



# Errors in Cohesion Policy

Where are they?

What is being done about them?

What will the 2014-2020 legal framework improve?

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# Who is responsible for the money?

Cohesion policy accounts for approximately one third of the European Union budget with total payments in 2010 amounting to almost EUR 40 billion. It is delivered through shared management, where the Member States and the European Commission share responsibility for the proper use of the money.

Cohesion policy carries an **inherent risk** since its programmes are delivered by numerous organisations and systems, and involve very large numbers of diverse projects.

To ensure compliance with rules and the achievement of policy objectives, the Member States and the Commission set up management and control systems tailored to address these specific risks.

It would be unrealistic to assume that no errors occur in practice. The Commission recovers amounts unduly paid and has a zero tolerance to fraud, but reducing errors to “zero” would not be cost-effective or quite simply impossible to achieve.

# How are the errors discovered?

Errors are mainly detected and reported through audits and controls by national and Community bodies.

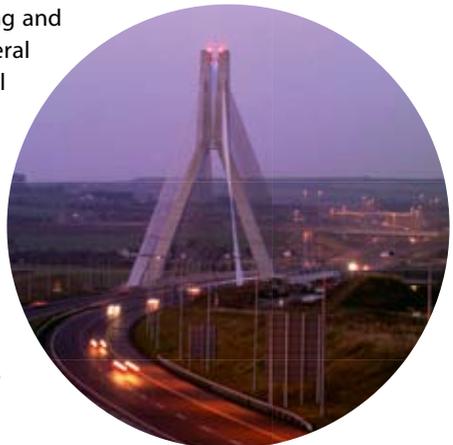
Controls and audits take place before, during and after money is spent over a period of several years as the programmes are multi-annual (2007-2013).

# Definitions

An **error** is any breach of rules in using the cohesion policy funds.

An **error does not mean that funds have disappeared, been lost or wasted.**

An **error does not mean fraud.** While errors are in essence unintentional mistakes, fraud implies intentional deception. Only a marginal percentage (0.26% for 2000-2006) of cohesion policy funds has been subject to fraud.



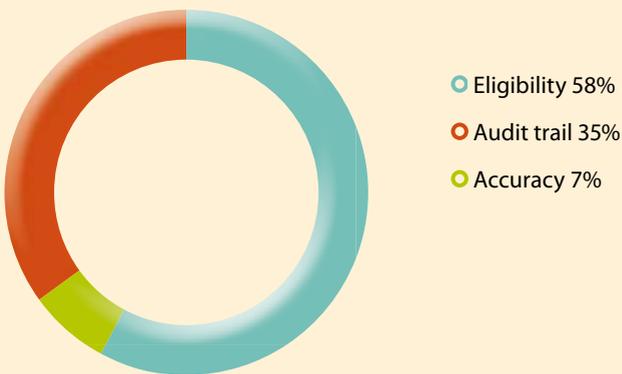
# Errors in the European Regional Development Fund and the Cohesion Fund are concentrated in public procurement and eligibility

## Types of quantifiable errors in DAS audits 2006-2009



# Errors in the European Social Fund are concentrated in eligibility

## Types of quantifiable errors in DAS audits 2006-2009



# Main types of errors and what is being done about them

## Public procurement errors

For example inadequate assessment of bids, absence of tendering or inappropriate use of tendering procedures.

### What is being done now?

- Commission detects and corrects these errors.
- Commission gives continuous guidance to national authorities and provides training.

### What will be done in 2014-2020?

- A revision of public procurement legislation is foreseen.

## Eligibility errors

For example errors in selection of projects or declaration of ineligible costs, including costs incurred prior to project approval ("retrospective projects").

### What is being done now?

- Rules are set at national level.
- Simplification of eligibility rules, transfer of best practice.
- Awareness raising and guidance concerning retrospective projects.

### What will be done in 2014-2020?

- Wider use of simplified costs.
- Clarified rules on selection of projects.
- Harmonisation of eligibility rules with other EU instruments.



## Audit trail

For example failure to keep documents.

### What is being done now?

- Partial closure implies a shorter retention period for records.

### What will be done in 2014-2020?

- Electronic data management and data exchange between all levels, from the beneficiary to the Commission.
- Rolling closure implies a shorter retention period for records.

## Revenue generating projects

For example revenues from projects have not been deducted from public co-financing.

### What is being done now?

- The regulation has been changed to exempt small and European Social Fund projects from monitoring revenue generated.

### What will be done in 2014-2020?

- A simpler and more flexible approach to revenue-generating projects.



# Geographical spread of errors

The analysis of errors in 2006-2009 shows that most Member States have only few errors. In contrast three Member States make up nearly 60% of all the quantified errors found by the Court of Auditors. From this we can conclude that:

1. In most Member States the system is reliable.
2. For some programmes in a few Member States more work needs to be done to increase their administrative capacity.

This is precisely what the Commission is doing. There are specific targeted actions in place for the Member States with the highest contributions to errors and with both commitment and goodwill, the situation is expected to improve.

## The 2014-2020 delivery system

... will improve the overall situation further:

- Member States will bear greater responsibility and accountability for the proper use of financing. For example, the Commission will rely more on the better performing national authorities and concentrate its audits on the weaker ones.
- The number of authorities involved will be reduced.
- The Commission will continue to stop and correct payments, where necessary, and hold on to 10% of interim payments until assurance is obtained.
- Conditions for a wider use of simplified costs will be put in place.
- Electronic data management at all levels will cut the administrative burden and decrease the number of mistakes at the same time.



# Conclusions

## All-in-all

- The cohesion policy delivery system provides increased assurance in 2007-13.
- Errors in the European Social Fund have decreased significantly in the 2008 and 2009 audits.
- Errors are concentrated in public procurement and eligibility procedures.
- The Commission is continuing its work with Member States to enhance their administrative capacity.
- Where needed, corrective action is taken, payments are interrupted and errors are corrected before payments resume.
- The 2014-2020 delivery system will help further to decrease errors.



Cohesion policy funding represents a third of all money spent from the European Union budget. This booklet explains what work is being done, all year round, to ensure that the money is spent correctly, how checks are carried out and what is done in cases where funds are not being managed well.

## For more information:

Analysis of errors in cohesion policy for the years 2006-2009 – actions taken by the Commission and the way forward:

[http://ec.europa.eu/regional\\_policy/sources/docoffic/working/doc/errors\\_analysis\\_2011\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docoffic/working/doc/errors_analysis_2011_en.pdf)



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