



Report on the Dutch EU member state declaration 2011





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Summary

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The Netherlands Court of Audit expresses an opinion to parliament every year on the EU member state declaration issued by the Minister of Finance on behalf of the government. Our opinion on the member state declaration 2011¹ is on the whole positive. The declaration gives a good view of the management and use of EU funds in the Netherlands. As an accountability instrument, it has developed into a valuable link in a comprehensive European chain to account for expenditure incurred under shared management with the European Commission. The responsible ministers also provide an insight into areas where improvements can still be made in the management and regularity of the use of the funds.

Areas for improvement by minister

The member state declaration shows that the systems work and irregular expenditure is corrected when detected. Nevertheless, we would again draw attention to those points that must be addressed to ensure that the Netherlands, as a member state, remains on the right side of the line. Without prejudice to our positive opinion on the functioning of the member state declaration, we would draw the ministers' attention to the following points.

We expect the Minister of **Economic Affairs, Agriculture and Innovation** (ELI) to take a firm approach to the following shortcomings:

- Owing to shortcomings in the period 2003-2008, nearly € 52 million of financial corrections imposed by the European Commission were incorporated in last year's accounts. One such correction, of € 22.7 million, is related to the Common Market Organisation for fruit and vegetables. According to the European Commission, producer organisations did not satisfy the recognition criteria, such as those relating to a central organisation of marketing products and/or to a central management on sales and pricing. The available improvement plan should contain concrete targets, actions and time-bound milestones with clear measures to reduce future financial corrections due to the management and control of agricultural funds.

¹ Mistakenly referred to by the Minister of Finance as the "National Declaration 2012".



- There are weaknesses in the management of the European Agricultural Fund for Rural Development exercised by the Government Service for Sustainable Rural Development (DLG). Certain critical internal controls are not in order, namely controls of payment applications, debtor management, the application of sanctions, administrative checks to prevent irregular double funding and information security. There are also weaknesses in information security at the National Service for Implementation of Regulations (DR, responsible for the European Agricultural Guarantee Fund). The minister must take remedial measures as management shortcomings could lead to the European Commission imposing financial corrections.
- Checks of cross-compliance with national conditions are not up to standard.
- The 2% tolerable threshold was exceeded in the European Fisheries Fund (EFF) and the European Regional Development Fund (ERDF). Management measures taken by the authorities responsible for the two funds (the Animal Agri-chains and Animal Welfare Department for the EFF, and the ERDF North and South managing authorities for the ERDF) were unable to prevent the errors. The high error rate in the EFF (5.9%) was caused by mistakes (e.g. in public procurement) regarding two larger projects. The error rate in the ERDF (2.16%) exceeded the tolerable threshold owing to a series of errors detected by the auditor. They related chiefly to mistakes in public procurement and corrections to non-eligible invoices and wage costs. The errors detected by the audit authority in the 2010 payment applications have since been largely corrected by the responsible authority in the payment applications for 2011, as explained in the *National Declaration 2012*.

We expect the Minister for **Immigration, Integration and Asylum Policy** (IIA) to improve management and control of the European Integration Fund. Inability to close the accounts for this financially very small fund (€ 0.9 million) within 18 months is undesirable.

Contribution of own resources

We again recommend that the contribution of own resources to the European budget be included in the member state declaration. Their inclusion would produce comprehensive EU accounts at member state level and enable the European Court of Auditors to address the gap identified in the audit chain for the European budget. Further to its audit of the completeness of the European Commission's receipts, the European Court of Auditors noted that it could not audit directly the activities and data collection that served as input for the statistics.



The contribution of own resources to the EU is a responsibility of the Ministry of Foreign Affairs. The European Commission's financial report for 2010 discloses that the Netherlands contributed € 5.6 billion to the EU in 2010, after recognition of a correction for the Netherlands – and Sweden – of € 0.6 billion (European Commission (2011)). Of this amount, € 4.2 billion is based on gross national income (GNI) statistics. The contribution also consists of traditional own resources, import duties (€ 1.7 billion) and VAT-based own resources (€ 0.2 billion). The contribution based on import duties could be included relatively simply in the member state declaration since there are already sufficient assurances in place to produce reliable public accounts.

