2011 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER ANDOR

Hearing on 27 November 2012

Errors

1. 76% of the errors affecting all transactions could have been detected by the Member States' authorities as there was sufficient information available. What further measures can be taken with a view to improve the control systems in the Member States, including strengthening of the applicable corrective mechanisms by the Commission?

Commission's answer:

As a follow-up to this Court's specific finding, the Commission has sent a letter to all Managing authorities drawing their attention on the need to improve the reliability of the management verifications and calling upon them to strengthen existing procedures and practices in the light of the Court's findings.

DG EMPL will also carry out a thematic audit on the effectiveness of first level checks in a set of operational programmes selected on the basis of a risk assessment.

A DG EMPL analysis of the Court's results also shows that some errors could have been clearly avoided by simplification measures at national level, including both simpler eligibility rules at national level and further leveraging the application of simplified costs options (lump sums, standard scale of unit costs and flat rates for the declaration of indirect costs) in certain Member States.

Therefore the Commission will continue encouraging and supporting national authorities in their efforts of simplification, in particular the effective implementation of the simplified costs options. In this regard, besides the Sectoral Event on Simplified Costs held on 13 December 2011, to which all Managing Authorities were invited, specific simplification seminars with Managing Authorities have already taken place for that purpose. Seminars in Spain, Portugal, Italy and Bulgaria have taken place in 2012 and four additional seminars are planned in December (Portugal) of this year and January next year (Romania). Another one in Croatia is currently being organised as well for the first quarter of 2013.

Besides contributing to a further reduction in error rates and error frequency, the effective implementation and increased use of these options would also significantly reduce the administrative burden on beneficiaries and the cost of control.

2. The operational programmes with a validated error rate higher than 2% (materiality threshold) represent 40.2% of the total number of programmes:

    - 17.1% of programmes: estimated error rate between 2-5%,
    - 15.4% of programmes: estimated error rate between 5-10%,
    - 7.7% of programmes: estimated error rate above 10%,

    These errors affected 37,3% of interim payments in 2011. What measures have been taken with a view to decrease the error rates in the future? What have been the results of DG EMPL fact-finding missions to the Czech Republic, Spain, Germany, Latvia and Slovakia with a view to confirm the results of the Annual Control Reports submitted by the national Audit Authorities?

Commission's answer:

For the sake of clarity, it should be noted that the error rates referred to in question 2 are those reported by the Audit Authorities in their 2012 Annual Control Reports (ACRs), revised when appropriate by DG EMPL, and should therefore be clearly distinguished from the error rate reported by the Court of auditors in its Annual report.

Furthermore, out of the 37.3% interim payments made in 2011 to OPs with an error rate > 2%, the vast majority (29.2%) concerned OPs with an error rate between 2% and 5%. Payments to OPs with an error rate between 5% and 10% account for 6.3% and to OPs with an error rate above 10% accounted for 1.8%. This reflects the strict policy followed by DG EMPL in interrupting or suspending payments to OPs where significant weaknesses in their management and control systems have been identified.

The error rates provided in the ACRs have been assessed by the Commission in the framework of the elaboration of its Annual Activity Report. When necessary, in order to help clarifying any issues identified, DG EMPL organized a fact-finding mission. As a result of these, the Commission has been able to assess the reliability of the error rates communicated in the Annual Control Reports.

The analysis and assessment of the Annual Control Reports and error rates is one of the key elements taken into account by the Director General of DG EMPL to build its assurance on each programme, in addition to the results of the audits conducted by DG EMPL and other relevant information available.

The assessment is based on three elements as follows:

1. The first element is the assessment of the functioning of management and control systems against fifteen key requirements carried out by the audit directorate. This assessment is complemented at the Directorate general level taking into account elements received by the authorising officers by sub-delegation through the Monitoring Committee meetings and the regular contacts with regional and national programme authorities.
2. The second element is the projected error rate reported by programme audit authorities in the ACRs. The Directorate General assesses the reliability of the ACR error rates for each programme, on the basis of all available information

and audit results, including on-the-spot fact-finding missions. In case error rates are not available, not accurate or found not to be reliable, the Audit Directorate either recalculates them when it has sufficient information in the ACR to do so or, alternatively, replaces them by flat rates in line with the results of the assessment of the functioning of management and control systems. This results in an error rate validated by the Directorate General for each programme. This is the best estimate of the financial impact of operations/expenditure which are not in full conformity with regulatory requirements.

3. The third element is the consideration of the impact of ACR error rates on a multi-annual basis since the beginning of the programming period, taking into account recoveries and withdrawals reported until the end of 2011 or accepted by Certifying Authorities and recorded in their accounts prior to the date of signature the AAR.

The application of this third element results in a cumulative residual risk for each programme, expressed as a percentage of the value of the cumulative interim payments made for the programming period. This is the DG's best estimate of expenditure which is not in full conformity with the regulatory requirements and which has not been corrected at the date the report is signed.

Reservations are made in respect of significant weaknesses in the management and control systems in the Member States where the resulting risk to the Community budget is material. Following the approach set out, reservations are made as a general rule for all programmes for which the cumulative residual risk exceeds 2%.

If a programme is in reservation, payments are interrupted or suspended, as appropriate, and the necessary actions as well as financial corrections are required. The continued application of DG EMPL's strict policy in this regard, as illustrated above, coupled with the simplification measures already undertaken should have a positive impact on the reduction of the error rates in the future.

3. Neben der europäischen Verordnung kommen auch nationale und/oder sub-nationale Regelungen zur Anwendung (Tendenz zum 'gold plating'), wodurch zusätzliche Fehlerquellen entstehen. Oft liegt die Ursache des Fehlers damit nicht bei den europäischen sondern bei den nationalen Regeln. Abgesehen von dem generellen Ziel der Vereinfachung, wie kann dieses Problem gelöst werden?

Commission's answer:

As also mentioned by Commissioner Semeta in his intervention at the presentation of ECA's Annual Report to the CONT meeting on 6 November 2012, the Commission estimates that 86% of the error rate calculated by the Court at EU level for the ESF derives from the incorrect application of national rules. These errors are mainly made of errors in the application of national eligibility rules (1.2% out of 2.2% error rate).

However, within those breaches, the errors found do not always refer to "gold plating cases", which must be clearly distinguished from clerical mistakes or weaknesses in first level checks (or "management verifications"). The gold plating cases are those rules adding to EU rules, which are unecessarly complex (and therefore difficult to implement and verify by the Member States themselves) while creating an additional and artificial burden for the beneficiaries.

For some programmes, the complexity of rules constitutes an important source of recurring errors underpinned by various Commission and ECA audits, leading to further interruption/suspension procedures or financial corrections.

A few cases of gold-platting can be identified in the Court's audits over the last DAS exercises (DAS 2009 - PT and DAS 2011 - FR). In order to tackle this issue, the Commission has taken a number of targeted actions in close coordination with the national authorities to identify the national rules causing greater difficulties with a view to simplifying them.

For instance, considering the important and recurring number of reservations related to Spanish programmes in previous years (13 out of 22 programmes in the 2010 Annual Activity Report, 4 out 22 in AAR 2011), DG EMPL decided to launch a pilot action plan tackling different issues, such as the identification of key areas where simplification could help decreasing the error rate at beneficiary level. As a result, the system of ESF co-financed employment aid in Spain was fundamentally reformed.

The Commission will continue to support the national authorities in their efforts of simplification by encouraging the review of their national eligibility rules, where appropriate.

4. 6.21. Table 5.2 gives information on reported error rates of AA's and the error rate before withdrawing atypical errors. How can the difference in the different rates be explained? To what degree have the ex-ante checks of AA's guaranteeing their proper functioning and what is the EC's opinion on this?

Commission's answer:

In 2000-2006, the Member States had to audit a sample of operations based on risks and at the same time ensuring that the main bodies and beneficiaries were correctly represented in the sample. As a result, it was not a purely statistical sample. Therefore the error rate reported at closure by the winding-up body had to be carefully analysed.

The exclusion of atypical non systemic errors from the error rate is foreseen in International Standard on Auditing n° 530. In such cases, the atypical error is corrected individually and is not included in the error rate of the audited sample.

For all cases reported in Table 5.2, when checking the winding-up declarations, the Commission assessed in details that appropriate audit evidence were available, according to the international standard, that the error withdrawn from the error rate did not affect the remainder of the population. According to this assessment, the reduction of error rates have been duly justified in 3 of the 5 cases reported in Table 5.2. For the remaining 2 cases, the Commission did not accept the exclusion of errors as an atypical error. For the first case (Wet Midlands), the Commission checked that the expenditure affected by a similar error was entirely corrected. For the second case (Sicily), the financial correction proposed by the Commission at closure included the concerned error.

The Commission assurance for 2000-2006 programmes was built up over the years, trough the extensive audit and monitoring work performed by the Commission during the programming period. As a matter of illustration, DG Regional Policy undertook 283 audit missions up till end 2010 covering 76% of ERDF assistance for mainstream programmes. DG Employment carried out 163 audits covering 86% of ESF assistance. Moreover, in the run-up to the closure, the Commission also carried out a comprehensive review of winding-up bodies in order to verify the assurance which can be placed on the closure work underpinning their winding-up declarations. For ERDF/CF, this includes 42 systems audits on winding-up bodies covering 85% of ERDF/CF assistance, and 24 on-the-spot audits in seven Member States covering 39 programmes. DG EMPL is performing 15 closure audits. The Commission finally performed detailed work on ALL winding-up declarations in particular on the reported error rate. Reporting on the results of the closure strategy is included in the Annual Activity Reports (DG Regional and Urban Policy, pages 77 to 82; DG EMPL, pages 67-68).

5. Insbesondere im Bereich Personalkosten werden häufig überhöhte Anträge gestellt und Kosten falsch berechnet. Wie möchte die Kommission in Zukunft die Rechtmäßigkeit der Personalkosten sicherstellen?

Commission's answer:

In order to avoid errors in the calculation of staff costs the Commission will continue to encourage the adoption in Member States of Simplified Cost Options (SCOs). The simplified cost options allow for reimbursements based on standard scales of unit costs, indirect costs according to a predefined flat rate percentage of direct project costs, as well as lump sum payments. This simplification undoubtedly reduces the risk of errors, the cost of project and programme management and control, the administrative burden on beneficiaries as well as the entry threshold for potential, often small local, ESF beneficiaries. The amounts reimbursed must be established on the basis of fair, equitable and verifiable calculation methods, which may be checked by the Commission before their implementation, upon request of the Member State, in the case of flat rates applied to calculate indirect costs.

Furthermore, DG EMPL has already taken measures in order to further strengthen the first level checks conducted by the Managing Authorities, which should prevent such errors.

6. Im Bereich “Förderfähigkeit” gibt es die höchste Fehlerquote (79% der Fehler). Die Kommission sagt, sie habe viele Schulungen durchgeführt. Trotzdem ist dieser Bereich immer noch im hohen Maße fehleranfällig. Wie möchte die Kommission sicherstellen, dass diese Fehlerzahl schnellstmöglich sinkt? Wie hoch ist die Verbesserung der tatsächlichen Fehlerquote in diesem Bereich,

nachdem eine Verwaltungsbehörde ein entsprechendes Training erhalten hat? Sind diese Schulungen überhaupt wirksam?

Commission's answer:

As in previous years the main source of errors is found in eligibility issues. The Court states that eligibility errors represent 77% of all quantifiable errors (79% of the ESF quantifiable errors). This represents 73% of the estimated error rate. These errors are mainly made of errors in the application of national eligibility rules (1.2% out of 2.2% error rate)

The 2.2% error rate calculated by the Court in its 2011 Annual report confirms the positive evolution already described in the Commission's staff working document of 2010 [SEC (2011) 1179 final]

In the context of shared management, investment in training and guidance is of crucial importance for raising awareness on the key issues identified by the Commission and the Court of Auditors. Furthermore, the close cooperation with Member States on this issue, which have a direct interest, allows the Commission to identify effective actions to address complexities in partnership with Member States. As a final point it should be noted that the positive experience with simplified cost options amongst the "early adopters" has now convinced other Member States that were slower in taking up these possibilities. Therefore the Commission invests in training and the exchange of best practices, and expects a further increase in the application of simplified cost options in the years to come.

Eligibility errors related to ESF projects account for 77% of all quantifiable errors, and make up approximately 73% of the estimated error rate for this policy group (ECA Annual Report 6.14)

7. Does the Commission plan to carry out an assessment of the use of national eligibility rules?

Commission's answer:

The Commission refers to its reply to recommendation 1 of the Court's 2011 annual report and to its reply to question 3.

In terms of assessing national eligibility rules and seeking further ways of simplification, the Commission refers to the significant efforts already made in this regard as part of its targeted action plan on specific Member States where recurring issues have been identified. In its 2010 and 2011 Annual Activity reports, DG Employment, Social Affairs and Inclusion has analysed the main reasons behind the problems in these Member States. Based on this analysis, a pilot programme with the Spanish authorities was initiated in March 2011 in order to identify the root causes of the problems and implement effective remedial actions. This has resulted in a number of targeted actions addressing those root causes, currently underway. Their effective implementation has been closely monitored by DG Employment, Social Affairs and Inclusion in cooperation with the Spanish authorities.

Furthermore, a seminar was organised by DG Employment, Social Affairs and Inclusion in October 2011 for the Spanish Managing, Certifying and Audit authorities in order to address further areas for improvement and share best practices identified.

DG EMPL's analysis of the Court's results for 2011 also shows that some errors could have been clearly avoided by simplification measures at national level, including both simpler eligibility rules at national level and further leveraging the application of simplified costs options (lump sums, standard scale of unit costs and flat rates for the declaration of indirect costs), in certain Member States.

Therefore the Commission will continue encouraging and supporting national authorities in their efforts of simplification, in particular the effective implementation of the simplified costs options. In this regard, besides the Sectorial Event on Simplified Costs held on 13 December 2011, to which all Managing Authorities were invited, specific simplification seminars with Managing Authorities have already taken place for that purpose. 4 Seminars in Spain, Portugal, Italy and Bulgaria have taken place in to date in 2012 and 2 additional seminars are planned in December (Portugal) of this year and January next year (Romania). Another one in Croatia is being organised for the first quarter of 2013.

