higher. In that light, value added could be improved by making the AS public so that MS can actually see how they performed compared to their colleagues (i.e. best practice) and where problems are concentrating (problem areas).	NO		NO			Please see answer to Q6
13	Please describe key problem areas related to the practicalities of the AS (e.g. timing, redundancy of information, information costs). What corrective action could be taken in that respect?		Timing problems especially regarding 2004-06, unnecessary administrative burdens to provide duplicate information e.g. information regarding withdrawals and recoveries (Cohesion Policy) is provided annually by the Certifying Authority by the end of March, apart from being provided in the Annual Summary by the 15th February. Certain reports could be amalgamated or		The increased administrative burden compared to the added value (no new information for the Commission). The timing on national level would be better if the AS were to be handed in a month later. The beginning of the year in our country is dominated by national budget investigations.		The annual summary considers as a cost ineffective procedure. The Member state forward information that already have been sent to the Commission, duplication of work. One alternative, in order to reduce the administry burden, is that the Commission, form the information already received from the Member States, draws up the annual summaries.		Apart of comment above, one of the additional comment is that the expenditure audited in the year 2007 in not the expenditure certified in 2007.		The timing is tight, but there are no major practical problems in preparing the synthesis.

			provided at different points in time to avoid duplication.							
14	Please describe key problem areas related to the concept of the AS (e.g. accountability, segregation of duties, low value added as mere summaries). What corrective action could be taken in that respect?		Refer to question 10		The concept of the AS as it is at present has limited added value regarding information except that it represents an overview of existing reporting requirements and data.		The present procedure for annual summaries doesn't change the assignment of responsibility between responsible agencies (management/certifying) and the designated bodies/audit authority in the Member state. The procedure doesn't either change the Member states responsibility or accountability towards the Commission as no political commitment is made in the Member state (no signing or decision of the document at the correct level in the Member State.		See text under question no 4.	The main problem with the synthesis is that it is merely a summary, so is of limited added value.
15	Do you think that Member States should take a portion of political responsibility for the EU budget implementation in the area of agriculture and structural actions? Please justify your position.	NO	The designated bodies by the Member States should be responsible for implementation of the funds. The Treaty states that the Commission should deal with the Member State through the appropriate designated bodies.	YES	Member States are ,First and foremost of %80e execution of responsible for th the ,In this context ,EU funds In ,Commission has a supervisory role the COM can only extend ,other words its supervisory role to the extend that it stimulates MS to improve financial ,management on national level s imperative for MS action i ,However ,improvement in this field -political responsibility for EU,Secondly funds managed by the MS on national level is the only way in which the Government can account to its citizens similar to the)how funds are spent contributor in As a net ,(national budget the Parliament feels it is very -the EU important that our country spends its true and (money-s EUalso if it)money the Government ,Therefore ,fair accounts for the execution of these political ,In addition ,funds al level creates accountability on nation an incentive to improve the In ,management of these funds it is ,absence of political responsibility most easy to point to the COM in case This does not ,of mismanagement create an incentive for improvement on ,national level	YES		NO	Not political responsibility in that sense that someone not responsible for the systems would be responsible for the EU budget implementation. The one who can be responsible, must have the responsibility to setup systems and manage aid.	Member States must take increased responsibility for EU funds under their management. This will increase accountability for these funds and is likely to lead to improvements in their financial management.Our countrywould also wish to see increased recognition of work undertaken by national audit institutions and increased devolution of scheme compliance audits to Member States Competent Authorities and Certifying Bodies.
16	Do you agree that there should be a political level declaration stating responsibility for the national management and control systems over EU funds? If yes, such declaration should be signed by the:	NO	It will not add value. In addition, the General Financial Regulation only states that a summary of available audits and declarations should be provided.	YES	For the reasons explained above.	YES		NO	NO	There should be no prescribed signatories for National Declarations. These must be allowed to vary between countries in order to fit with constitutional circumstances.
	a. Minister of Finance			X	Responsible for the (national) budget, signs the consolidated statement. In our country, this takes place on national accounting day. The NMD is based on the sub-declarations from the Members of Government responsible for the funds.					