The information necessary to calculate the GNI-based contribution and the VAT-based contribution is produced by Statistics Netherlands (CBS). Several assurances are in place at European and national level regarding the quality of the statistical information. The CBS, like other national statistics offices, does not give reliability margins regarding the outcomes of the Dutch accounts. One of the reasons for this is that GNI is calculated using a variety of sources and different methods of information collection.

Inclusion of the Dutch contribution to the EU in the member state declaration would produce comprehensive EU accounts at member state level and also heighten the attention the Netherlands pays to the quality of the basic data that serve as input for the statistics. New regulations² and rules introduced by the European Commission to strengthen budgetary surveillance are relevant here. The regulations include measures to guarantee the quality of the statistics. Additional attention in the Netherlands to the quality of the basic data would help strengthen and increase such assurance in all EU member states.

We therefore recommend that the Ministers of Foreign Affairs, of Economic Affairs, Agriculture and Innovation and of Finance investigate with the national and European parties concerned how assurance can be provided on the quality of the basic data underlying the statistics.

In response to our conclusions and recommendations, the Ministers of Finance, ELI and IIA undertook to adopt 13 of the 15 open

² Regulation (EU) No 1173/2011 on the effective enforcement of budgetary surveillance in the euro area (part of the 'six pack', the six new regulations issued by the European Commission in response to the euro area crisis). See our digital EU Governance file at www.rekenkamer.nl.



recommendations. They will not adopt two of our recommendations in full or in part: 4

- the repeated recommendation to include own resources in the member state declaration;
- the recommendation to provide more insight into the annual financial information on the use of the budget for the multiyear programming period.

We agree with the minister that the European Court of Auditors has expressed a positive opinion on the European Commission's receipts (including own resources). We would reiterate, though, that its audit does not cover the basic data in the member states. The quality of the statistics – especially that of the underlying basic data – will remain a matter of concern in the EU in the years ahead. The European Commission has introduced regulations to strengthen the independence of national statistics offices and will step up its surveillance if national statistics prove to be unreliable. A working group of European audit institutions is investigating the potential for cooperation between national statistics offices and Eurostat.

We will continue to follow the effectiveness of the measures that, according to the minister, have been taken since 2010 to prevent financial corrections.



1 Introduction

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The European Union and the Netherlands are inextricably bound to each other. The progress of the European Union is a joint undertaking of the 27 member states. Both the EU and the member states have political responsibility for the functioning of the European Union, and public accountability must contribute to the objectives of democratic control and transparency for the benefit of EU citizens. Member state accountability and control are important aspects of this responsibility. A member state declaration is an appropriate accountability instrument. The Dutch member state declaration considers the funds received from Brussels but not yet the contribution made to the EU budget.

By addressing an EU member state declaration to the European Commission and the Dutch parliament, the Netherlands wishes to improve management, control and accountability for the funds it spends under shared management with the European Commission. The member state declaration is issued annually by the Minister of Finance on behalf of the government. The Netherlands Court of Audit expresses an opinion on the Dutch EU member state declaration to parliament each year.

This report presents the findings of our audit of the EU member state declaration for 2011.³ The member state declaration for 2011 considers the functioning of management and control systems and the regularity, accuracy and completeness of the financial transactions declared to the European Commission for the accounting reference period.

The funds and amounts concerned and the responsible ministers are shown in the table below:

³ Unlike in other years, the Minister of Finance uses the year of publication in the title rather than the year being reported upon.