Besides contributing to a further reduction in error rates and error frequency, the effective implementation and increased use of these options would also significantly reduce the administrative burden on beneficiaries and the cost of control.

Moreover, following the presentation of the DAS 2011 report on 6 November, DG EMPL has sent a letter to all Managing authorities drawing their attention to the need to improve the reliability of the management verifications. The letter calls upon Member States to strengthen the existing procedures. DG EMPL will also carry out a thematic audit on the effectiveness of first level checks in a set of operational programmes selected on the basis of risk assessment.

8. How does the Commission tackle:
   - ineligible costs,
   - overcharged staff costs
   - and streamlining national rules?

Commission's answer:

The 2011 DAS results show that most of the errors detected by the Court are due to the incorrect application of national rules (contributing to 86% of the error rate) and, among them, the largest part is linked to breaches of national eligibility rules (contributing to 54.5% of the error rate). Tackling ineligibility errors should therefore concentrate on the streamlining of national rules and improved controls at national level. In order to contribute to this process, the Commission has taken a series of measures:

- It has drawn the attention of the managing authorities on the need to improve the reliability of the management verifications and called upon them to strengthen existing procedures and practices in the light of the Court's findings.

- It will carry out a thematic audit on the effectiveness of first level checks in a set of operational programmes selected on the basis of a risk assessment.

- For the most problematic OPs, it is supporting the management and control authorities in identifying the main problematic, systemic sources of errors at a national level (as it is actually the case through various Action Plans, in particular concerning Spain).

- Supporting national authorities in their efforts of simplification, and in particular the introduction of the simplified costs options. Seminars with Managing Authorities have already been organised for that purpose. 4 Seminars in Spain, Portugal, Italy and Bulgaria have already taken place in 2012 and 2 additional ones are planned in December (Portugal) of this year and January next year (Romania). An additional one in Croatia is also being organized for 2013. Besides contributing to a further reduction in error rates, the increased use of these options would also contribute to reducing the administrative burden on beneficiaries.

Example 6.1 b) of the Court's report describes a case when the costs of several staff members were charged to the ESF project, although evidence supporting the charging of their time to the project could not be provided. Example 6.3 a) refers to a similar case. In that case, there was no assurance that the costs of a vocational training action targeting young unemployed persons have not also been declared for other projects.

9. Could the Commission provide additional information on the above mentioned projects? (Name of beneficiary, overall value etc.)?

Commission's answer:

The Commission notes that for both cases referred in question 9 , errors were found. It is important to underline that there has not been any suspicion of fraud.

The case concerning example 6.1 b) refers to a Portuguese beneficiary for the project "*Gabinete de Apoio o Asociativismo*". The total cost of the project was 37 054.58 € of which 30 792.73 € of EU funds. The Commission recognizes that in this case there is an audit trail problem on the repartition of staff costs between the regular activities of the beneficiary and the project, although it does not fully share the quantification of the error by the Court. Indeed declared staff costs were eligible for co-financing and necessary to run the project except for an overcharging concerning part of the salary of the Secretary General of the association.

Moreover it is important also to remind the scope and the results of the project. ESF funding was provided to an association, as support for its activities, which included the provision of advice to small and medium-sized enterprises (SMEs). Under the ESF Regulation for 2007-2013, awareness-raising and capacity-building activities are supported so as to create and reinforce social dialogue structures at all levels. The strengthening of institutional capacity has become a priority, entailing the development of partnerships in a wide range of policy areas, bringing added value to social partners. The project has delivered on its objectives making available counselling to associates and firms, aiding with application procedures, providing legal and tax information and channelling the sector's voice to state institutions and at forums where the beneficiary intervenes. Concrete examples of the office's initiatives include, but are not limited to: a tentative study on quality system implementation, the redesign of the confederation's web presence and a new edition of the Código de Ética para o Comércio e Serviços (ethical code).

Example 6.3a) refers to a French beneficiary which provides vocational training to non-qualified and unemployed young persons and facilitates their integration in the labour market and their socialisation in the work's environment. The project is combined with training and internships in enterprises. That way the young unemployed people have the possibility to fill in their school gaps and immediately after to join a company where, depending on the skills they will be able to show, they might be offered a contract. 11 centres of Second Chance School open their doors to more than 1000 interns. For 2009 the activity report of the schools shows 60% of positive exits of the project (the young people found a job or they joined a professional training leading to a job). The training part is usually 7 months and the monitoring phase of each young trainee is 3 years. During that time the young person is guided throughout his/her professional experience, counselled in case of problems and helped out to achieve its professional project. In that way this project plays a key role in prevention of dropping out of risky profiles of young people from the education and professional system and giving them self –assurance and recognition in their skills.

The Court found that the beneficiary lacked a system of separate accounting for the ESF project. As a result it concluded that there could be the risk of double funding. The finding was considered by the Court as non-quantifiable, since there was no evidence that the risk had materialized. The total cost of the project was 2 923 224 € co-financed at 50% by the ESF.

The Commission asked the Member State to specify in a clearer manner in its instructions the obligation for the beneficiary to create an adequate accounting codification (using specific accounting code) which would allow to trace the total expenditure related to the ESF in the co-financed projects.

Information available at the Commission on the beneficiaries and the errors detected, referred to above, can be transmitted to the Parliament under the provisions of Annex 1 of the Framework Agreement on relations between the European Parliament and the Commission.

Certification, "first-level-checks", annual summaries and national management declarations

10. 6.15. It is very important that Member States' authorities are able to perform meaningful ex-ante checks of payments as it is better to prevent than to repair at a later stage. This paragraph in the ECA-report states that 'sufficient information was available for the Member States' authorities to have detected and corrected at

least some of the errors before certifying the expenditure to the Commission for 76% of the transactions affected by error'. Does this mean that for 76% of the errors made the Member States' authorities could have corrected those themselves? If so why haven't these errors been corrected by the Member States? Were the control systems all subjected to an ex-ante check which they have passed successfully? Do specific regions or Member States perform badly and if so which?

Commission's answer:

This ratio on the errors which should have been detected and corrected by Member States' authorities, calculated for the first time by the Court for DAS 2009, seeks to reflect the proportion of errors that could have been detected by national controls before the certification of the national expenses to the Commission. It gives an assessment of the capacity of national systems to prevent and correct errors found in projects selected by the Court (i.e after reimbursement by the Commission).

The Commission however notes that:

- The Courts finding should be considered against the backdrop of the error rate established by the Court for "Employment and Social Affairs".

- For a few cases, errors could only be detected through a field audit after certification. For the 2007-2013 programming period, 100% desk checks are required by Art 13 (2) of Reg. 1828/2006 while there is no regulatory requirement to carry out on-the-spot checks for all cases before certification. On-the-spot checks are usually carried on a sample basis throughout the life of the project.

- In the 2007-2013 legal framework, the errors detected after certification can always be corrected later, in subsequent payment claims up to the closure of the programme. The Commission follows up every case strictly and requires the Member State to recover the irregular amounts.

In order to further strengthen the first level checks conducted by the Managing Authorities, the Commission has already taken the following actions:

As a follow-up to the Court's Annual Report for 2011, the Commission has drawn the attention of all managing authorities on the need to improve the reliability of the management verifications and called upon them to strengthen existing procedures and practices in the light of the Court's findings. On the improvement of management verifications the Commission also refers to its replies to questions 7 and 8.

At the beginning of the programming period, all management and control systems in the Member States have been submitted and succeeded in the ex-ante compliance assessment by the Commission services as required by article 71 of Regulation 1083/2006, before any interim payment could be executed by the Commission on the concerned operational programme.

It continues to interrupt or suspend payments promptly where weaknesses in the management and control systems, including management verifications (1st level checks) are detected.

Concerning the situation in specific regions or Member States, we refer to the list of 24 ESF OPs under reservation in DG EMPL's 2011 AAR, where reservations have been made for OPs in 10 MS (Belgium, Czech Republic, Germany, Italy, Latvia, Lithuania, Romania, Slovakia, Spain and the UK), plus 1 IPA programme (FyROM) due to deficiencies in the underlying management and control systems.

For the next programming period (2014-2020), the Commission has proposed to introduce "net financial corrections", where errors are detected by the Commission or the Court of auditors after the submission of the accounts to the Commission. This gives a clear incentive for the Member States to improve their controls and correct the errors found before certification.

The Commission also refers to its reply to question N° 21 (interruptions, suspensions, financial corrections…)

11. In welchen Mitgliedstaaten gab und gibt es viele Probleme besonders in Bezug auf nationale Prüfbehörden und Kontrollsysteme? Welchen Entwicklungen haben sich im Vergleich zum letzten Jahr ergeben? Wo gab es Verbesserungen, wo Verschlechterungen der nationale Prüfbehörden und Kontrollsysteme?

Commission's answer:

In shared management and the ESF in particular, the control system of the ESF Commission's assurance is built on a multiannual and multi-layers control whereby one level of control may rely on the work of previous controls performed by other bodies (single audit approach).

In line with the single audit principle, the audit work done by the Audit Authorities (AAs) and reported to the Commission in the Annual Control Reports (ACRs) by the end of each year is an important source of assurance for the Commission.

DG EMPL disclosed in its 2011 Annual Activity Report (AAR) the audit work, error rates and audit opinions reported by the Member States' Audit Authorities at 31/12/2011 and how it is used when evaluating the assurance for each programme. A reservation in the 2011 AAR has been made for 24 ESF programmes in 10 MS (Belgium, Czech Republic, Germany, Italy, Latvia, Lithuania, Romania, Slovakia, Spain and the UK), of which 8 on a reputational basis since no interim payment was made for these programmes in 2011, plus 1 IPA programme.

In addition, the Commission launched an extensive enquiry to assess the reliance it can place on the work of audit authorities in order to ensure conditions for single auditing. Article 73 of Regulation (EC) No 1083/2006 stipulates that the Commission may rely on the audit authorities' opinion and reduce its own audits, if it has obtained reasonable assurance that the management and control systems of the programme function effectively.

Hence, the legal basis provides the possibility for the Commission to adopt a differentiated approach by operational programmes and grant "Article 73" only for those programmes which fulfil the above requirements. It allows the Commission to focus its own audit resources on other more risky programmes and authorities.

By the end of 2011, DG EMPL has conducted 78 audits, covering 65 AAs. As of October 2012, 10 programmes meet all the conditions and 9 "Article 73 letters" have been sent to the 9 national AAs which cover those 10 programmes. In addition, 3 other letters covering 3 programmes are pending the finalisation of the current audit review of the Audit Authorities concerned.

Please see the annex with a list of Member States to which *"article 73"* was granted.

The Commission also refers to its reply to question N° 21 (interruptions, suspensions, financial corrections…)

12. Does the Commission comply with its supervisory role by enforcing the necessary measures as stated in the 2008 Action Plan?

Commission's answer:

The 2008 Action Plan to strengthen the Commission's supervisory role was implemented between 2008 and 2010. It targeted at corrective actions to tackle the high error rates in the 2000-2006 period and at setting out preventive actions for the 2007-2013 period. For 2000-2006, these actions resulted in increased and more rapid implementation of financial corrections, targeted audit activity on the remaining most risky areas and preventive actions in view of the 2000-2006 closure. For 2007-2013, the Action Plan ensured the set-up of robust management and control systems at the start of the new period which have now been taken over in the day to day work of the Commission services concerned. Progress reports were communicated in February 2009 (COM(2009)42) and in February 2010 (COM(2010)52final). The Commission reported in its final Implementation Report on the results that were achieved and the actions that were successfully implemented. The actions undertaken under the 2008 Action Plan have been streamlined in the current audit strategy in order to continue the high level of supervision over 2007-2013 programmes.

As a consequence, for the third consecutive year, the level of errors for Cohesion remains well below those reported by the Court in the period 2006-2008: as indicated in Chapter 1 of the Court of Auditors 2011 Annual Report, in Table 1.3, the lower error rate is 3,2% (2011) compared to 4,7% (2010) and 3% (2009) but 11-12% in 2006-2009. This shows that the management and control systems in the Member States and the Commission supervision function overall much better than in the previous period.

The main reason for continued improvements for Cohesion Policy are the preventive actions (guidance, training, simplification) and the strict Commission approach on systematic use of interruptions (new legal tool) and suspensions; more reactivity when problems are detected, rigorous approach towards financial corrections when necessary.

Since the beginning of 2012, and in particular as a follow-up to the 2011 Annual Activity Report's reservations for 146 programmes, DG Regional and Urban Policy adopted 2 suspension decisions (IT/Calabria and DE/Saarland), interrupted payment deadlines for 62 programmes and issued 115 warning letters for ERDF/CF. Currently, EUR 1,6 billion in payments is interrupted. Moreover as of today, EUR 460 million of financial corrections have been imposed by the Commission in 2012 to 2007-2013 ERDF/CF programmes.

The 2011Annual Activity Report for DG EMPL shows that this strict policy has been maintained in 2011, with 21 interruptions and 3 suspension decisions adopted. In addition, up to 20 November 2012, 2 suspension decisions and 34 interruptions have been adopted in 2012, reflecting an even stricter line for the Annual Activity Report suggested by the Court of Auditors in their 2010 Annual report. Currently, EUR 151 million in payments is interrupted. Moreover, as of today, EUR 153 million of financial corrections have been imposed by the Commission in 2012 to 2007-2013 ESF programmes.

Indeed, DG EMPL implements where necessary financial corrections, during the programming period and at closure to ensure that the remaining risks identified are below the materiality threshold.

In the third quarter 2012, the level of financial corrections decided and/or implemented increased significantly due to:

- the lifting of several suspensions/interruptions of payments for the programmes of the 2007-2013 programming period. During the third quarter 2012, the Member States with the highest level of financial corrections were: Greece (almost €57 million), Spain (€17 million) and Poland (€7 million).

- the implementation of financial corrections at closure for the 2000-2006 programming period.

