



# **The clearance of accounts procedure**

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**European Court of Auditors**

**Conference of the Paying Agency Directors in Namur - 28/10/2010**



## *What is the clearance of accounts?*

- A procedure by means of which the Commission finally recognizes the expenditure made under shared management and assumes its responsibility for the implementation of the budget
- Since the reform in 1996: a two stage procedure including the **financial** and the **conformity** clearance



# *What is the clearance of accounts?*

## **The financial clearance**

- An annual decision covering the completeness, accuracy and veracity of the paying agencies annual accounts
- Requires a certification of these accounts by a certification body

# *What is the clearance of accounts?*



## **The conformity clearance**

- Decisions on expenditure to be excluded from Community financing because it has not been effected in compliance with Community rules
- Such decisions are made at the initiative of the Commission (two-three times a year) and are no longer linked to the expenditure of a particular year (multi-annual)

## *What is the basis of this presentation?*



- The work done by the Court in its annual examination of the financial clearance and the conformity decisions, the results of which are presented in the Court's Annual Report
- Additional work done for the purpose of a Special Report which presents the findings in more detail



# *Why is it of interest to you?*

## **Financial clearance**

- CBs carry out work in the PAs (cost and “burden” of controls)

## **Conformity clearance**

- based on DG AGRI audits in the PAs
- financial corrections possible
- relationship to the SoA?