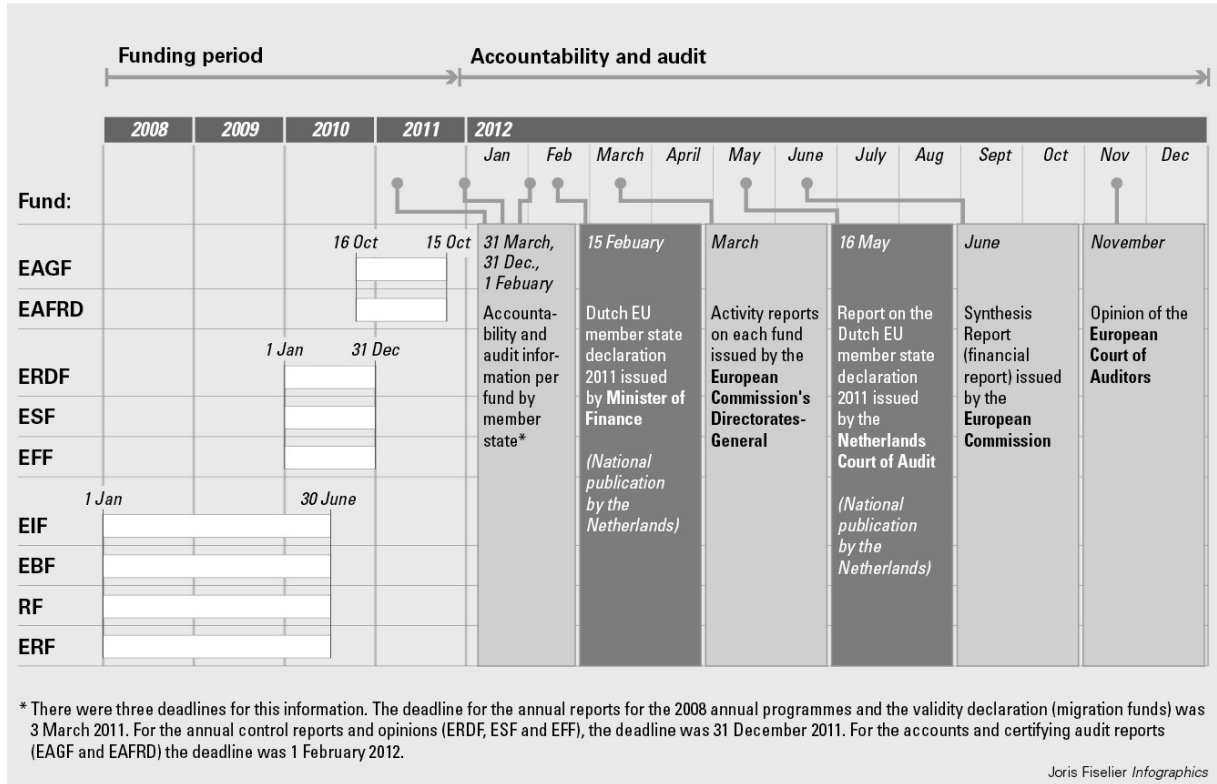
**Table 1 European funds and responsible ministers**

Responsible minister	European fund (support from EU funds)
Minister of Economic Affairs, Agriculture and Innovation (ELI)	1 European Agricultural Guarantee Fund (EAGF; € 877.2 million); 2 European Agricultural Fund for Rural Development (EAFRD; € 71.4 million); 3 European Regional Development Fund (ERDF; € 59.9 million); 4 European Fisheries Fund (EFF; € 1.6 million);
Minister of Social Affairs and Employment (SZW)	5 European Social Fund (ESF; € 20.4 million);
Minister for Immigration, Integration and Asylum Policy (IIA)	6 European Integration Fund (EIF; € N.A.); 7 European External Borders Fund (EBF; € 1.0 million); 8 European Return Fund (RF; € 0.4 million); 9 European Refugee Fund (ERF; € 2.4 million).

In accordance with European regulations, there are differences in the accounting reference periods for the amounts disclosed in the member state declaration 2011:

- The accounting reference period for the migration funds (EIF, EBF, RF and ERF) was the period from 1 January 2008 to 30 June 2010. The European Commission requested accounting and control information on these funds from the Netherlands on 31 March 2011.
- The accounting reference period for the structural funds (ERDF and ESF) and the EFF was the 2010 calendar year. The European Commission requested accounting and control information on these funds from the Netherlands in December 2011.
- The agricultural funds (EAGF and EAFRD) are settled with the European Commission on an annual basis. For the member state declaration 2011 the accounting reference period was from 16 October 2010 to 15 October 2011. Net declarations for this period totalled € 948.6 million. The European Commission requested accounting and control information on these funds from the Netherlands in January 2012.