13. What does the Commission do in order to prevent errors prior to certification of expenditure in the future?

Commission's answer:

The Commission already took action to further prevent errors prior to certification at Member State level.

In November 2012, DG EMPL's Director General sent a letter to all the Management Authorities drawing their attention to the need to further improve the reliability of the management verifications and calling upon them to strengthen the existing procedures and practices in the light of the Court's findings.

Moreover, DG EMPL's Audit Directorate will carry out in 2013 a thematic audit on the effectiveness of management verifications in order to follow-up the Court's recommendations. The selection of the OPs concerned will be based on a risk assessment and communicated to the relevant authorities in due time.

Finally, the Commission's analysis of the Court's 2011 Annual report showed that a significant part of the error rate calculated by the Court for the ESF (about 86%) derives from incorrect application of national rules. In particular, eligibility rules represent the main source of errors for ESF.

A deeper analysis shows that some errors could have been avoided by simplification measures at national level. This includes applying simpler eligibility rules at national level and, in particular, further leveraging the application of simplified costs options (lump sums, standard scale of unit costs and flat rates for the declaration of indirect costs), in certain Member States.

In order to address the above, the Commission will continue encouraging and supporting national authorities in their efforts of simplification, and in particular the effective implementation of the simplified costs options.

In this regard, besides the Sectoral Event on Simplified Costs held on 13 December 2011 and to which all Managing Authorities were invited, specific simplification seminars with Managing Authorities already took place in four Member States in 2012 and three additional seminars are being organised. Besides contributing to a further reduction in error rates (and error frequency), the effective implementation of these options would also significantly reduce the administrative burden on beneficiaries and the cost of control.

The Commission is confident that these measures will contribute to further improve the sound financial management of the ESF and that these efforts will help sustain the positive trend in the Court of Auditors' assessment.

The results of the Court's audit indicate weaknesses in the first level checks of the expenditure, which are the responsibility of the managing authorities and intermediate bodies in the Member States. (ECA Annual Report 6.14)

14. What specific measures and actions have been implemented by DG EMPL to properly address this shortcoming?

Commission's answer:

The Commission has sent a letter to all Managing authorities drawing their attention to the need to improve the reliability of the management verifications and calling upon them to strengthen existing procedures and practices in the light of the Court's findings.

DG EMPL will also carry out in 2013 a thematic audit on the effectiveness of first level checks in a set of operational programmes selected on the basis of a risk assessment.

DG EMPL's analysis of the Court's results also shows that some errors could have been clearly avoided by simplification measures at national level, including both applying simpler eligibility rules at national level and, further application of simplified costs options (lump sums, standard scale of unit costs and flat rates for the declaration of indirect costs), in certain Member States.

Therefore the Commission will continue encouraging and supporting national authorities in their efforts of simplification, in particular the effective implementation introduction of the simplified costs options. In this regard, besides the Sectoral Event on Simplified Costs held on 13 December 2011, to which all Managing Authorities were invited, specific simplification seminars with Managing Authorities have already taken place for that purpose. Seminars in Spain, Portugal, Italy and Bulgaria have taken place to date in 2012 and three additional seminars are planned in December (Portugal) of this year and January next year (Romania). Another one in Croatia is being organised for 2013.

Besides contributing to a further reduction in error rates and error frequency, the effective implementation increased use of these options would also significantly reduce the administrative burden on beneficiaries and the cost of control.

15. 6.18. This paragraph provides insight into the number of so-called 'serious failures' by management authorities and beneficiaries to observe procedural requirements in the management and implementation of ESF projects which led to non-quantifiable errors. In 23 cases the failures of managing authorities to observe procedural requirements are judged by the Court as serious issues of non-compliance. Example 6.3 provides some specific examples of failure to observe procedural requirements. Could these errors have been detected by the Member States' authorities themselves and what were the causes?

<u>Commission's answer</u>:

It is the Commission's view that the three examples of errors highlighted in the Court of Auditor's Annual Report which have no financial impact, could have indeed been detected by the Member States' authorities.

It should nonetheless be underlined that the Commission has already taken appropriate actions to address these issues identified by the Court.

Example 6.3 (a): Absence of separate accounting:

This error was due to the absence of an accounting code specific to the concerned project in order to prevent the risk of double charging.

The Commission considers that the error could have been detected by the Member State's Managing Authority and already took action to avoid further similar failures. The Member State was requested to specify in a clearer manner in its instructions the obligation for the beneficiary to create an adequate accounting codification (i.e. using specific accounting code) which would allow tracing the total expenditure related to the ESF in the co-financed projects.

Example 6.3 (b): Non-compliance with accreditation rules for training companies:

A limited breach of procedural rules caused this error. The beneficiary's providers were training companies which, in order to maintain their accredited status, should have carried out satisfaction surveys targeted to the participants.

It should however be underlined that all the essential accreditation rules for training companies were respected and the beneficiary carried out the projects as foreseen.

This error could have been identified by the Member State's authorities. Since then both the Commission and the Member State have followed-up on the Court's observation. The Managing Authority undertook to modify its operational procedures so as to ensure full compliance with the accreditation rules.

Example 6.3 (c): Contract award notice sent late:

The cause of the error lies in the fact that the results of the public procurement procedure were not published within the regulatory period of 48 days after the award of the contract.

The error could have been identified at Member State's level and the Commission asked the Managing Authority to send a letter to the beneficiary to remind him of his legal obligation to always publish the award notice in the deadlines established by the Directive 2004/18.

16. 6.19. The Court has performed two in depth checks of audit authorities in Latvia and Italy which dealt with the ESF. The Court judges the Audit Authority of Sicily to be partially effective and that of Latvia as effective. The Court states that there were particular problems with the sampling of operations and its extrapolation of errors which led to a disclosure of an understated error rate. What is the EC's opinion on this conclusion? Could these sampling problems have been prevented in any way?

Commission's answer:

Following its own audit work the Commission had already detected the understatement of the error rate contained in the ACR provided by the Audit Authority of Sicily. Corrective measures were adopted, including a financial correction on the 2010 expenditure. However it must be pointed out that weaknesses are limited to the sampling methodology. In all other respects, Sicily's AA has carried out its audit work in an appropriate manner, as recognized by the Court. Based on the Commission's audit work the follow up of the Court's recommendations is nearly completed.

The Commission pursues the objective to improve the control systems in the Member States also through advice, guidance, training actions and specific audits.

An audit conducted by DG EMPL in 2011 on the reliability of the work of audit authorities concluded that for 91 % of the value of funding, the audits carried out by the National or Regional Audit Authorities are acceptable and provide for a solid basis of information on which to build assurance.

For the cases showing unacceptable results, the main issues were:

- lack of documentation of procedures, supporting and working documents

- inadequate or insufficiently staffing levels at the Audit authority

- issues such as public procurement, revenue, potential double founding not adequately checked.

Specific recommendations have been addressed to the concerned AAs. Guidance notes have been issued by the Commission and regular meetings with the Audit Authorities take place such as the annual Homologues group meeting and the 27 annual coordination meetings where the Commission meets the AAs of each Member State individually. Regular cooperation through ad-hoc meetings also takes place between the Commission and the AAs as a condition for the application of the single audit approach.

An audit on the national Audit Authorities' methodology revealed that for 12 Operational Programmes, there were projects for which the audit results were not acceptable: the Commission cannot fully rely on the work of the Audit Authority for more than a third of the sample.

17. What are the weakest national Audit Authorities identified by DG EMPL? What measures has DG EMPL implemented in order to mitigate the lack of reliability of the work of some Audit Authorities? What actions is DG EMPL undertaking in order to help the Member States reinforcing the national Audit Authorities that showed weaknesses?

Commission's answer:

The audit carried out by DG EMPL in 2011 on the national Audit Authorities' methodology concluded that for 91 % of the value of funding, the audits carried out by the National or Regional Audit Authorities are acceptable and provide for a solid basis of information on which to build assurance.

For the cases showing unacceptable results, the main issues were:

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In 2011, all 27 EU Member States have complied with the minimum requirements of the Financial Regulation and provided the Commission with an annual summary. However, annual summaries have little added-value. In order to corroborate its own assessment of the national management and control systems, the Commission encourages the Member States to add value to their annual summaries by providing additional information which is not communicated in other reports. In 2011, 18 EU Member States provided a voluntary overall analysis to their annual summaries while 15 provided a statement of overall level of assurance analysis.

18. What measures is the Commission implementing in order to encourage all EU Member States to deliver a voluntary overall analysis and a statement of overall level of assurance analysis to their future annual summaries?

Commission's answer:

The Commission has issued in 2010 a Guidance Note on the Annual Summary in relation to Structural Actions and the European Fisheries Fund (COCOF 07/0063/09), where it encourages the Member States to provide not only the legally required elements, but to deliver added value with voluntary elements such as an overall analysis and an overall level of assurance.

The Commission encourages all member States to follow the example of 15 Member States that have included assurance statements in their annual summaries, and to take other measures to demonstrate their commitment to the sound financial management of EU funds and transparency.

The Commission has also ordered an independent study on the added value of the annual summaries. The study, communicated to the European Parliament in 2011, has concluded that " the annual summary in its current form has been seen to provide little added value' and that 'the compliance elements of the current annual summary simply duplicate information readily available from other sources and therefore provide no value. In order to achieve added value from the quality aspects of the current summary, associated requirements would have to be embedded within the Financial Regulation to ensure consistent quality."

The Commission does not consider the annual summaries as an additional source of assurance for the Annual Activity Report, compared to other sources foreseen in the 2007-20013 Regulatory framework, such as Annual Control Reports and audit opinions per programme.

The Commission has advised Member States to increase the usefulness of their annual summaries for the current programming period in relation to structural actions and the European Fisheries Fund by including an overall analysis of the results and an overall level of assurance statement. As this additional information is not a legal obligation under the Financial Regulation, not all Member States have however chosen to provide this information.

The provisions in the new Financial Regulation (Article 59.5) which will apply from 2014, will require that the designated bodies responsible for the management of the EU funds in the Member States provide the Commission annually with a management declaration and an annual summary report of final audit reports and of controls carried out. The management declaration and the summary report will furthermore be subject to an independent audit opinion. These new reporting requirements address the criticism expressed on the low added value of the existing annual summaries. The Commission considers that this new system will provide the Commission with substantial additional assurance as to the use of EU funds by Member States and contribute to a more effective reporting by the Member States.

In the past, the Netherlands, U.K., Denmark and Sweden have submitted to the Commission national declarations on a voluntary basis. Although DG EMPL underlined in its 2010 Annual Activity Report that the information provided has not proved to contribute to a great extent to the information needed for the annual activity reports (page 47), the initiative has been supported through the elaboration of guidance on national declarations for the use of Member States authorities in 2011. The guidance underlines that the format of each of the national declarations available so far is currently quite diverse and does not always provide detailed information on the underlying work and audit opinion supporting the declaration. In 2011, the Commission only received one national declaration from Denmark.

19. Has DG EMPL received any additional national declaration since the completion of its 2011 Annual Activity Report? If so, from which Member States, what was the information contained and was the information of any added-value in comparison with the compulsory National Strategic Reports provisioned in art. 29 of the Council Regulation 1083/2006 and in COM (2010) 110 final?

Commission's answer:

Four Member States (the Netherlands, U.K., Denmark and Sweden*) have submitted to the Commission national declarations on a voluntary basis. Although DG REGIO and DG EMPL underlined in their recent Annual Activity Reports that the information provided has contributed only to a limited extent to the assurance needed for the annual activity reports mainly due to the timing covered by these declarations, the initiative has been supported through the elaboration of guidance on national declarations for the use of Member States authorities.

The guidance underlines that the format of each of the national declarations available so far is currently quite diverse and does not always provide detailed information on the underlying work and audit opinion supporting the declaration. For the 2011 Annual Activity Report, the Commission has only received a national declaration from Denmark, followed end March by the Netherlands national declaration. As the latter, as regards the Structural Funds, is covering the 2010 financial year, it is considered of no added value for the assurance process of the Annual Activity Report 2011.

***** *received in April 2012, so not in time for the AAR analysis*

20. By the end of 2011, the Commission has still not resumed payments for 28 operational programmes which had been interrupted in 2011. What is the situation one year after? What is the current situation of operational programmes in Belgium, Czech Republic, Germany, Italy, Latvia, Lithuania, Romania, Slovakia, Spain and the UK (programming period 2007-2013) which have been put under reservation due to serious deficiencies in their management and control systems?

Commission's answer:

1. Current state of play of the interruptions adopted in 2011 and still on-going by the end of 2011.

As reported in the 2011 DG EMPL Annual Activity Report (AAR), a total of 21 payment claims were interrupted in 2011 for 16 Operational Programmes (OPs).

By the end of 2011, the Commission has still not resumed payments for a total of 13 payment claims corresponding to 10 OPs which had been interrupted in 2011.

Out of those 10 OPs for which payments were not resumed by the end of 2011, the situation is the following on 20 November 2012:

- For 9 OPs, payments were resumed.

- 1 suspension decision was adopted for 1 programme (FR-PACA).

For further information on the OPs interrupted in 2012, the Commission refers to the table 1 provided in annex to this reply (update of the 2011 DG EMPL AAR table, page 51-54). In total, as of today, a total number of 34 interruption decisions were adopted in 2012. Out of which, 25 interruptions procedures have been closed and 9 remain open.

2. Current state of play of the OPs put under reservation in the 2011 DG EMPL AAR.

As reported in the 2011 DG EMPL AAR, 24 OPs were put under reservation due to serious deficiencies in their management and control systems. As of today, in the case of 5 OPs, legal proceedings are still on-going or will be launched shortly.

For further information on the current state of play of the OPs put under reservation in the 2011 DG EMPL AAR, the Commission refers to the table 2 provided in annex to this reply).

Financial corrections/ interruption and suspension of payments

21. Der ESF zeigt im Vergleich zu den anderen Strukturfonds eine sehr geringe Fehlerquote (2,2%). Die Kommission sagt, dies hänge mit der seit 2008 von der DG EMPL angewandte "strengen Politik der Zahlungsaussetzung" zusammen. Wie sieht diese Politik aus? Wie rigoros ist sie, und was können andere Politikbereiche von ihr lernen?

