Contribution from the BENELUX-delegations to the COSAC for the discussion on the "implementation of the EU budget"

In May 2005, under the Luxembourg Presidency, the Conference of Community and European Affairs Committees of Parliaments of the European Union (COSAC) adopted a resolution that called for the improvement of the management and control systems of EU-budget expenditures in order to enhance citizens' confidence in the EU and its finances. COSAC stated it would welcome the introduction of annual ex-post Declarations of Assurance. COSAC also urged for a much closer inter-parliamentary cooperation within the EU in order to strengthen the democratic control of the EU expenditure.

Article 274 of the Treaty establishing the European Community states that: "the Commission shall implement the budget, [...] on its own responsibility and within the limits of the appropriations, having regard to the principles of sound financial management. Member States shall cooperate with the Commission to ensure that the appropriations are used in accordance with [these] principles."
In addition, Article 317 of the consolidated version of the Treaty on the Functioning of the European Union (better known as the Lisbon Treaty[1]) stipulates that: "the regulations shall lay down the control and audit obligations of the Member States in the implementation of the budget and the resulting responsibilities."

EU citizens are increasingly concerned about EU finances. Since almost 85% of the EU budget is spent by the Member States ("shared management"), control of the expenditure is of utmost importance.

Since 1994, the European Court of Auditors has never been able to give a positive statement of assurance (DAS). In general, EU-citizens perceive this as severe criticism of the Commission's management of the EU budget. The European Court of Auditors concluded in its latest annual report (financial year 2006) that "the control systems in the Member States are generally ineffective or moderately effective" and that "the Commission maintains only moderately effective supervision to mitigate the risk that the control systems in the Member States fail to prevent reimbursement of overstated or ineligible expenditure."

The European Parliament proposed in its resolution of 12 April 2005, which was adopted by an overwhelming majority, that each Member State should provide an ex-ante disclosure statement and an annual ex-post statement of assurance as regards its use of EU funding.[2] The European Parliament has supported this idea ever since during the annual discharge procedures on the EU budget.

The European Commission's Roadmap to an Integrated Internal Control Framework[3] of June 2005 proposed an integrated framework that would help to ensure more effective and efficient internal control of EU funds. According to this Roadmap the Member States should have greater responsibility for budget supervision and internal audit. However, there was insufficient support for the proposals of the Commission during the ECOFIN Council of November 2005. In January 2006, the Commission subsequently issued the Action Plan towards an Integrated Internal Control Framework[4], in which it emphasized the importance of a single-audit strategy (action 9-11) and one of the actions concerned again steps to be taken on management declarations and audit assurance including Member State declarations (actions 5-8).

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[1] After ratification of the Lisbon Treaty by all the Member States, the Treaty establishing the European Community will be renamed the Treaty on the Functioning of the European Union.
[2] European Parliament, Resolution containing the comments which are an integral part of the decision on the discharge for implementing the general budget of the European Union for the financial year 2003, 12 April 2005, P6_TA(2005)0092.
[3] Communication from the Commission to the Council, the European Parliament and the European Court of Auditors on a roadmap to an integrated internal control framework, COM(2005)252.
[4] Communication from the Commission to the Council, the European Parliament and the European Court of Auditors - Commission Action Plan towards an Integrated Internal Control Framework (COM(2006)9.

The Interinstitutional Agreement on budgetary discipline and sound financial management (article 44)[5] and the New Financial Regulation 2007-2013 (art. 53b)[6] provide further legal basis to improve financial management in the EU and to extend the Member States' responsibility. Member States shall produce an 'annual summary' at the appropriate national level of the available audits and declarations. However, annual summaries lack an obligatory overall analysis and an explicit political statement on the management and control of EU funds. They can be regarded as a starting point towards the development of Member State declarations

The European Court of Auditors stated in its opinion 6/2007 that annual summaries of Member States, national declarations of Member States and audit work on EU funds of national audit bodies, could stimulate improved management and control of EU funds in Member States, if properly implemented.[7]

The EU Contact Committee of presidents of the Supreme Audit Institutions (SAI's) established in 2004 the Working Group on National SAI reports on EU financial management. In 2008, at least 10 SAI's will produce a periodic overall EU report 2007/2008, in which they focus primarily on the financial management of EU funds. In 2007 the Contact Committee established - under the initiative of by the European Court of Auditors - a Working Group responsible for "developing common auditing standards and comparable audit criteria tailored for the EU area".