	b. Prime Minister (or his/her equivalent)										
	c. Member of Government responsible for EU funds			X	Members of Government sign sub-declarations on the EU-funds they are responsible for.						
	d. Other. Please specify					X	The statement should be tailored to existing national institutional arrangements and control systems. The statement should reflect already existing structures of responsibilities within the national administration. In our country the statement is decided by the Government and signed by the Minister of Finance and by the Prime Minister				
17	Do you think that the political level declaration should be subject to an audit? If yes, the auditor should be the:		Not applicable	YES	An audit is inherent to a political declaration, especially when the starting point is to treat EU-money in the same way as national funds. A politician would be hesitant to put his neck out when no assurance (audit) is given. This can be seen as one of the benefits of a political statement. A politician does not sign before reasonable assurance on the content can be given.	YES		NO		YES	The National SAI should audit national statements of EU-funded expenditure.
	a. Audit Authority			X	Internal audit. Before the NMD is signed by the Government.						
	b. National Supreme Audit Institution			X	External audit. For the benefit of the Parliament.	X					
	c. External private public accounting company										
	d. European Court of Auditors										
	e. Other. Please specify										
18	Has the new requirement already led to a change in culture as to the control of EU funds? Has it increased the attention to their implementation? If not, do you think this is a likely effect in the mid term and at what condition?	NO	This is likely to apply for the long-term as well.	NO	In our country, organisational restructuring has taken place at an earlier stage when the NMD was being developed. The aim of the NMD to reduce budgetary risks requires an increase of efficiency and improvement of the national financial management systems. For that reason, our country has been able to make several steps towards more efficient and effective management that will reduce budgetary risks, such as the centralisation of the audit authority and certifying authority. In short, in our country the NMD can be identified as a tool to analyse one's own financial control system critically and identify (& tackle) weaknesses of the system at an early stage. The instrument creates an increased insight in the national system, increases its effectiveness and efficiency and increases national control on EU expenses. As a result, the instrument helps reduce risk of irregularities and risk of corrections.	YES		NO			Please see answers to Q1 and Q6. The immediate focus should be on the simplification of CAP scheme rules as a means of reducing the level of error in payments to beneficiaries.

ANNEX IX: CRITICAL REVIEW - COMMENTS MADE

No.	Name	Comments
1.	Jules Muis	<p>The following should be considered:</p> <ul style="list-style-type: none"> • clear distinction between results-based assurance statements and best effort (open-ended) controls summaries; one leading to positive assurance, the other to a disclaimer combined with negative assurance; • the overall conceptual framework, from ideal model (starting from the Commission's overall controls assurance statement, down into the catacombs of piecemeal assurances); • inconsistency between ECA's positive assurance on the accounts and an adverse opinion on controls • reasons why some Member States prefer the (evasive) summaries above the National Declaration; • distinction between assurance statements signed by political authorities and assurance statements which are politicised because they only say what the recipient wants to hear; • the residual missing links from the Parliaments resolution asking for ex post and ex ante assurance statements.
2.	Dorota Dobija	<ul style="list-style-type: none"> • The limited access to all documents related to the Annual Summaries as well as only one year of analysis can limit the findings. • Accountability cannot be reached without full transparency. The difficulties related to the collection of the Annual Summaries and the reluctance of some countries related to the publication of the reports raise questions about the role of the mechanisms. Transparency and publication of the summaries could also trigger the transfer of knowledge and knowledge sharing related to the best practices used in various countries. • It is advisable to exercise cultural intelligence while analysing the collected materials. Different cultural background can result in different interpretation and understanding of different terms

ANNEX X: PROPOSED ROAD MAP

1.	Evaluation by the Commission of the AS for 2008 with particular emphasis on voluntary elements	Short term
2.	Development of the operating Action Plan with the objective to raise awareness on NMD (the AP should include learning process i.e. twinning projects, study visits, network arrangements as well as conference and research projects) with proper funding	Short term
3.	Clear definition of designated body . Annual Summaries should be part of management assurance and therefore should be based on <i>inter alia</i> audit work but at the same time should not be under responsibility of audit bodies.	Short term
4.	Inclusion of the minimum requirement for NMD into the Guidance Note as well as incentive based provisions. Compliance with the minimum requirement waives the obligation to submit AS.	Short term
5.	Transparency of all AS achieved – access for public	Short term
6.	NMD development best practice dissemination	Short term
7.	Introduction of the NMD into the legislation with a clear timetable for full compliance (e.g. to introduce limited assurance form as the first step (short-term objective) to be transformed later on into reasonable assurance (long- or mid-term objective).	Mid term
8.	Redefinition of reporting requirements . Legal changes introduced if necessary.	Mid term
9.	Development of common NMD audit standards .	Long term
10.	NMD delivered by all MS and audited by relevant audit institutions in some MS	Long term
11.	NMD delivered by all MS and audited by relevant audit institutions	Long term

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