Commission's answer:

The DAS 2011 results for the Employment and Social Affairs policy area are in line with the positive trend reported in the Commission's Staff Working Paper on the Analysis of Errors in Cohesion Policy for the years 2006-2009. In particular, the document reported that the contribution of ESF to the Cohesion error rate had significantly decreased since 2008.

This decrease is the result of the strict policy of interruptions and suspensions and the simplification options provided by the current regulations, already used in a significant number of OPs . It also stems from the close follow up by DG EMPL on the correct and timely implementation of financial corrections and action plans to increase the reliability and robustness of national control systems:

Firstly, as regards the interruption and suspension of payments, their timely and rigorous application has contributed to drastically reduce the risk of irregular transactions:

- Since 2008 DG EMPL has applied a strict policy of interruptions and suspensions as soon as significant weaknesses were identified in the course of Commission's audits or when other information, for example from national audits, raised doubts on the regularity and legality of underlying operations .

- Payments were only restarted once the identified problems were addressed by Member States, financial corrections were made where necessary and sufficient assurance over the functioning of management and control systems was provided.

- In 2011 DG EMPL set up an Interruptions Suspensions and Financial Correction (ISFC) Committee which monitors the on-going interruption, suspension or financial correction procedures and their timely implementation. It also addresses the procedural issues. The ISFC meetings take place on a monthly basis. Ad hoc meetings can also be organised if urgent matters require so.

- The strict approach has also been accompanied by a constant work of guidance and training provided to national authorities and by targeted actions addressed to Member States experiencing recurring, systemic issues resulting in repeated reservations.

Secondly, DG EMPL has actively encouraged the use of simplified cost options.

In early 2008 these were not used at all. Today flat rates for indirect costs are used in 40 ESF programmes, which together account for over 50% of the ESF budget. Also, based on the 53 replies received to a survey on the utilization of these options by MS, 70% of those OPs use at least one of the simplified cost options, 34% use 2 of those options and 9 use the three options. Their use is currently increasing thanks to the encouragement and specific support provided by the Commission, focusing in particular on those Member States that have not yet leveraged the significant opportunities offered by these options .

As a result, these new simplification rules provide a considerable contribution to reducing the overall error rate. DG EMPL has proposed, for the 2014-2020 programming period, to further extend the scope of simplified cost options and to make them obligatory for certain types of smaller operations (below €50.000).

These actions have been instrumental in the positive trend of ESF's contribution to the overall Cohesion policy error rate.

In 2011 again Spain and Italy had the highest number of interruptions and suspensions of payments. Spain has experienced four interruptions, three pre-suspension letters were sent, and one suspension decision was taken by the Commission. In case of Italy, there were eight interruptions, three pre-suspension letters were sent, and the Commission adopted one suspension decision. (2011 Annual Activity Report of DG EMPL, page 50-51.)

22. What conclusions does the Commission draw from these figures?

Commission's answer:

As a general rule, Member States with more complex institutional arrangements (and a relatively high number of Operational Programmes), are confronted with, on average, higher number of procedures. Spain, Italy and also Germany are examples in this respect. To some extent the explanation is simple: the more programmes a Member State has, the higher the chance that the management and control system of one or another programme is lacking in some way. However, more programmes in a Member State also require stronger coordination and information transmission arrangements at the national level. Weaknesses to ensure such function optimally may also translate in a higher number of procedures.

As regards Spain, its complex institutional set up of the management and control system has resulted in some problems in the implementation and control of the different actions co-financed by the ESF.

Given the Spanish institutional organisation (decentralisation of major competences) and the large amount of programmed financial resources, the implementation of the different programmes is based on a complex organisational structure with a high number of Operational Programs (22 in 2007-2013), administrations, implementing bodies and audit authorities involved.

The programming structure consists in:

- 3 nationwide thematic multi-objective OP (Adaptability and Employment, Fight against Discrimination and Technical Assistance and Transnational and Interregional Cooperation) would guarantee that key ESF interventions reach the whole country.

- A regional OP for each Autonomous Community/City (19 regional programmes) complement those nationwide interventions with concrete actions to address specific needs of each territory.

The Central Government is set up as Managing and Certifying Authority. The Autonomous Communities intervene as Intermediate Bodies in the regional OPs, retaining an important role as coordinators of the different actions. In addition to those bodies, a whole myriad of “collaborating bodies” are involved in the management of the regional and national OPs.

Given this situation, the Commission launched in 2011 a pilot targetted action plan in order to provide guidance and proactively support the Member State authorities in identifying and effectively addressing key systemic issues. As a result of this pilot programme a detailed action plan was prepared jointly with the Spanish authorities in order to address the root causes identified, including, amongst other, a number of simplification measures on employment aid and operations implemented under the educational system. As a result, the number of reservations on Spanish OPs has gone down from 13 in 2010 to 4 in 2011 (out of 22 OPs) and further improvements have been observed in 2012.

Although the pilot exercise focused primarily on Spain due to the recurring issues identified over the last years, some specific activities were also undertaken to address certain issues in Italy, where DG EMPL's senior management participated actively in a two-day seminar organised for all Italian Audit Authorities in Sicily. The number of reservations on Italian OPs has also decreased in 2011 (4 OPs) compared to 2010 (5 OPs).

23. What is your position regarding the quality of the implementation of the European Social Fund in these two countries?

Commission's answer:

Globally, the Commission is satisfied with project implementation in Spain and Italy. For these Member States respectively 40% and 31% of commitments have been transferred, and the information sources (such as annual report, monitoring statistics, evaluation reports, etc.) confirm the important contribution the European Social Fund is making, in this particularly difficult period, to its priorities, and in particular to employability, adaptability of workers and enterprises, human capital and social inclusion. In particular, it should be noted that within this context – and the Commission considers this a top priority- also important efforts are being made in addressing youth unemployment.

For example, in Italy about 5.2 million people benefitted from ESF-funded activities in the 2007-2011 period. In 2011, a year characterized by economic hardship and growing unemployment, some 1.9 million people benefitted from ESF support.

In terms of management and control, also important progress has been made. For Spain, the reduction in the number of OPs under reservation in 2011 is due to the fact that the Spanish authorities decided to implement financial corrections based on the error rates reported in the 2011 Annual Control Reports, and submitted and/or implemented relevant action plans for the OPs concerned in order to prevent the issues identified from occurring again in the future.

DG EMPL will continue to closely monitor the ESF implementation in Spain in order to further improve it . Moreover, DG EMPL will also continue to encourage the Spanish authorities to make a wider use of the simplification measures (flat rate for indirect costs, unit cost, lump sums) and of new arrangements to account for Employment Aids, in order to reduce the error rate in the future.

DG EMPL will also closely monitor implementation on the ground and encourage the Spanish Authorities to re-programme ESF Programmes where necessary, for example those OPs with slow progress (contracts concluded, certified expenditure), delayed implementation on the ground (e.g. due to the lack of match funding), or N+2 risks, or adaptation to evolution of challenges and needs in the labour market , economic and social situation (e.g. the reallocation of available funds to target young people and support the Youth Opportunities Initiative).

In the current programming framework, all ESF Spanish operational programmes include a series of both general and specific actions that have benefited young people. According to national data, in the period from 01/01-30/06/2012 total costs of EUR 233 million (estimated sum over 22 OP) were spent on youth employment measures. The Spanish authorities estimate that between 2012-2015 this figure will rise to EUR 2,5 billion. However, in order to better adapt ESF support to the needs identified by the YOI action teams in the context of the aggravating youth unemployment situation, in 2012, several ESF Spanish OPs were modified. ESF reallocation focused on support to the PES to develop active labour market policies, including for young people, redirecting overall 135 million under the national OP *Adaptabilidad y Empleo*. Some regional OPs increased also support to actions targeted at young people at a total of EUR 94.5 million (Madrid, Navarra, Asturias, Melilla, Baleares, Pais Vasco, Cataluña) and the national thematic OP *Lucha contra la Discriminación* (EUR 50 million). Other regional ESF OPs increased attention to early school leavers and vocational training (Murcia 6.8 million, Baleares 7.9 million).

Concerning Italy, for the Objective competitiveness regions the quality of the implementation is comparable to the best examples at European level. The most important difficulties are concentrated in the Convergence regions: despite significant improvements due to the accreditation of training courses co-financed by the ESF, some problems still remain, such as the fact that the labour market is not well connected to school and university. However, in relation to social inclusion, despite some delay, the quality of actions co-financed by the ESF is in line with the European average.

Moreover, the number of OPs under reservation has also decreased in 2011 (4) compared to 2010 (5). The Italian authorities have also applied financial corrections based on the error rates reported in the 2011 ACRs.

Spain and Italy continue to lead the list of Member States with the highest amounts of total ESF implemented financial corrections (522 million EUR and 388.9 million EUR respectively - 2011 Annual Activity Report of DG EMPL, page 55)

24. Do these data meet the requirements of "completeness, accuracy and timeliness of reporting"?

Commission's answer:

The Commission considers that the legal requirements of "completeness, accuracy and timeliness of reporting" were fulfilled and that relevant audit work ensures the control of the enforcement of that rule at Member States' level.

As a matter of fact, in 2010 the Commission launched an audit enquiry aiming to examine the Member States' reporting of amounts recoverable and for recovery of undue payments and its potential weaknesses.

The enquiry covered a sample of ERDF, ESF and EFF programmes and Cohesion Fund and it focused on the work done by 12 Certifying Authorities. It should be stressed that out of the twelve Certifying Authorities reviewed, two are situated in Italy (for the ESF and the ERDF) and one in Spain (ERDF).

The audit results show that in a majority of programmes audited, arrangements for keeping an account of amounts recovered or withdrawn, as well as of pending recoveries, are acceptable and provide reliable assurance in the field of recoveries and withdrawals of unduly spent EU funds.

Concerning Italy and Spain, the Commission assessed that the three audited Certifying Authorities presented satisfactory reporting arrangements, while identifying some needs for improvement.

Currently, all three Commission's recommendations for the ERDF Certifying authority in Italy have been implemented. Furthermore, in Spain, the two recommendations for the ESF Certifying Authority were partially implemented and one out of two recommendations for the ERDF Certifying Authority was implemented.

The Commission will also ensure further improvements in the completeness and accuracy of data transmitted to the Commission and in the management of the debtors' ledger across all programmes and Member States where necessary and in coordination with the national authorities.

The report about the conclusions of this enquiry should be finalised by end-2012.

Centralised/decentralised management

DG EMPL Annual Activity Report mentions with regards to the centralized management a project which was entirely executed by a subcontractor instead of the beneficiary and that 90% of the declared costs had to be rejected. The decision taken by the Commission is contested by the beneficiary

25. Could the Commission provide more information on the aforementioned project including its overall money value, the period of execution, the name of the beneficiary? Has the project been completed? What is the state-of-play concerning the beneficiary's contestation over the Commission's decision?

Commission's answer:

The Commission is committed to ensuring a correct implementation of projects. In this context, a high level of transparency is provided in the Annual Activity Report. Given that procedures are on-going, the Commission considers it important to ensure that this procedure can follow its full course. It should be noted that the case in question is not a fraud case, and hence is not treated as such. Within this context, the key information elements are as follows:

The estimated cost of the project was € 147 924.00

Committed amount: € 118 338.71 equals 80% of the estimated cost

Paid amount: € 118 338.71

The project has been completed. The implementation period was 1/10/2008 – 30/6/2009. The beneficiary was a public body in Austria.

Information available at the Commission on the beneficiaries and the errors detected, referred to above, can be transmitted to the Parliament under the provisions of Annex 1 of the Framework Agreement on relations between the European Parliament and the Commission.

26. Has the beneficiary concluded other grant agreements with DG EMPL? If so, on which projects and for which value and has the Commission reviewed the execution of these projects to ensure that they are in line with the regulation?

Commission's answer:

Yes, the beneficiary concluded other grant agreements with DG EMPL.

Three files from the same beneficiary are included in the population for audits to be carried out by DG EMPL. The total committed amount to these projects is € 713.000. It should be noted that the case in question is not a fraud case, and hence is not treated as such.

Risk and fraud related issues

27. Following three pilot projects in Belgium, Portugal and Hungary, the Commission started developing a risk scoring tool in order to better identify irregular circumstances on the basis of pre-defined risk criteria. Can the Commission provide more information on the stage of development of this tool? What overall impact does the Commission expect with regard to full implementation of the risk scoring tool in all Member States?

Commission's answer:

The pilot exercise was considered successful and the Commission (DG EMPL and REGIO) have further developed the initial risk scoring tool with modules capable of enriching the data with external publicly available information. A contract has been concluded with an external provider and the first prototype of the software has been accepted in November 2012. The second prototype will be ready and tested by the end of January 2013 after which the intention is to go live to the Member States.

The results of the risk scoring tool (which is called "Arachne") will be provided to the Managing Authorities with read access to the Certifying and Audit Authorities. The idea is that Managing Authorities will apply the tool in the framework of the verifications falling under article 13 of Reg 1828/2006 and that this may contribute to further prevent errors and potential risks of fraud.

Following the 2007 IAS recommendation, smart IT tools in the prevention, detection and investigation of fraud have been developed in the framework of the joint Structural Funds fraud prevention and detection strategy. ARACHNE Risk Scoring Tool is one of these tools. Its pilot exercise was carried out in Belgium, Portugal and Hungary and was considered successful. ARACHNE Risk Scoring Tool is currently being developed.

28. What were the results obtained following the pilot exercise in Belgium, Portugal and Hungary? Which is the foreseen timeframe for ARACHNE Risk Scoring Tool to be delivered and fully operational in all 27 EU Member States?

Commission's answer:

The Commission has a very positive assessment of the pilot exercise in Belgium, Portugal and Hungary. Therefore it proceeds with the project. The ARACHNE tool will be ready by the end of March 2013. The internet connections with the Member States will then be established and it is expected that by the end of 2013, all Member States will be able to use the tool on a voluntary basis.

