

EU Trend Report 2015

The EU Trend Report 2015 is the 13th annual report on trends in the EU's financial management. It focuses on the way in which the spending of EU funds is supervised and scrutinised, both in the Netherlands and throughout the EU.

Conclusions

Still too many errors in EU expenditure

For the 20th time in succession, the European Court of Auditors was unable to express an unqualified opinion on the regularity of EU spending, again identifying a large number of errors. For example, if the costs relating to an EU project are not eligible for funding but are refunded nonetheless, this is regarded as constituting an error in EU expenditure. The error rate in 2013 was 4.7%, which is equivalent to almost €7 billion worth of errors.

No improvement in reporting on spending of EU funds in member states

There was no improvement in the way in which the EU member states reported on the use of EU funds. Only three member states, i.e. Denmark, Sweden and the Netherlands, published voluntary national declarations in 2013 to account for the spending of EU funds. To date, no other EU member states have produced such a declaration.

Having said this, it should be noted that the annual summaries produced by the member states, i.e. summaries of the audits performed in each member state into the regularity of the spending of EU funds, are now accompanied by the opinion of an independent audit body. However, the annual summaries are not compiled by officials, which means that it is not possible to take action in response to any irregularities. Moreover, unlike the national declarations, the annual summaries are not public documents that are freely available to all EU citizens.

Little known about effectiveness of EU policy

We still do not know much about the effects that are achieved with the aid of EU funds. Those responsible for managing EU programmes concentrate solely on the aspect of compliance. Although this is indeed a legal requirement, the narrow focus on compliance with rules and regulations means that hardly any attention is paid to finding out whether the funds in question have been spent efficiently or whether they have had the desired effect. This impression is borne out by our own audit of six EU-funded projects in the Netherlands. Although those selecting projects for EU funding do occasionally assess how likely it is that a project will be successful, interest in the effectiveness of the project evaporates once a decision has been taken. Once the project in question has been concluded, the only information generally available is on the specific outputs (such as the construction of a sports hall or the number of people signing up for an integration programme), whereas scarcely any information is provided on the project's impact, e.g. has there been an improvement in the quality of life? Are the participants now better integrated into Dutch society?

Greater interest in fraud

A total of 1,294 cases of fraud were reported to the European Anti-Fraud Office (OLAF) in 2013, the largest number since its foundation. Fraud is defined as a deliberate act of deception in relation to the receipt or spending of EU funds, such as the submission of false statements, the use of inaccurate documents, the suppression of information or the use of EU funds other than for their intended purpose.

Action was taken in 2013 to combat fraud more effectively. For example, the member states set up anti-fraud coordination departments, which are required to work in close collaboration with OLAF. The European Commission has also taken a number of internal measures, formulating an anti-fraud strategy for each Directorate-General and publishing an anti-fraud report analysing the level of corruption in all 28 EU member states. Unfortunately, the information in the report is not yet consistent with OLAF's evidence-based data.

Errors in European tendering procedures often due to complex regulations

Many recipients of ESF and ERDF allocations find it difficult to find their way around European tendering regulations. They make errors, as a result of which statements of expenses have to be adjusted. In relative terms, ERDF-funded projects are more error-prone than ESF-funded projects. This is due to the fact that, until recently, the regulations governing the use of the ERDF were more complex than those governing other EU funds. The regulations applying to all EU funds were harmonised under the Public Procurement Act 2012. The main cause of errors is a lack of familiarity with the relevant regulations on the part of the contracting authorities.

Recommendations

We urged the government to encourage all EU member states to compile a public national declaration each year on the spending of EU funds. We also recommended that the government should press the EU member states to make their annual summaries publicly available. The government should ensure that the synthesis report published by the European Commission is signed by the members of the European Commission. The government should make clear to the public at large what effects have been achieved with the aid of the EU funds received by the Netherlands. Finally, the government should analyse the causes of errors in tendering procedures on a regular basis and use the findings when reviewing programmes supported by EU Structural Funds.

Government response

The government endorses most of our recommendations. The government will not be acting on our recommendation that the synthesis report published by the European Commission should be signed by the members of the European Commission as there is no legal requirement for this and also because the government feels that this is not necessary. We stated in our afterword that we had made this recommendation in support of a wish expressed by the European Parliament.

The government announced that the authorities responsible for managing ESF and ERDF programmes would be publishing more information in order to avoid errors in tendering procedures. The government feels, however, that those undertaking EU-funded projects are also responsible for ensuring that the rules governing tendering procedures are correctly observed.