# What to say about the financial clearance?

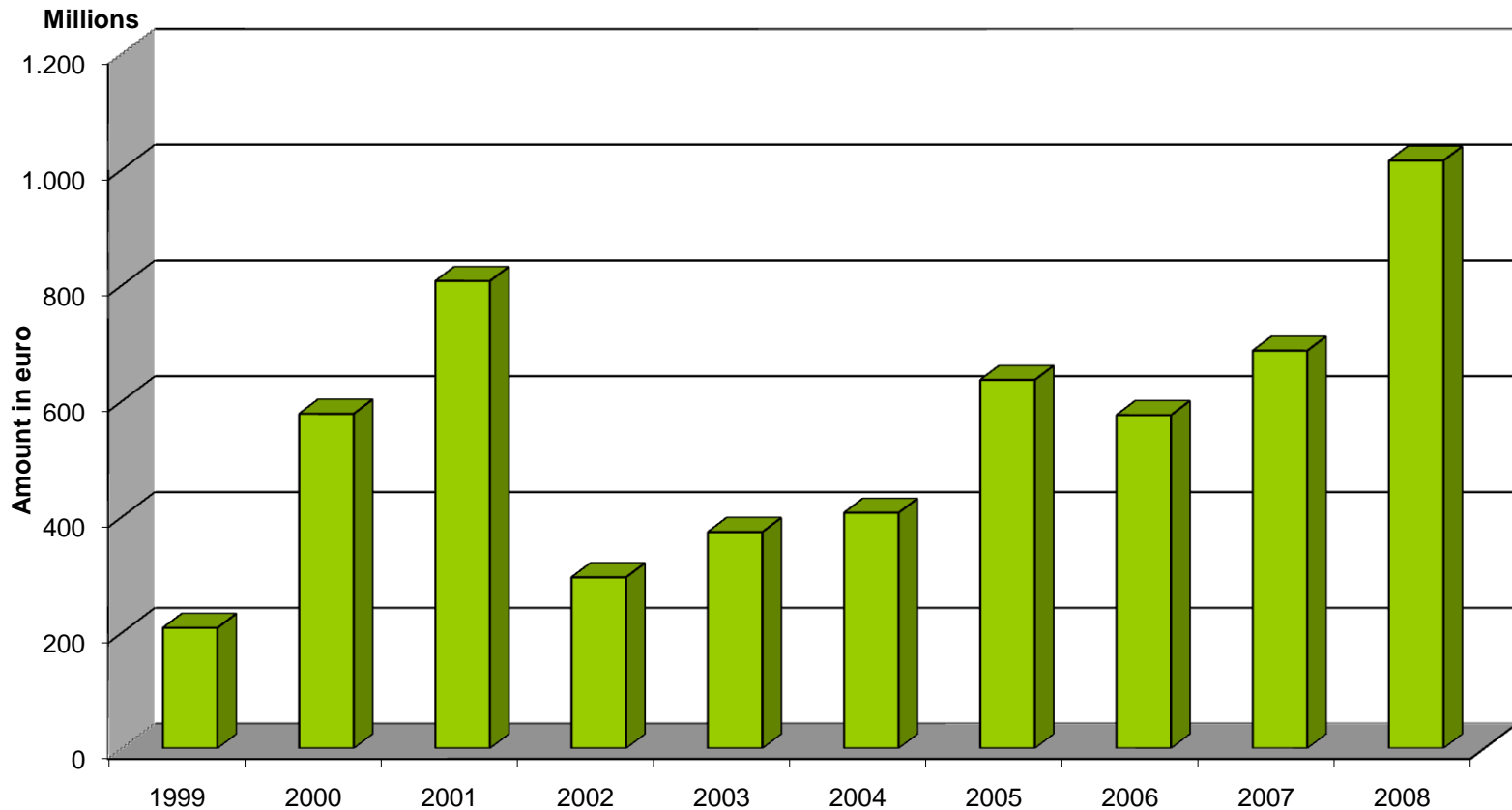


- Some 30.000 transactions tested in FY 2008 by the CBs
- The financial clearance provides reasonable assurance as to the reliability of the accounts
- Changes have expanded the scope of the work of the CBs to include elements of legality and regularity
- The use of such elements for assurance purposes at the time of the audit proved to be limited in the opinion of the Court

# What to say about the conformity clearance?



1999 - 2008: Recovery of 5,6 billion euro







## *What to say about the conformity clearance?*

- Multi-annuality implies that the amounts of recent FY are not known yet
- Contingent assets of 2.763 million euro for Agriculture (EAGF) in the Commission annual accounts of 2009
- DG AGRI estimation of the expenditure that will be corrected under future conformity decisions for 2003 - 2009