In December 2011, the Commission has introduced a specific site for anti-fraud issues on SFC2007 as part of the "Joint fraud prevention strategy for ERDF, ESF and CF" for 2010-2011. The aim of this site is to offer, among other, learning from specific fraud cases, guidelines and best practices.

29. Could the Commission provide some information, both quantitative and qualitative, on the initiative, its scope and preliminary outcomes?

Commission's answer:

The platform on anti-fraud issues on SFC2007 has been very much welcomed by the Member States' authorities in charge of management and control of structural funds.

It provides direct access for Member States to:

- the Commission's Joint Anti-Fraud Strategy;

- the updated "Joint fraud prevention strategy for ERDF, ESF and CF" for 2012-2013;

- fraud indicators which can be used in the daily management of funds; and to

- OLAF's compendium of anonymised cases.

The main objective is to make available good practices in the fight against fraud in order to raise awareness on possible fraud patterns and risks, so that Member

States can continuously take into account these risks in their management and control systems.

Financial instruments

30. The DG EMPL carried out four missions to perform audits on Financial Engineering Instruments in Italy and Latvia. According to the Annual Activity Report, there is room for improvement in terms of sound financial management. For one project, significant breaches of compliance with the applicable regulation have been detected. Can the Commission provide more information?

Commission's answer:

The following main issues were detected during the audit:

1. At the moment of the signature of the Funding Agreement between the Managing Authority and the beneficiary, the investment strategy had not been defined yet.

The funding agreement does not include the exit strategy, the provision for the winding up of the holding fund including the re-utilisation of resources.

2. DG EMPL auditors consider that the provision of € 1,000,000 allocated by the Holding Fund is not compliant with Art.78.6 of Regulation (EC) 1083/2006 of the Council

The Managing Authority and the Holding Fund must define and implement promptly a plan to use the amount of 1.000.0000€ allocated as provision.

3. The negotiated procedure without publication of contract notice, launched in 2009 to award the third and the fourth lots, is not compliant with Art. 123 of Regulation 2342/2002 and Art. 57 (6) of D.lgs 163/2006 since only two bidders were invited to participate.

What is the Commission doing in order to improve the overall control systems of the administration and implementation of the Financial Engineering Instruments?

Commission's answer:

As recommended in the discharge resolution for 2010, the Commission took measures to reinforce the reporting and audit on financial engineering instruments.

The amendment of Council Regulation (EC) No. 1083/2006 of 13 December 2011 introduced new provisions for annual reporting on financial engineering instruments. Under the new regulatory reporting the Member States have to provide to the Commission appropriate information on the type of instruments put in place and on the relevant actions undertaken through such instruments on the ground. Based on the MSs reports the Commission has to provide each year a summary of the data on the progress made in financing and implementing the financial engineering instruments. This formal reporting mechanism replaced the voluntary reporting by Member States which was carried out by the Commission services in 2011 and related to the data at the end of 2010.

Concerning audit, the Commission set out in 2011 an audit plan to obtain assurance on the set-up and implementation of financial engineering instruments.

The audits being carried out are in addition to the previously planned audit work. They cover financial engineering instruments in ten Member States: Romania, Lithuania, Germany, Greece, Poland, United Kingdom, Hungary, Portugal, Italy and Latvia]

In 2011 the Commission services developed enquiry planning memorandum which was shared with national audit authorities. It includes common audit framework and the model audit approach/checklists, which provide for all necessary background information and describe in detail the audit methodology and the main considerations for the auditors in each of the key audit areas.

Concerning DG EMPL, it should be noted that out of the total funding channelled through FI, DG EMPL accounts for only 2%, so their utilisation in the context of the ESF is rather limited. In any case, DG EMPL has conducted in 2011/2012 6 audits on OPs where FI were implemented and taken action in those cases where significant issues were identified.

As part of the Commission's response to the current crisis, DG EMPL facilitated the access to its funds for Member States facing liquidity problems or mostly hit by the crisis. In the case of the European Social Fund, this resulted in increased co-financing rates, the possibility to re-program funds to focus on youth unemployment or mobility and increased use of Financial Engineering Instruments. For the European Globalisation Fund, the derogation allowing enlarging its scope was extended till the end 2013. It is crucial for the Commission's action towards the crisis to be flexible and swift. However this should not be made at the expense of principles such as sound financial management and sustainable results.

31. What specific measures, safeguards, criteria, objectives, targets and evaluation mechanisms have the Commission put in place in order to ensure that the aforementioned exceptional measures will deliver sustainable results while mitigating the risks of errors/irregularities that are potentially higher given their nature (i.e. addressing an urgent situation)?

Commission's answer:

For the European Social Fund, the Commission has made in partnership with Member States considerable efforts to re-programme funds, in particular with a view to addressing youth unemployment.

In order to diminish the youth unemployment within the context of the Youth Opportunities Initiative, which concerns the 15 Member States having levels of youth unemployment above the EU average (Bulgaria, Cyprus, Greece, Spain, France, Hungary, Ireland, Italy, Lithuania, Latvia, Poland, Portugal, Romania, Sweden and Slovakia), a significant part of unallocated ESF funding has been reoriented to support youth employment measures.

For example in Spain, according to national data, in the period from 01/01-30/06/2012 total costs of EUR 233 million (estimated sum over 22 OP) were spent on youth employment measures. The Spanish authorities estimate that between 2012-2015 this figure will rise to EUR 2,5 billion.

For the EGF, the so-called crisis derogation expired at the end of 2011 (not 2013). Applications made in 2012 cannot use the global financial and economic crisis as an intervention criterion.

For EGF applications submitted under the crisis criterion between 1 May 2009 and 30 December 2011, they are subject to the same strict and detailed mechanisms applied to all EGF cases.

The EGF Regulation allows the Member State to start implementing measures as soon as the workers are notified of the impending redundancies, so it is up to the Member States to respond urgently if they wish, by using their own co-funding contribution, while the EGF procedures take their normal course.

Finally, as regards sound financial management, the Commission considers that when management and control systems are in place and working effectively, that increased co-financing rates or shifts within programmes between or within priorities does not a priori cause a change in the risk assessment.

Closure of OPs of the 2000-2006 programming period

As shown by the Court's work there remains a risk that the closure might be based on unreliable closure documents leading to insufficient financial corrections. (ECA Annual Report 6.26)

32. Can you give us an assurance that the remaining risks referred to by the Court are being adequately addressed, so that these have no financial impact?

Commission's answer:

The closure procedure put in place by the Commission has allowed identifying remaining problems at closure and additional justification/documents have been requested to MS or additional audit work has been performed.

The files are closed only when the Commission considers that there is no remaining material risk. A mechanism of financial corrections at closure based on the residual error rate provided by the MS and recalculated by the Commission has been implemented.

To date, DG EMPL has closed 154 programmes, the remaining programmes being still under analysis and contradictory procedure with MS in order to define the financial correction to be applied.

European Social Fund

33. Right at the moment, many EU countries have to go through difficult economic times and rely partly on help from EU level. In this context, we would like to know to which extent these countries (in particular Greece, Cyprus, Italy, Spain, Portugal and Ireland) have used funds of the European Social Fund in the year 2011?

Commission's answer:

You will find below the state of play regarding the use of the European Social Fund for the 2000-2006 programming period and for the 2007-2013 programming period for Greece, Cyprus, Italy, Spain, Portugal and Ireland.

2000-2006 programming period

All programmes are in the closure phase. The progress of closure in 2011 was as follows:

- Greece: 0 programmes were closed

- Cyprus: 2 programmes were closed with payments of EUR 1.186.299,92

- Italy: 11 programmes were closed with payments of EUR 117.797.423,74

- Spain: 11 programmes were closed with payments of EUR 77.731.182,47

- Portugal: 3 programmes were closed with payments of EUR 11.474.395,22

- Ireland: 2 programmes were closed with payments of EUR 44.856.572,31

All in all out of total EUR 437.041.821 paid on closures in 2011, 58% (EUR 253.045.873) was paid for the listed countries.

2007-2013 programming period:

Amounts of interim payments executed in 2011, and the level of cumulative interim payments versus commitments were as follows:

- Greece: EUR 512.854.537 representing an 11,48% increase in implementation; 26.34% of commitments have been transferred to the Member State.

- Cyprus: EUR 13.194.155, representing an 11,01% increase in implementation ; 25.62% of commitments have been transferred to the Member State.

- Italy EUR 708.255.624, representing a 10,23% increase in implementation; 31.11% of commitments have been transferred to the Member State.

- Spain EUR 1.531.426.506, representing a 19,01% increase in implementation; 39.71% of commitments have been transferred to the Member State.

- Portugal EUR 1.139.249.926, representing a 15,34% increase in implementation; 61.15% of commitments have been transferred to the Member State.

- Ireland EUR 67.508.279, representing a 17,99% increase in implementation; 62.97% of commitments have been transferred to the Member State.

The total amount of EUR 3.972.489.029 that was paid to the listed countries represents 41,73% of the total ESF interim payments executed in 2011.

34. How does the Commission ensure that countries, which have received funding from the European Social Fund, undertake the necessary structural reforms? Which concrete measures by the Commission have been implemented so far to guarantee such structural reforms?

Commission's answer:

According to Article 4 of the ESF Regulation[1], the actions supported by the ESF should be consistent with and contribute to actions undertaken in pursuance of the European Employment Strategy and promote the objectives, priorities and targets of the strategy in each Member State within the framework of the national reform programmes and national action plans for social inclusion. The Member States also concentrate support, where the ESF can contribute to policies, on the implementation of the relevant employment recommendations made under Article 128(4) of the Treaty and of the relevant employment-related objectives of the Community in the fields of social inclusion, education, and training.

Moreover, as a part of the European Semester, the Commission monitors the implementation by Member States of structural reforms to ensure progress towards the agreed goals of Europe 2020 in terms of smart, sustainable and inclusive growth.

On the basis of an analysis and the thorough examination of the economic and social situation of each Member State and taking into account relevant factors, the Commission prepares Country Specific Recommendations (CSRs), subsequently adopted by the Council.

In order to diminish the youth unemployment within the context of the Youth Opportunities Initiative, which concerns the 15 Member States having levels of youth unemployment above the EU average (Bulgaria, Cyprus, Greece, Spain, France, Hungary, Ireland, Italy, Lithuania, Latvia, Poland, Portugal, Romania, Sweden and Slovakia), a significant part of unallocated ESF funding has been reoriented to support youth employment measures. Concerning administrative capacity the following countries used the ESF to address CSRs aimed at enhancing administrative capacity and reforms by reducing red tape and the cost of tax compliance and collection, improving the quality and independence of the judicial system and speed up the introduction of e-government as well as strengthening public administrative capacity of regulatory authorities (Bulgaria).

Other CSRs were adopted with an aim to:

- Simplify further the regulatory framework for businesses and enhance administrative capacity (Italy).

- Increase the quality and effectiveness of training, job search assistance and individualised services (Czech Republic).

- Improve management and efficiency of the judiciary system (Latvia).

- Strengthen the administrative capacity of the Public Employment Services (Slovakia and Hungary).

35. Der Rechnungshof stellt fest, dass insbesondere im ESF zum Jahresende höhere Zahlungen getätigt werden könnten – wenn der höhere Mittelbedarf richtig vorausgesehen worden wäre und die benötigten Zahlungsermächtigungen, z.B. Durch Mittelübertragungen, zur Verfügung gestellt worden wären. Warum war

[1] Regulation (EC) No 1081/2006 Of The European Parliament and of the Council of 5 July 2006 on the European Social Fund.

die Kommission hier handlungsunfähig, wie gedenkt die Kommission zukünftig den Mittelabfluss zu gewährleisten?

Commission's answer:

Budgetary allocations made to Operational Programmes implemented by Member States are in full conformity with the Multi Annual Financial Framework 2007-2013, as agreed by the European Council. Implementation is globally proceeding according to plan, and as a result Member States submit payment claims to the Commission in order to compensate, on the basis of agreed co-financing rates, for cost made in the implementation of these programmes.

Since mid-September 2012 the ESF has effectively stopped making payments, since there are no payment appropriations remaining to cover the incoming claims.

In the short term, the European Commission is addressing this issue by undertaking the Amending Budget exercise which started at the beginning of September and should end in November.

This exercise requires the approval of the Budgetary Authority (Council and Parliament). Considering the length of the procedure and negotiations, potential extra payment appropriations would be available not sooner than end November (last year it was 23 November 2011). Until then the ESF will not be able to proceed with the payment of outstanding approved claims.

Based on received payment claims and DG EMPL expectations on absorption up to end 2012, approximately EUR 5.1 bn will be required to honour all payment claims that have been submitted or will be submitted in the period up to the end of 2012. In the amending budget the Commission has request for the ESF approx. EUR 3 bn.

In the context of the 2013 Budget, the Commission will take into consideration the unpaid amounts that will be rolled over from 2012 in order to end 2013 without any carryover to 2014.

36. Die Investitionen im ESF stellen meistens “immaterielle” Werte dar (Investitionen in das Humankapital – z.B. Schulungen). Wie gewährleistet und bewertet die Kommission einen korrekten und effizienten Mitteleinsatz? Nach welchen Kriterien werden die immateriellen Leistungen auf ihre Wirksamkeit und rechtmäßige Verwendung bewertet? Lassen sich bei immateriellen Werten, z.B. Schulungen, überhaupt einen europäischen Mehrwert feststellen? Wie stellt die Kommission sicher, dass hier der Beliebigkeit der Verwaltungsbehörden nicht Tür und Tor geöffnet ist?

Commission's answer:

The European Social Fund (ESF) is an instrument which was created to improve employment opportunities for workers in the European internal market by promoting employment and mobility facilities and through vocational training and retraining, pursuant to Article 162 of the TFEU.

The ESF supports interventions through operational programmes (OPs). According to the principle of shared management, ESF OPs are managed at national or regional level. A managing authority is responsible for the implementation of each OP and for safeguarding that the planned interventions contribute to the objectives of the programme.

The Commission lays great importance on the effectiveness of European Social Fund (ESF) spending.