In Denmark, Sweden, the United Kingdom and the Netherlands voluntary initiatives regarding the management and the control of EU funds have been developed. On 7 May 2007 the Dutch government issued the first Member State declaration. The second Member State declaration followed on 21 May 2008. Both declarations were audited by the Dutch SAI and covered expenditures and revenues relating to the Common Agricultural Policy. From 2009 onwards the Dutch declaration will also cover the other EU funds in shared management: amongst others structural funds and fisheries.

Taking into consideration that:

- almost 85% of the EU budget is spent by the Member States, whereas the European Commission has final responsibility over the EU budget;
- citizens require the expenditure of EU funds by Member States and the European Commission to be legitimate and the control of the expenditure to be effective and efficient;
- comprehensible, clear and transparent budget procedures lead to greater legitimacy of the EU in general and EU spending in particular;
- the European Commission and the European Parliament embrace Member State declarations as a means to improve the accountability of Member States;
- the European Court of Auditors is of the opinion that national declarations of Member States could stimulate improved management and control of EU funds in Member States, if properly implemented;
- Member State declarations are in full conformity with Article 274 of the Treaty establishing the European Community and Article 317 of the consolidated version of the Treaty on the Functioning of the European Union ("Lisbon Treaty");
- the European Commission has made it a strategic objective to achieve a positive Declaration of Assurance during its current mandate;
- by issuing Member State declarations, the Member States can be held more accountable for EU expenditure, since these declarations are an important and useful instrument for improving effective, efficient and reliable control of legitimate EU expenditure at national level;

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[5] Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (OJ C 139, 14.6.2006, p. 1).

[6] Council Regulation No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 248, 16.9.2002, p. 1).

[7] European Court of Auditors, opinion 6/2007 regarding annual summaries of Member States, national declarations of Member States and audit work on EU funds of national audit bodies, 19 July 2007.

- national parliaments should stimulate their governments to issue Member State declarations;
- close cooperation between the parliaments and the SAI's will further improve the quality of the control of EU expenditures;
- close cooperation between the national SAI's and the European Court of Auditors can enhance the quality of Member State declarations and helps creating common auditing standards and comparable audit criteria;
- communication with EU citizens on the expenditure and the control of the EU budget is important to enhance citizens' confidence in the EU and the EU finances.

Therefore COSAC

- *emphasises* that effective, efficient and reliable control at all levels of administration is an essential condition for sound financial management of the expenditure of EU funds and can increase citizens' confidence in the EU;
- *considers* Member State declarations to be an important and useful instrument for improving effective, efficient and reliable control of EU expenditure at national level and therefore;
- *calls upon* the Member States to issue Member State declarations;
- *calls upon* the SAI's to audit these declarations;
- *urges* national parliaments to do their utmost to have their governments issue Member State declarations;
- *calls upon* the European Council to inform COSAC on which member states have issued a declaration as well as inform COSAC on the considerations why a member state has not yet issued such a declaration
- *urges* national parliaments to cooperate closely with their SAI's in order to improve the quality of the control of EU expenditure;
- *supports* the cooperation between the SAI's in the EU Contact Committee and its working groups.
- *stresses* the importance of close cooperation between SAI's and the European Court of Auditors;
- *welcomes* the European Commission to continue its efforts, in cooperation with other EU institutions and the Member States, to improve the efficiency and effectiveness of future EU expenditure in order to foster sound financial management;
- *urges* the European Council to review its position taken up during the ECOFIN meeting of 8 November 2005 not to support the introduction of Member State declarations;
- *supports* the idea of a single audit model in the European Union as a means of further improvement of control of and accountability for EU expenditure and therefore *calls upon* the Council and the other EU institutions involved to do their utmost to introduce the single audit model in the nearby future;
- *encourages* its members to do their utmost to place the communication with European citizens on the (control of) EU expenditure on their national parliamentary agendas;
- *will forward* this statement to the European Commission, the European Council, the European Parliament, the European Court of Justice, the European Court of Auditors, the European Investment Bank, the Member States governments, national parliaments and SAI's.