# *What to say about the conformity clearance?*

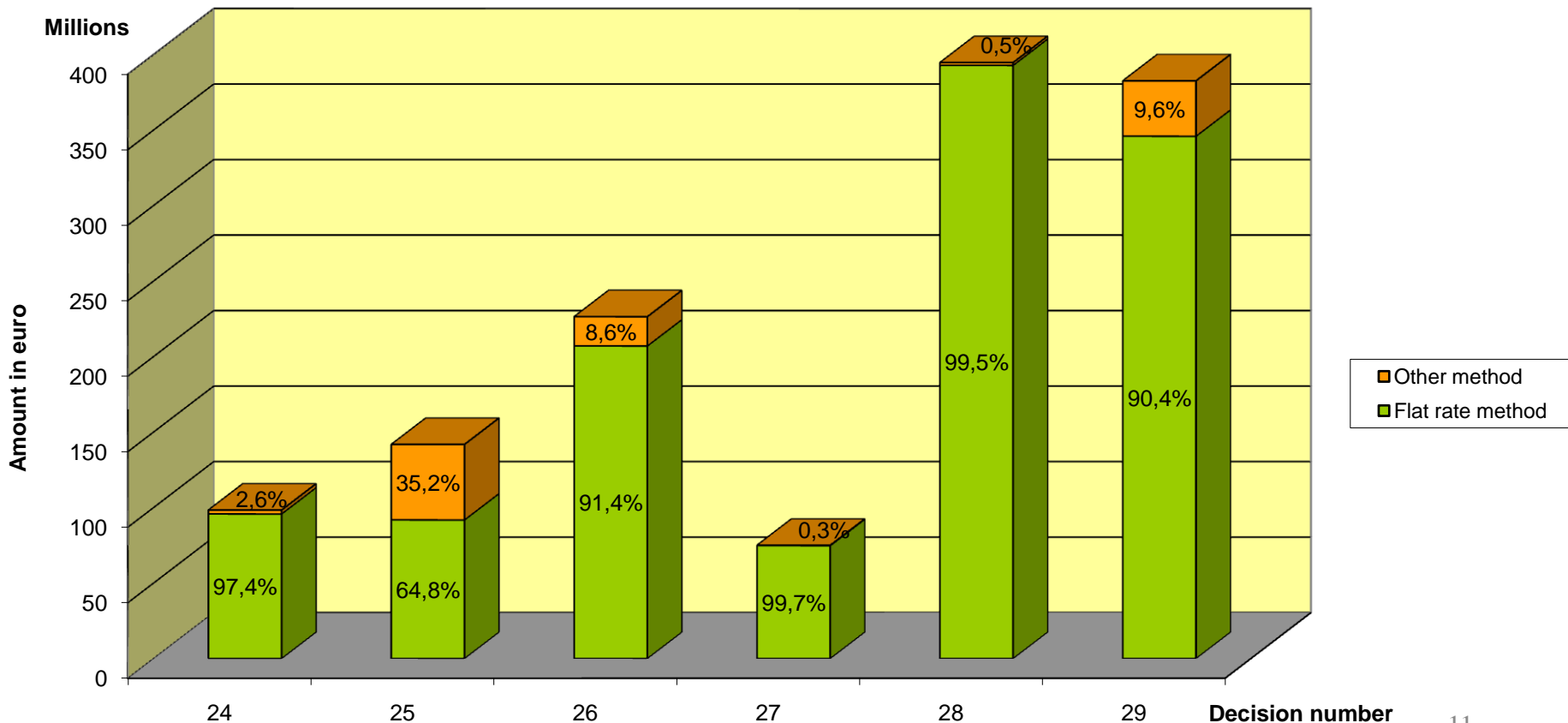
## **Calculation of the corrections**

- 3 methods possible
  - ✓ based on a specific (or a few) case(s)
  - ✓ extrapolation of a representative sample
  - ✓ flat-rate when it is not possible to use one of the two methods;  
level depends on the seriousness of the weaknesses found - from 2% to 100%

# What to say about the conformity clearance?



Method mostly used for the calculation: 92% FR





## *What to say about the conformity clearance?*

- DG AGRI audits PA's systems but not always with sufficient testing of individual cases that would allow a precise calculation; issue of resources and efficiency
- System weaknesses found indicate a risk of irregular payments, but no evidence that such payments were made still less that their total amount was equal to any eventual flat-rate correction
- Flat-rate corrections can therefore be perceived as a sanction for weaknesses of the PA's systems