The rules on implementing the Structural Funds lay down a number of requirements for achieving effectiveness and transparency. In particular, a monitoring committee responsible for setting project selection criteria and for monitoring progress must be established for each operational programme. Such monitoring committees usually comprise representatives of civil society, including NGOs directly or indirectly involved and acting in the interest of homeless people. The details of the membership of such committees, which are managed jointly by the Commission and the Member State, are decided by the latter. Partnership, a key principle to be applied in all phases of Structural Fund implementation, ensures overall transparency.

The monitoring committees play a crucial role in ensuring that spending is effective through the selection criteria set for projects to be financed by the Funds, they review progress towards meeting the objectives of the operational programme and they may propose the latter's revision.

This constant monitoring work is backed up by evaluations carried out by the Member State or the Commission including on-going evaluations of the 2007-2013 period.

Transparency is an important aspect of sound financial management and the beneficiaries of the European funds should be known to the European population.

In order to increase transparency and to ease the tracking of the European Structural Fund allocations down to the final beneficiary in the Member States, it is essential to have a public system where all beneficiaries of the European Social Fund are published on the same website, independently of the administrator of the fund and based on standard categories of information to be provided by all Member States in at least one working language of the European Union.

37. What actions is DG EMPL undertaking to implement such a system? Which is the foreseen timeframe for the system to be fully implemented and made public?

Commission's answer:

The Commission considers that it is fulfilling the requirements of transparency as defined in Article 30 of the Financial Regulation (FR). The Commission directly publishes information related to beneficiaries of EU funds that it implements under direct management. This information is available through the Financial Transparency System (FTS), a central online search engine.

As for EU funds implemented indirectly by our implementing partners (Member States, third countries, international organisations, etc.), the Commission has issued the relevant instructions for standardisation of the information to be presented by the various management authorities involved. For implementing partners, the transparency requirements constitute a pre-condition for the delegation of implementation of EU funds. The Commission considers that it should remain so, as they are the best positioned to have full and reliable information regarding the beneficiaries of the funds they manage. This is particularly relevant for the publication of beneficiaries under shared management mode.

For cohesion, grants to final beneficiaries are paid by national systems and not directly by the Commission. Setting up a single online database for grant payments from EU funds would in practice pose enormous practical challenges as the Commission is not the owner of the data on national payments.

Nevertheless in the new generation of programmes for the MFF 2014-2020 the Commission took the initiative in introducing for Member States and managing authorities list of specific data fields which should allow greater transparency and comparability of date provided by them. In the Cohesion Policy legislative package the Council has already preliminary agreed a compromise text on Information and communication (14287/12 ADD1 REV2 from 12 October 2012) according to which the "Member states and managing authorities shall be responsible for: (…) (b) ensuring the establishment of a single website or a single website portal providing information on, and access to, all operational programmes in that Member State. (…) Member States or managing authorities shall in order to ensure transparency in the support of the Funds maintain a list of operations by operational programme and by Fund in a spreadsheet data format, which allows the data to be sorted, searched, extracted, compared and easily published on the internet, for instance in CSV or XML format." The list of operations should contain the following data fields: beneficiary name, operation name, operation summary, operation start date, operation end date, total eligible expenditure, EU co-financing rate, operation postcode or other appropriate location indicator, country, name of category of intervention for the operation, date of last update of the list of operations.

Instrument for Pre-Accession Assistance

In the framework of the Instrument for Pre-Accession Assistance (IPA) in Macedonia, the Commission has decided the interruption for the payment claim received at the end of 2011 and requested from the Macedonian authorities to correct the shortcomings revealed during the audits related to the setting-up of the Management Information System, the staffing issues and the functioning of the Audit Authority.

38. Could the Commission provide up-to-date information on this case? Has the interruption decision been lifted at present?

Commission's answer:

The auditors of DG EMPL (in coordination with those of ELARG and REGIO) identified in 2011 a number of shortcomings in the functioning of OS for IPA Human Resource Development Component (IPA-IV) in the former Yugoslav Republic of Macedonia. They concerned mainly the setting-up of the MIS (Management Information System); insufficient administrative capacities in the concerned line ministries; and the functioning of the Audit Authority.

On this basis DG EMPL decided to interrupt payments under IPA-IV and asked the country's authorities to tackle the audit findings as a matter of urgency. A task force was set up under leadership of Deputy Prime Minister Stavreski, and the relevant actions were carried out in the second quarter of 2012.

DG EMPL auditors carried out a follow-up audit in June 2012. The audit report of July 2012 presented a reclassification of audit risks, none of them being qualified as high risk.

On this basis DGEMPL decided to re-establish the normal flow of payments, and the reimbursement of the outstanding payment application was made in September 2012.

39. Das größte Risiko hängt laut des Rechnungshofes damit zusammen, ob die Bewerberländer die erforderlichen Strukturen und Kontrollen einrichten und anwenden können. Welche Verfahren sieht die Kommission hier vor?

Commission's answer:

Prior to the start of programme implementation, the Commission conferred decentralised management powers to the candidate countries. In this framework the Commission reviewed national accreditations and examined the procedures and structures established by the candidate countries. The Commission satisfied itself that the country concerned meets the conditions referred to in Article 56(2) of Regulation (EC, Euratom) N° 1605/2002 (Financial Regulation). It examined if the management and control systems established by the Candidate Countries provide for effective controls in areas such as risk management, monitoring and supervision of interventions, control environment and control activities. The examination included on the spot verifications/accreditation audits.

Once decentralised management has been conferred to candidate countries, a monitoring of the continuous fulfilment of conferral of management requirements is carried out. Throughout programme implementation, the Commission also retains ex-ante controls (carried out by the EU Delegations) on tendering, launch of calls for proposals and award of contracts, until it deems that conditions to waive ex-ante controls are met. In addition, Commission will continue to carry out ex-post audits as under shared management for Member States.

The Commission has also the right to withdraw or suspend the conferral of management powers at any time, in particular in the event that any of the requirements for the conferral of management powers are not, or no longer, fulfilled.

European Globalisation Fund

40. (6.11) Der Rechnungshof stellt fest, dass das Hauptrisiko darin besteht, dass die Anträge unrichtige Angaben enthalten, die von der Kommission bei der Genehmigung als auch in späteren Kontrollen nicht aufgedeckt werden. Um was für unrichtige Angaben handelt es sich hierbei? Wie will die Kommission ihre Prüfungen verbessern, um die Richtigkeit der Angaben zu verifizieren?

Commission's answer:

The main risk of Member States providing inaccurate information is when they have not sufficiently checked the numbers of workers made redundant, or not sufficiently checked the dates when these redundancies occurred. The EGF Regulation provides a 4-month or 9-month reference period, during which at least 500 redundancies must have occurred for the case to be eligible. Following this reference period, Member States have 10 weeks to prepare an application, which they may complement if necessary, before the Commission adopts its proposal to the Budgetary Authority. If Member States are not in possession of sufficiently accurate information about either the redundancy dates, or the numbers of workers affected, it is possible that they may realise only after approval of their application that a number smaller than 500 was made redundant during the reference period, which retrospectively may make their case ineligible.

For any applications where worker numbers are between 500 and 600, therefore, the Commission regularly asks Member States to confirm that the number of workers made redundant during the reference period is indeed above 500.

In the proposed EGF Regulation for 2014-2020 period, the Commission has provided Member States with an extended period of 12 weeks (rather than 10) to prepare their applications.

The EGF auditors always examine redundant worker numbers and dates of redundancies with the utmost care, so that any inaccuracies are spotted at the latest during the audit.

Programme for Social Change and Innovation

41. What is the latest state of discussion regarding the financing of the mobility partnerships (Programme for Social Change and Innovation)?

Commission's answer:

The legislative process for the Programme for Social Change and Innovation (PSCI) is still on-going and it might take some more time to reach a consensus between the institutions. In the particular case of the funding of the EURES cross-border partnerships the views of EP, Council and Commission differ considerably. In its proposals for the reform of EURES the Commission has proposed that national and cross-border EURES activities should, from 2014 onwards, be funded by the European Social Fund (ESF) under shared management. In fact, Regulation No 492/2011 defines EURES cross-border partnerships as complementary services that Member States can set up, if their services are needed. It is then only logical that Member States ensure the funding of the EURES cross-border partnerships under the ESF. In its partial general approach the Council supported this view while the EP in its amendment has requested to include the funding of the EURES cross-border partnerships under PSCI. In the Trilogue meetings between EP, Council and Commission this question has not been discussed yet.

Recommendations

42. In its recommendations, the European Court of Auditors calls on the Commission to carry out an assessment of the use of national eligibility rules in order, inter alia, to eliminate potential sources of errors for the period after 2013. This question touches on the issue of so called "gold-plating" which is widely recognized as a bad practice imposing additional costs and creating unnecessary risks of irregularities and errors. How is the Commission going to address this issue?

<u>Commission's answer:</u>

The Commission refers to its reply to question 3.

<u>Staff related questions</u>

43. Could you provide us with the training strategy of your Directorate General? How many staff operate as internal trainers (how many hours)? How many days does the staff of DG EMPL spend on average on training (internal/external) in 2011? How much money does the Directorate General EMPL spend on training measures in total/ per employee (contract agent/ official)? What amount of money is used for external trainers? What was your experience with the, in the meantime abolished, career development maps? Were they useful for the staff development? Were they followed by staff and controlled by Managers? In regard to training courses, what is the procedure for identifying the needs of staff?

<u>Commission's answer</u>:

The annual training strategy of DG EMPL is usually set out in its Learning and Development Frameworks (LDF) based on Central Learning and Development Frameworks established every year by DG HR. Meanwhile, in 2011, no such framework was issued at central level. It was thus impossible to have a reference basis for local LDF. In consequence, DG EMPL continued to apply its 2010 LDF while conducting an in-depth internal reflexion on how to ensure an optimal link between the current and future needs of its services and the competencies of its staff. This internal reflection will be used for the design of a multiannual strategy that should be adopted by early 2013.

In 2011, approximately 60 staff members of DG EMPL operated as internal trainers, mainly for specific training courses of maximum 1 day (internal training sessions on DG EMPL policies).

On average, EMPL staff spent 7.5 days in training in 2011 (without distinction to contractual status). It should be noted that the training offer of staff is provided by the central level (DG HR) for most of the training courses (general, language and IT), while the operational DGs receive a per capita allocation of the training budget for the organisation of more targeted training related to the policies, procedures and practices of the DG concerned as well as individual and team coaching. 315.089 € were spent on training measures, amounting to an average amount of 420 € per eligible staff member. The amount used for external trainers was 130.886,12 €.

The training maps were considered as very useful tools for the identification and monitoring of individual learning needs in relation to the direct requirements of the post as well as in a longer career development perspective. They also provided a concrete basis for a bilateral discussion between the job holder and the line manager concerned in the framework of the annual evaluation exercises in order to make the state of play of followed trainings and future trainings to be done in the coming year. The training maps were compulsory in the context of the Career Development Review process and overall well applied by staff and managers of DG EMPL.

As for current identification of staff's training needs, EMPL bases its planning on mapping of staff profiles and skills needs, staff surveys, continuous dialogue with staff and managers, and individual career guidance activities. All this information will be used for the elaboration of multi-annual training framework to be adopted by the beginning of 2013.

44. Could you please provide us with statistical information regarding the application of the flexitime regime applied by Commission officials and temporary agents (each grade AD/AST 5 - 16) in your DG in 2011?

Commission's answer:

The participation ratio by grade, representing the population that has effectively registered for the flexitime regime, divided by the number of eligible persons, is as follows:

AD15	AD14	AD13	AD12	AD11	AD10	AD09	AD08	AD07	AD06	AD05
46%	42%	70%	78%	72%	80%	80%	79%	75%	89%	91%

AST 11	AST10	AST09	AST08	AST07	AST06	AST05	AST04	AST03	AST02	AST01
77%	81%	74%	79%	80%	72%	92%	96%	82%	80%	81%

Average	77%

The recovery ratio by grade, which represents the proportion of extra hours recovered (for those registered for flexitime), is as follows:

AD15	AD14	AD13	AD12	AD11	AD10	AD09	AD08	AD07	AD06	AD05
24%	37%	40%	54%	29%	42%	48%	52%	58%	48%	54%

AST 11	AST10	AST09	AST08	AST07	AST06	AST05	AST04	AST03	AST02	AST01
88%	79%	52%	75%	88%	82%	84%	83%	67%	92%	72%

Average	56%

In summary, 56 % of (registered) extra time worked by AD's and AST's are recuperated. That means that 44 % of (registered) extra time worked are not recovered.

Getting results from the EU budget

In its AAR DG EMPL mentioned, on the one side, that Employment and Social issues are at the centre of the inclusive growth priority of the EU 2020 Strategy. They are also relevant to the two other priorities: sustainable and smart growth. On the other side the key role of employment and social policy in Europe 2020 is reflected in three of the Strategy's five ambitious headline targets and relate to employment social, inclusion and education. Of the seven flagship initiatives proposed by the Commission to drive implementation in Europe2020, three directly concern the employment and social policy: an agenda for New Skills and Jobs, the European Platform against Poverty and Youth on the Move.

45. Given the full involvement of DG EMPL in the Europe 2020 Strategy

- Could you precise the annual performance indicators linked to the DG employment objectives contributing to the vision for 2020?
- Is there any mechanism in place in order to evaluate the performance of the DG,
- If yes, how does it meet the requirements of the ECA in terms of relevance, comparability, and reliability and European added value?

Commission's answer:

Indicators and milestones in order to assess progress towards these targets are indicated in the Annex 6 Section 1.1 of the DG EMPL Annual Activity Report "Progress towards General Objectives":

- Employment Target: employment target for 2020: 75% of the working-age population (20-64 years) in work –Value in 2011: 68.5%

Early school-leaving rate below 10% by 2020 – Value in 2011: 13.5%

More young people in higher education or equivalent vocational education (at least 40%) – value in 2011: 34.6%.

At least 20 million fewer people in or at risk of poverty and social exclusion by 2020 (target value 95,186 million (2020) - Estimated value : 116,601 million (2011).

