Mr President,

Ladies and Gentlemen, Honourable Members of the European Parliament,
Commissioner Šemeta,

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It is my great honour to present to you, the Council's recommendation on the discharge to be given to the Commission for the implementation of the EU Budget in 2011.

I had the opportunity last November, before the beginning of the Irish presidency, to meet with Mr. Theurer. I am happy to be able to participate today, during Ireland’s presidency of the Council of the European Union, in this discussion at your important committee. Today is an important milestone in the delivery of our Presidency Discharge programme.

Everyone present knows that at a time of economic and financial difficulty the sound financial management of EU funds is ever more important. The citizens of Europe expect us to be attentive to the necessity to enhance European spending and to the sound financial management of EU funds.

This can ensure credibility in the public perception regarding the programmes and actions
financed from the EU budget.

Let me now turn to the Council recommendations;

During recent months, the Council has conducted a detailed examination of the Commission's implementation of the budget for 2011, based on the European Court of Auditors’ annual report. Last week, at the ECOFIN Council, we discussed the Court's audit results and observations, as well as the replies given by the Commission and the other institutions. The Council then adopted the recommendation to give a discharge to the Commission.

The Council also adopted discharge recommendations for thirty bodies set up under the Treaties, and having legal personality, which receive EU budget contributions. In doing this Council considered that some of these agencies could further improve their financial management as suggested by the Court. In addition, the Council adopted recommendations to give a discharge to six executive agencies and seven joint undertakings on the basis of the Court's specific reports.

The Council’s recommendation, to be given to the Commission, welcomes the Court's clean opinion on the reliability of the annual accounts. While the Council considers that the Court's audit findings confirm the relative stability in the error rate observed in recent years, the recommendation reiterates the wish of the Council to see year-on-year improvements in financial management systems and lower error rates. The Council’s recommendation, therefore, reaffirms a number of elements which should be followed-up and implemented by the Commission and I would now like to address these in a little more detail.

**Error rates**

The Council broadly supports the Court's assessments, observations and recommendations presented in its annual report. The Court's overall estimate for the most likely error rate of 3.9% was slightly higher than last year, increasing from 3.7%. The Council took note that 0.1% of the increase resulted from changes in the Court’s methodology. Nevertheless when looked at over time, the Council considers that the Courts finding confirms the relative stability in the error rate observed in recent years.
The Court’s report shows that a number of transactions, notably in important policy areas such as agriculture, cohesion and research, remain prone to error and above the material error threshold of 2%. The estimated error rate for agriculture, market and direct support amounted to 2.9%, with the policy group of rural development, environment, fisheries and health having the highest error rate at 7.7%. The policy group for cohesion, energy and transport showed some positive developments with the error rate for the policy as a whole decreasing from 7.7% to 5.1%. The estimated error rate for research and other internal policies was 3.0%.

As in previous years, a significant number of the errors identified by the Court were found in the area of public procurement, in particular under shared management where Member States’ national rules also apply. The Council notes that the revision of the Financial Regulation has modernised and simplified procurement procedures and rules and that this, together with the ongoing review of procurement procedures, should lead to improvements in this area in the coming years. The Council encourages the Commission and Member States to further align their rules in order to achieve the maximum benefits, with a view to reducing error rates.

**Member State and Commission efforts**

To quote a well known phrase “prevention is better than cure”. It is incumbent upon the Commission and also on Member States to ensure that limited EU funds are spent in the best and most effective way, for the benefit of European citizens and taxpayers. An important element for the Council in its discharge recommendation is to urge the Commission and member States to continue their efforts to strengthen controls for the efficient and effective management of EU funds. The Council also reiterates the need for guidance from the Commission to Member States and beneficiaries to help them to fulfil their role and to further bring down the frequency of eligibility errors.

**Suspensions and corrections**

Having said that, the timely and systematic interruption and suspension of payments and the rigorous implementation of recoveries and financial corrections are important in protecting the Union's financial interests. The Council recognises that corrective measures are taken by the Commission following the identification of errors but also that these measures are sometimes only possible with a certain delay due to the multi-annual nature
of programmes. Let me also emphasise the importance of obtaining timely and transparent information about the quality of financial management of EU funds, both at Commission and Member State level. We all need to know the financial impact of the detected errors, based on comparable data from the Commission and from national authorities.

**Commission’s internal management system**

I will now turn to the internal management systems of the Commission. The Council considers that the Annual Activity Reports established by the Commission’s Directors-General and the reservations issued in these reports are important and useful documents which provide accountability and transparency to Member States and the public. Reservations should therefore be applied systematically, whenever appropriate, in order to enhance the value of the reports. Nevertheless, the Council emphasises that the presentation and content of the Annual Activity Reports need to be harmonised in order to improve their comparability across policy areas.

**ECA report Chapter on EU Budget results**

Finally, I would also like to point out that the Council appreciates the new chapter presented in the Court’s report which assesses the results achieved from the EU budget. From the Council’s point of view, this is a useful additional element in the annual evaluation of the sound financial management of EU funds. It could be further developed for the programmes of the next multiannual programming period which are currently being designed. There is a need to have robust mechanisms for measuring and reporting on the performance of programmes, with timely, reliable and comparable data from the Commission and Member States. This will ensure that EU programmes deliver their expected outcomes and that their impact and the added value resulting from activities at EU level can be made clear.

**Conclusion**

To conclude, the Council recommendations highlight the wish to see year on year improvements in the error rate published by the Court. I want to make it clear that this will be a long process and while improvements may only be visible over time, some improvements in the trend can already be identified between the current (2007 to 2013) and past (2000 to 2006) programming periods.
As the Court rightly points out, EU policy objectives need to become much simpler, and rules must become clearer, more coherent and easier to implement. The ongoing discussions on the programmes for the new multiannual financial framework provide a good opportunity to achieve major progress towards simplification with due attention being paid to the control and prevention of errors. Of course the achievement of results from EU policies must remain the overarching priority when setting up programmes and actions while bearing in mind the need to avoid excessive administrative and control burdens.

With the implementation of these recommendations and the opportunities presented by both the new financial regulation and the discussion on programmes for the next MFF period, a further improvement in error rates should be visible over the next number of years.

All of us - the Council, the Commission and, of course, the European Parliament can work together towards this shared and highly valuable objective.

Thank you very much for your attention.

ENDS