# *What to say about the conformity clearance?*

## **Length of the procedure**

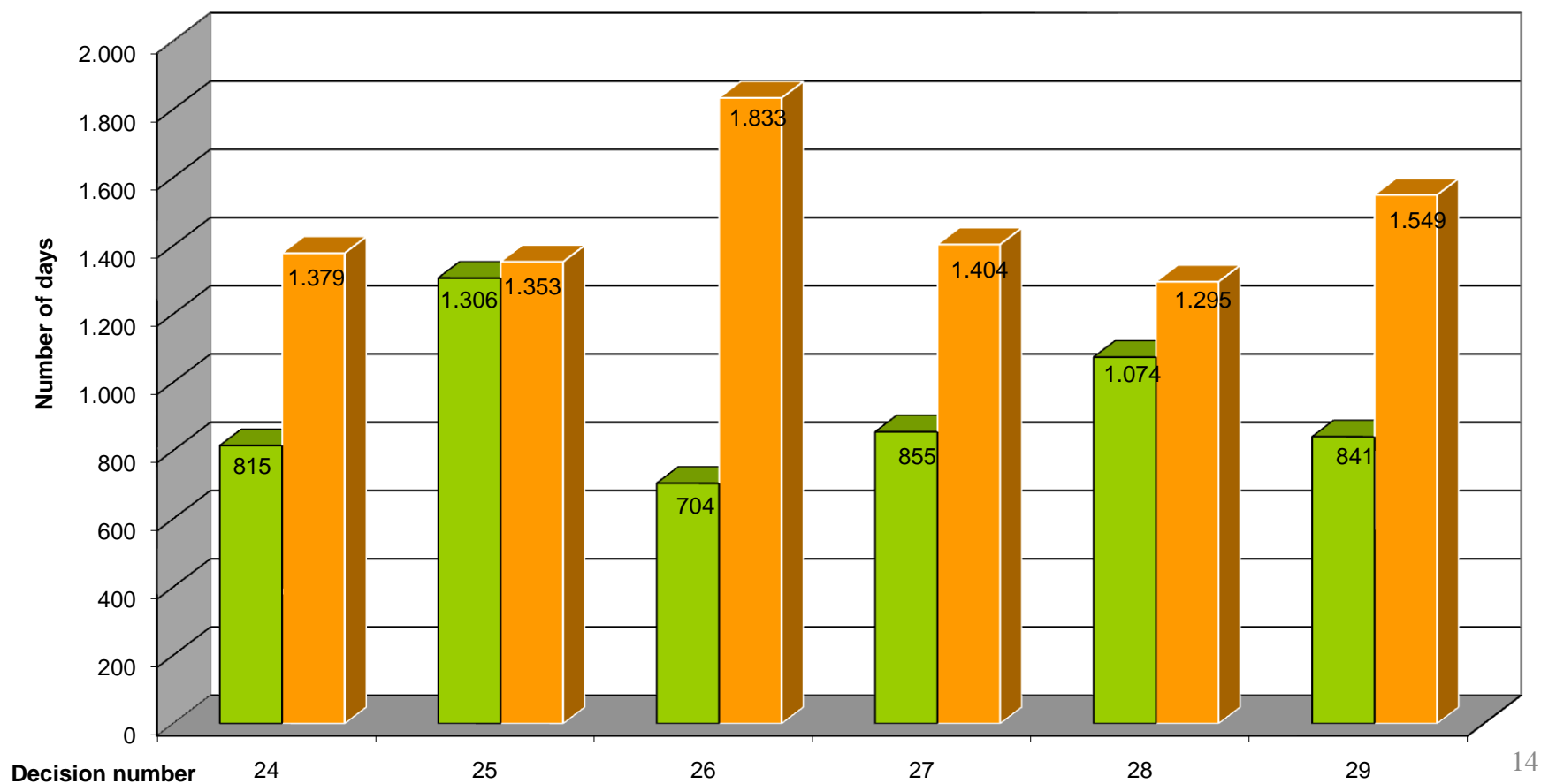
- No precise time limits at all stages of the procedure set in the regulation
- Indicative internal target of 450 days (without conciliation) and 645 days (with conciliation) by which the procedure should be completed

# What to say about the conformity clearance?



Lengthy procedure: > indicative target

■ Corrections without conciliation procedure  
■ Corrections with conciliation procedure



# *What to say about the conformity clearance?*



- In many instances, there has been a need to carry out further audits to better establish the magnitude and severity of the deficiencies found
- Conformity procedure is too long (two to five years); at the end of 2008 corrections might still affect expenditure made in FY 2002



# *What to say about the procedure as a whole?*

- No separate final Commission decision on the expenditure recognized
- Conformity clearance not a mechanism to recover irregular expenditure from beneficiaries, but from the Member States and the national taxpayers





## *Where do you find more information?*

- Court's Special Report 7/2010 to be published in November 2010 (together with the Commission replies)
- Free publications:
  - ✓ Website of the ECA (<http://eca.europa.eu>)
  - ✓ EU Bookshop (<http://bookshop.europa.eu>)

**Thank you very much for your attention!**