The Commission ensures a continuous monitoring of the progress towards the objectives of the Europe 2020 Strategy. The European Semester provides the framework in which the Commission provides policy guidance to the Member States and assesses the implementation of their commitments towards the achievement of the national targets and their contribution to the EU target. Eurostat provides the necessary input to have update information on the progress. Objectives and progress to evaluate the performance of the DG are indicated respectively in the Annual Management Report and the Annual Activity Report (Annex 6 Section 1.1).

- The target chosen –whether macro (such as in bullet 1) or management related are relevant to the policy or to specific activities, are comparable across time to assess performance in reaching the targets and are reliable as objectively measurable. All the activities are related to the implementation of the Treaties.

46. How did DG Employment coordinate its actions with other services of the Commission in order to implement the Flagship Initiatives: "An agenda for New skills and Jobs", "the European Platform against poverty" and "Youth on the Move"?

Commission's answer:

As for the Agenda for News Skills and Jobs – the flagship initiative new skills and jobs launched as part of the EU 2020 in 2010 has launched concrete actions to help improve flexibility and security in the labour market ('flexicurity'); equipping people with the right skills for the jobs of today and tomorrow; improving the quality of jobs and ensuring better working conditions. The agenda has been used in the process of the European Semester and has been widely discussed through inter-service platforms. It has been enriched in 2012 by the Employment Package (Commission Communication "Towards a Job-rich recovery") that builds upon the flagship Agenda for New Skills and Jobs and establishes a framework for promoting employment through boosting labour demand, balanced labour market reforms, investing in skills, creating a genuine European labour market and strengthening the governance of employment at EU level. DG established an ad-hoc inter-service group and shared ICT facility that allows all DGs to report on the implementation of the Package and ensure monitoring.

Both, the "Agenda for New skills and Jobs" and "the Employment Package" were developed implemented with a special regard to the complementarity with other DGs for its proposed actions/commitments. As an example, for the skills part some complementary and synergic tools are being developed by EMPL on the labour market side and EAC on the education side as in the case of the European Qualification framework or European skills passport (EAC) and ESCO (EMPL), or EU Sector Skills Councils (EMPL) and EU Sector Skills Alliances (EAC). Some tools are implemented in joined effort of EMPL with EAC (and the EU agencies such as CEDEFOP and Eurofound), as for the EU Skills Panorama. The complementarity and synergy between all skills instruments and all the sectorial/national/European skills actions on the labour market and in the education and training will be further enhanced by the development of a demand led forward looking and output oriented 2020 European Skills Strategy (EMPL).

As for the implementation of the flagship initiative 'Youth on the Move', and in particular the implementation of the 'Youth Opportunities Initiative' that builds on Youth on the Move, DG Employment worked together with other DGs taking into account the relevance of each specific action/commitment to the partner DGs' work. The three most important partner DGs have been SG, DG REGIO and DG EAC, which participated in the missions to the 8 Action Team countries, as well as in the bilateral meetings with 7 other countries where youth unemployment rates are the highest. For example, there has been particularly close cooperation between DG EAC and DG EMPL in the development of the quality framework for traineeships, while DG EAC also participated in the selection process of the Your First EURES Job pilot project – another initiative touching on the fields of both DGs. For each commitment of 'Youth on the Move' and the 'Youth Opportunities Initiative' that requires further policy work (e.g. Youth on the Move card, Quality Framework for Traineeships) or action (e.g.Your First EURES Job) all relevant DGs have been involved in the preparation of the policy initiative or action through inter-service working groups and consultations.

As concerns the coordination of the 64 actions identified under the European Platform against poverty and social exclusion this is coordinated through a specific Interservice/ISC group created by DG EMPL bringing together all the relevant DGs and meeting a few times per year. In the meeting the progress of individual key actions is discussed and a monitoring table is kept up to date by the secretary of the ISC group.

47. As those flagship initiatives complement other flagship initiatives such as the Innovation Union initiative and are also influenced by the new policies led with a view to moving towards low-carbon economy and the greening of the economy in general

- How DG EMPL has been involved in the achievement of those other flagship initiatives?
- By which mechanism(s) the consistency between all the different flagships initiatives had been assured?

Commission's answer:

The Employment Package (Commission Communication "Towards a Job-rich recovery") has clearly identified the white, ICT and the Green Jobs sectors, including the achievement of the Resource Efficiency Roadmap, as job-rich areas in which demand for labour can be harnessed. For each of them a set of actions has been indicated and implemented in cooperation with relevant DG.

There has been fruitful collaboration across DGs in this regard. DG EMPL engaged in close contacts with all DGs concerned (ENV, CLIMA, ENER, AGRI, MOVE) to better frame the analysis on the job potentials of green growth, the challenges for those industries undergoing “greening processes” which will require investments in skills, and potential actions. DG EMPL has been involved in the impact assessment of some of the key initiatives under the energy efficiency flagship.

Besides the active contribution to the implementation of some of the actions (such as eg. The Grand coalition for ICT and jobs), DG EMPL plays often a major role in coordination work of the involved DGs in order to achieve the synergic effect.

Consistency between the different Commission initiatives is ensured through internal consultation in the case of initiatives originating in the same DG, and through inter-service working groups and the official inter-service consultation in the case of initiatives and policies originating in another DG. In particular the coordinating role of General Secretariat has to be underlined in this respect.

Concerning the European Platform against poverty, as stated under the answer on question 46, coordination with other DGs is ensured through the ISC group involving all relevant DGs. Members in this group are aware of the flagships managed by their respective DGs and when there are close links between the actions under these flagship with the flagship managed by DG EMPL this is flagged for example in the context of IT for inclusion. There have also been dedicated meetings between staff concerned in DGs dealing with the flagships where there are strong overlaps for DG EMPL this concerns for example contacts with DG EAC and DG Connect.

MS	OP Number	INTERRUP-TIONS DECIDED IN 2011	Interrupted amount	Payments resumed as of 31-12-2011*	Main weaknesses identified	Developments since 01/01/2012
ES	2007ES051PO004 (Galicia)	10/02/2011	236.004,51	N	National audit report identifying significant deficiencies concerning: - the selection procedures; - the first level management verifications;- the audit trail; - the follow up of the second level audits.	On 23 December 2011, the Spanish authorities included in the submitted payment claim a financial correction for € 7.003.197 EUR. On 17 January 2012, the Commission received the report of the audit authority on its review of the results of the ex-post verification carried out. Furthermore, on 6-7 February 2012, the Commission audit services conducted a fact-finding mission in Galicia. Following that mission and the receipt of additional information by the national audit authority, a decision was taken not to continue with the suspension procedure and that the OP was taken out of the respective reservation.
ES	2007ES052PO010 (País Vasco)	27/05/2011	9.915.391,39	N	EMPL audit report identifying significant deficiencies and irregularities concerning: - the second level audit controls of the audit authority and their follow-up; -the audit trail; - the national rules on public procurement; - the rules on eligibility of expenditure; - the national rules on grants; - the rules on the audit trail..	The Spanish authorities proposed to apply a flat-rate correction of 25%.. Based on additional information and action plan received on 12.3, which are considered to address the issues identified in a satisfactory manner, the OP was upgraded to Category 2 and the proposed reservation was lifted On 27 June 2012, the Spanish authorities presented a payment claim amounting to 2 648 565.02 EUR (total cost). By letter sent by SFC on 28 June 2012, the Spanish authorities confirmed that this payment claim included the pending financial corrections of 8 128 911.31 EUR (total cost). The letter by the AOD informing the Spanish authorities of the discontinuation of the suspension and interruption procedures was signed on 13 July and sent on 17 July 2012. Payments were resumed in August 2012.
IT	2007IT052PO014 (Valle d'Aosta)	8/12/2011	1.626.881,97	N	EMPL audit report identifying significant deficiencies concerning: - the first-level management verifications; - the second level audit controls of the audit authority; - audit trail	The Italian authorities informed the Commission audit services about the actions taken in order to address the previously identified deficiencies. was submitted on 07/03/2012 to the Commission services. H/3 analysis of the reply was ready by 27/06/2012. Following the analysis by the Commission services a flat rate financial correction of 10% was implemented. The Italian authorities were informed of the discontinuation of the interruption procedure and of the resuming of payments by a letter sent on 23/07/2012. □
IT	2007IT051PO002 (Calabria)	24/02/2011	6.932.506,46	N	National audit reports identifying serious deficiencies concerning: - first level management verifications - certification of statements of expenditure - the second level audit controls. - audit trail	A fact-finding mission took place between 10-12 October 2012 in order to check whether the financial corrections for 2009 and 2010 were correctly implemented and whether the Management and Control system is functional (based on figures concerning the functionality rate of the MCS provided by IT authorities). On 25/10/2012, following the results of the October fact-finding mission, the suspension decision was lifted conditional on specific actions.
IT	2007IT051PO002 (Calabria)	4/07/2011	11.859.778,61	N		Please see above
IT	2007IT051PO002 (Calabria)	5/12/2011	32.890.130,80	N		Please see above
FR	2007FR052PO001 (PACA)	21/06/2011	12 535 766, 26	N	National audit report identifying a significant deficiency concerning the first level management verifications.	The OP remains suspended.
FR	2007FR052PO001 (PACA)	18/11/2011	12 535 766, 26	N		Please see above
UK	2007UK052PO003 (Northern Ireland)	13/12/2011	8.521.297,83	N	EMPL audit report identifying significant deficiencies concerning - organisation and management of the control bodies -the second level audit controls of the audit authority and their follow-up □	A letter proposing self-corrections was sent formally by the national authorities on 13 February 2012. Following analysis by the Commission services, it was decided that the UK authorities had made the necessary financial corrections and presented an action plan with measures already implemented or in the process to be implemented. The letter lifting the interruption and pre-suspension was signed on 02/03/2012 and sent to the UK authorities.
UK	2007UK05UPO001 (England & Gibraltar)	21/12/2011	225.973.005,13	N	Two national audit reports identifying deficiencies concerning management verifications. One of the audit reports showed an error rate above 2%.	A letter and an accompanying action plan showing measures taken to strengthen management and control systems was sent by UK/England on 20 January 2012. The letter announcing the lifting of the interruption procedure was signed on the 28 February 2012 and was sent to the UK authorities.

MS	Region - OP	CCI number	Current status	Archived file (Y/N)	Reserve AAR 2011 (Y/N)	Interruption decision art. 91(1)	Interrupted amount
CZ	Education for Competitiveness	2007CZ05UPO002	Suspension decision	N	Y	24/01/2012	46.983.414,07
DE	Nordrhein-Westfalen	2007DE052PO008	Pre-suspension letter	N	Y	22/02/2012	19.396.415,03
FR	PACA (volet régional)	2007FR052PO001	Suspension decision	N	N	21/06/2011	12.535.767,09
FR	PACA (volet régional)	2007FR052PO001		N	N	18/11/2011	12.535.767,09
FR	FPSPP (volet national)	2007FR052PO001	Pre-suspension letter	N	N	9/07/2012	12.668.437,87
FR	FPSPP (volet national)	2007FR052PO001		N	N	2/08/2012	17.487.980,25
FR	FPSPP (volet national)	2007FR052PO001	Current interruption	N	N	14/11/2012	12.669.643,55
FR	Alsace(volet régional)	2007FR052PO001	Pre-suspension letter	N	N	12/07/2012	5.665.342,75
FR	Alsace(volet régional)	2007FR052PO001		N	N	3/08/2012	2.345.682,49
IT	Abruzzo	2007IT052PO001	Pre-suspension letter	N	N	27/08/2012	4.283.132,32
IT	BASILICATA	2007IT051PO004	Current interruption	N	N	11/07/2012	4.461.512,56
						TOTAL	**151.033.095,07**

MS	Region - OP	CCI number	Current status	Reserve AAR 2011 (Y/N)	Interruption decision art. 91(1)	Current Interrupted amount
MK	**Human Resources Development**	2007MK05IPO001	**Closed**	N	2/03/2012	717.219,84

MS	Region - OP	CCI number	Current status	Reserve AAR 2011 (Y/N)	Interruption decision art. 91(1)	Current Interrupted amount
CZ	Education for Competitiveness	2007CZ05UPO002	Suspension decision	Y	24/01/2012	46.983.414,07
DE	Nordrhein-Westfalen	2007DE052PO008	Pre-suspension letter	Y	22/02/2012	19.396.415,03
DE	Niedersachsen	2007DE052PO007	Closed	Y	17/02/2012	21.682.388,27
DE	Niedersachsen-Lüneburg	2007DE051PO003	Closed	Y	17/02/2012	24.862.650,28
DE	Mecklenburg-Vorpommern	2007DE051PO002	Closed	Y	16/02/2012	49.546.290,69
DE	Thüringen	2007DE051PO006	Closed	Y	22/05/2012	49.117.282,88
ES	Comunidad Valenciana	2007ES052PO003	Closed	N	6/03/2012	10.809.271,99
ES	Baleares	2007ES052PO005	Closed	Y	15/06/2012	979.879,03
ES	Baleares	2007ES052PO005	Closed	Y	15/06/2012	3.405.160,50
ES	CATALUÑA	2007ES052PO007	Closed	N	28/02/2012	54.459.539,24
ES	Adaptabilidad y Empleo	2007ES05UPO001	Closed	Y	24/02/2012	64.602.526,62
ES	Adaptabilidad y Empleo	2007ES05UPO001	Closed	Y	24/02/2012	11.685.277,40
ES	Lucha contra la discriminacion	2007ES05UPO002	Closed	N	28/02/2012	6.053.473,49
FR	FPSPP (volet national)	2007FR052PO001	Pre-suspension letter	N	9/07/2012	12.668.437,87
FR	FPSPP (volet national)	2007FR052PO001		N	2/08/2012	17.487.980,25
FR	FPSPP (volet national)	2007FR052PO001	Current interruption	N	14/11/2012	12.669.643,55
FR	Alsace(volet régional)	2007FR052PO001	Pre-suspension letter	N	12/07/2012	5.665.342,75
FR	Alsace(volet régional)	2007FR052PO001		N	3/08/2012	2.345.682,49
FR	Compétitivité régionale et emploi (National OP)	2007FR052PO001	Closed	N	17/02/2012	71.720.919,75
FR	Guadeloupe	2007FR051PO002	Closed	N	17/02/2012	1.555.332,86
FR	Ile de la Réunion	2007FR051PO004	Closed	N	15/02/2012	12.305.300,49
FR	Martinique	2007FR051PO001	Closed	N	17/02/2012	5.574.930,53
IT	Sicilia	2007IT051PO003	Closed	Y	20/02/2012	175.113.610,35
IT	Abruzzo	2007IT052PO001	Pre-suspension letter	N	27/08/2012	4.283.132,32
IT	Valle d'Aosta Occupazione	2007IT052PO014	Closed	Y	18/01/2012	2.189.439,81
IT	BASILICATA	2007IT051PO004	Current interruption	N	11/07/2012	4.461.512,56
LT	Technical assistance	2007LT051PO002	Closed	Y	16/04/2012	1.104.861,54
LV	Human Resources and Employment	2007LV051PO001	Closed	Y	1/02/2012	14.444.016,44
LV	Human Resources and Employment	2007LV051PO001	Closed	Y	1/02/2012	11.821.019,52
RO	Human Resources Development	2007RO051PO001	Closed	Y	20/02/2012	20.600.049,82
SK	Education	2007SK05UPO001	Closed	Y	9/02/2012	44.839.214,04
UK	Highlands & Islands Scotland	2007UK051PO001	Closed	Y	4/04/2012	14.291.991,33
UK	Lowlands & Uplands Scotland	2007UK052PO002	Closed	Y	4/04/2012	54.232.317,53
					TOTAL	**852.958.305,29**

MS	Region - OP	CCI number	Current status	Next status	Developments since 31/03/2012	Situation of payments as of 22/11/2012
BE	**Compétitivité régionale et emploi de l'Etat Fédéral**	2007BE052PO003	**Reserve open**	**Pre-suspension letter**	A suspension decision procedure will be launched in the next forthcoming future.	Since the reserve is still open and a suspension procedure is about to be launched in the short time, no payments are made.
CZ	**Education for Competitiveness**	2007CZ05UPO002	**Suspension decision**	**To be closed**	The suspension decision was sent to the Member State on 25/07/2012.). . The Member State replied to the suspension decision on 26/09/2012 with a proposed financial correction of 31.768.864,37 Eur (30.778.191 Eur flat rate financial correction + 990.673,37 Eur individual financial corrections). Following the analysis carried out by the Commission services this suspension decision procedure will be closed in the next forthoming future.	Once the suspension procedure will be finally discontinued and the suspension decision lifted, the payments will be resumed.
DE	**Nordrhein-Westfalen**	2007DE052PO008	**Pre-suspension letter**	**Suspension decision**	.A suspension decision will be adopted in the next forthcoming future.	Since the suspension procedure is still ongoing, no payments are made.
DE	**Niedersachsen**	2007DE052PO007	**Closed**		The final audit report of 28/08/2012 supported by a follow-up audit mission on-the-spot shows that the problems for the system are solved and has been upgraded to Category 2. One single letter (both OPs) for discontinuing the interruption and suspension procedures was sent to the German authorities, dated 13/11/2012..	Since the respective procedure was discontinued, payments were resumed.
DE	**Niedersachsen-Lüneburg**	2007DE051PO003	**Closed**		The final audit report of 28/08/2012 supported by a follow-up audit mission on-the-spot shows that the problems for the system are solved and has been upgraded to Category 2. One single letter (both OPs) for discontinuing the interruption and suspension procedures was sent to the German authorities, dated 13/11/2012..	Since the respective procedure was discontinued, payments were resumed.
DE	**Bremen**	2007DE052PO004	**Pre-suspension letter**		Under the assessment of the Commission audit services following the presentation of an action plan by the German authorities	Since the respective procedure was not yet discontinued, payments are not resumed.
DE	**Mecklenburg-Vorpommern**	2007DE051PO002	**Closed**		A follow-up audit mission took place between 30 May and 8 June 2012. The flash report from the audit mission is Category 2. Following this positive assessment the ongoing procedure was discontinued. An administrative letter was signed signed on 16 August 2012.	Since the respective procedure was discontinued, payments were resumed.
DE	**Thüringen**	2007DE051PO006	**Closed**		Follow-up audits were carried out by the national authorities, which put the systems in category 2.	Since the respective procedure was discontinued, payments were resumed.
DE	**Berlin**	2007DE052PO003	**Closed**		Following an audit carried out by the Commission audit services between 29 May and 1 June 2012, a flash audit report in Category 2 was issued This report covers only the system audit. The decision on lifting the reservation was taken on 17/10/2012.	Since the respective procedure was discontinued, payments were resumed.
ES	**Castilla y Leon**	2007ES052PO002	**Closed**		. On 27 July 2012, a positive audit report on the ESF Managing Authority concerning all the 19 ES regional programmes was posted in SFC 2007. Reservation lifted following reception of these positive audit results.	Since the respective procedure was discontinued, payments were resumed.

MS	Region - OP	CCI number	Current status	Next status	Developments since 31/03/2012	Situation of payments as of 22/11/2012
ES	**Baleares**	2077ES052PO005	**Closed**		The regional authorities updated the services of the Commission on the measures and corrections adopted and pending, which include a modification of the OP eliminating 2 of the three collaborating bodies with national audit reports in category 3 and 4, and significant audits for the amounts certified and financial corrections. All this information was assessed by the services of DG EMPL and considered sufficient in order not to launch a suspension procedure.Following that, on 3 August 2012 a new payment claim, including all necessary financial corrections was received. Therefore, the decision for discontinuing the suspension and interruption procedures was taken and the Spanish authorities via administrative letter officially informed.	Since the respective procedure was discontinued, payments were resumed.
ES	**La Rioja**	2007ES052PO011	**Closed**		Reservation in the Annual Activity Report 2011 due to the high error rate identified in Annual Control Report 2011, mainly due to systemic errors that are linked to training operations (indirect costs and public procurement). A first draft action plan was presented by the Intermediate Body (IB) in the meeting of 27 March 2012 where the following next steps were established: 1. The Spanish authorities submitted on 11 May 2012 a new draft version of the Action Plan, approved by the AA, containing the clarifications requested. On 23rd May 2012 the Commission services received the final version of the action plan. Consequently,on 12 June 2012 the reservation was lifted.	Since the respective procedure was discontinued, payments were resumed.
ES	**Adaptabilidad y Empleo**	2007ES05UPO001	**Closed**		The Spanish authorities replied to the pre-suspension letter on 10 September 2012, proposing specific measures to address the deficiencies and financial corrections. On 12 September 2012 the Spanish authorities sent a new payment claim and on 12 September the certifying authority confirmed that it included the necessary financial corrections. Following the analysis of all information, a decision was taken to discontinue the interruption and suspension procedures. A letter by the AOD to the Member State was sent to the Spanish authorities on 17 October 2012.	Since the respective procedure was discontinued, payments were resumed.
IT	**Calabria**	2007IT051PO002	**Closed**		A fact-finding mission took place between 10-12 October 2012 in order to check whether the financial corrections for 2009 and 2010 were correctly implemented and whether the Management and Control system is functional (based on figures concerning the functionality rate of the MCS provided by IT authorities). Following the results of the October fact-finding mission, on 25/10/2012 the suspension decision was lifted conditional on specific actions.	Since the respective procedure was discontinued, payments were resumed.
IT	**Sicilia**	2007IT051PO003	**Closed**		On 27 April 2012 the Italian authorities sent a new payment request which includes an auto-correction corresponding to the whole error rate (4,27%) referred to in the 2011 RAC. On the basis of the analysis of the payment request carried out by the Commission audit services the auto-correction made by the Italian authorities was confirmed. Therefore, the interruption procedure was discontinued and the payments were resumed.by letter sent to the Italian authorities on 15/06/2012	Since the respective procedure was discontinued, payments were resumed.
IT	**Competenze per lo sviluppo**	2007IT051PO007	**Closed**		The OP was kept in category 2 after a thorough analysis. Therefore, no procedure was finally launched	Since the respective procedure was discontinued, payments were resumed.

MS	Region - OP	CCI number	Current status	Next status	Developments since 31/03/2012	Situation of payments as of 22/11/2012
IT	**Valle d'Aosta Occupazione**	2007IT052PO014	**Closed**		The Italian authorities informed the Commission audit services about the actions taken in order to address the previously identified deficiencies. was submitted on 07/03/2012 to the Commission services. H/3 analysis of the reply was ready by 27/06/2012. Following the analysis by the Commission services a flat rate financial correction of 10% was implemented. The Italian authorities were informed of the discontinuation of the interruption procedure and of the resuming of payments by a letter sent on 23/07/2012.	Since the respective procedure was discontinued, payments were resumed.
LT	**Development of Human Resources**	2007LT051PO001	**Closed**		The Commission`s audit services finalised the assessment of the error rate which put the OP in category 2. Subsequently, the OP was taken out of the reservation.	Since the respective procedure was discontinued, payments were resumed.
LT	**Technical assistance**	2007LT051PO002	**Closed**		The Commission`s audit services finalised the assessment of the error rate which put the OP in category 2. Subsequently, the OP was taken out of the reservation.	Since the respective procedure was discontinued, payments were resumed.
LV	**Human Resources and Employment**	2007LV051PO001	**Closed**		The Audit Authority's report of CA and MA reviews on the implementation of the Action Plan (giving an overall positive opinion) was submitted to DG EMPL and DG REGIO on 26/04/2012. The assessment of the audit authority was confirmed by DG EMPL and DG REGIO auditors. At the directorate E-F meeting held on 22/06/2012 the lifting of interruption was approved. The administrative letter to lift the interruption was sent to the Latvian authorities on 3/07/2012.	Since the respective procedure was discontinued, payments were resumed.
RO	**Human Resources Development**	2007RO051PO001	**Pre-suspension letter**	**Suspension decision**	Under the assessment of the Commission audit services following the presentation of an action plan by the Romanian authorities	Since the suspension procedure is still ongoing, no payments are made.
SK	**Education**	2007SK05UPO001	**Closed**		The suspension decision was adopted on 14 June 2012. Official reply by MS/MA received on 31/07/2012. The Member State proposed a financial corrections of Eur 4,828,082.81. Following the analysis carried out by the Commission services the suspension decision was lifted, the interrupted amount will be paid partially (only the Convergence objective due to the lack of credits on the Competitiveness budget line). on 11/10/2012 the lifting of the suspension decision was notified.	Since the respective procedure was discontinued, payments were resumed.
UK	**Highlands & Islands Scotland**	2007UK051PO001	**Closed**		On 1/06/2012, a draft audit report concerning both OPs was issued, The Highlands & Islands OP was placed under category 2 following assessment of additional information received which allowed to establish that the level of irregularities for this OP is below the materiality threshold. Consequently, the interruption for this OP was lifted on 25/06/2012 by a letter sent to the Scottish authorities.	Since the respective procedure was discontinued, payments were resumed.

MS	Region - OP	CCI number	Current status	Next status	Developments since 31/03/2012	Situation of payments as of 22/11/2012
UK	**Lowlands & Uplands Scotland**	2007UK052PO002	**Closed**		The Scottish committed to a range of actions and changes to procedures that the Managing and Audit Authorities took in order to strengthen the governance and accountability arrangements. The actions foreseen in the action plans were implemented. On 1 October 2012, the Certifying Authority withdrew the payment claim from 20 December 2011 and re-submitted it with the 5% self-correction implemented. These measures taken by the Scottish authorities were deemed satisfactory and as a result, the decision was taken to lift the interruption and pre-suspension procedures. A letter in this respect was sent to the Scottish authorities on 3/10/2012.	Since the respective procedure was discontinued, payments were resumed.

MS	Name of audit authority	Common to Other Funds	Operational Programs	ARES EMPL	ARES REGIO
OPs which fulfil conditions of roadmap for Art. 73					
ES	**IGAE Castilla La Mancha**	ESF	2007ES051PO002	N°834538 - 09/07/2012	
IT	**Friuli**	ERDF ESF	2007IT052PO003	N°837268 - 10/07/2012	
IT	**Veneto**	ERDF ESF	2007IT052PO015	N°837190 - 10/07/2012	
DE	**Sachsen**	ERDF ESF	2007DE051PO004	N°407118 - 04/04/2012	
DE	**Bayern**	ESF	2007DE052PO002	N°407090 - 04/04/2012	
DE	**Schleswig - Hollstein**	ESF ERDF	2007DE052PO011	N°607547 - 22/05/2012	N°740942 - 04/06/2012
BE	**Deutsche Gemeinschaft**	ESF	2007BE052PO001	N°700181 - 12/06/2012	N°662135 - 04/06/2012
BE	**Troika Wallonie-Bruxelles**	ESF ERDF	2007BE052PO002 - 2007BE051PO001	N°701545 – 12/06/2012	N°662135 - 04/06/2012
NL	**ESF Doelstelling 2**	ESF	2007NL052PO001	N°887815 - 20/07/2012	
OPs which fulfil conditions of roadmap for Art. 73, pending the finalisation of current audit work					
PT	**IGF**	ERDF ESF EFF	2007PT051PO001 2007PT052PO001 2007PT05UPO001 2007PT05UPO002		
IT	**Umbria**	ERDF ESF	2007IT052PO013		
FI	**Finland Mainland**	ESF ERDF	2007FI052PO001		

MS	Name of audit authority	Common to Other Funds	Operational Programs	ARES EMPL	ARES REGIO
Audits to be done in the near future under phase II (possibility of art. 73 to be confirmed after such audits are carried out)					
CY	**Internal Audit Service**	ERDF ESF EFF	2007CY052PO001		
OPs which fulfil conditions of roadmap for Art. 74					
IT	**PON GAS**	ESF	2007IT051PO006	N°1083194 – 17/09/2012	

MS	Region - OP	CCI number	Current status	Reserve AAR 2011 (Y/N)	Suspension decision
CZ	**Education for Competitiveness**	2007CZ05UPO002	**Suspension decision**	Y	25/07/2012
SK	**Education**	2007SK05UPO001	**Closed**	Y	14/06/2012