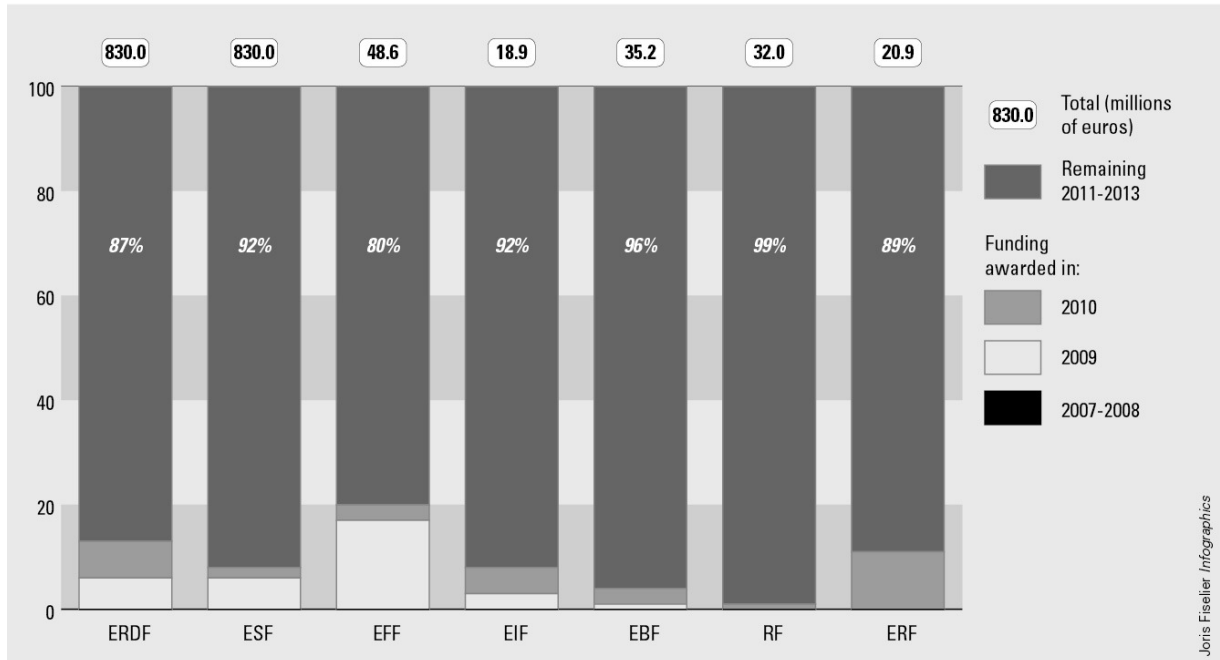
Figure 1 Management, accountability and audit in the Netherlands



The European Commission has reserved budgets for the 2007-2013 programming period. The expenditure budgeted for the Netherlands in the 2007-2013 programming period is € 830 million each for the ERDF and ESF, € 48.6 million for the EFF and € 107 million for the migration funds (EIF EBF, RF and ERF). Relative to the available budgets, actual expenditure has so far been modest. The Netherlands runs the risk that it will not make full use of the budgets for the European Fisheries Fund on account of the 'N+2' rule. Under this rule, funds committed by the European Commission in year N must have been spent on the programmes by the end of year N+2. If they are not, the Commission will automatically cancel ('decommit') them.



Figure 2 **Use of EU funds (2007-2013)**
As a percentage and in millions of euros



Structure of this report

In chapter 2 we present our opinion on the EU member state declaration 2011. In chapter 3 we present the findings of our audit of the Netherlands' contribution to the European Union (own resources). In chapter 4 we present the government's response, followed by our afterword. The report closes with a summary of the main recommendations and the undertakings made by the ministers.

Background information on the member state declaration has been posted on www.rekenkamer.nl. In addition to a more technical explanation of the member state declaration and its preparation, the site considers our audit approach, audit findings and the underlying subsidiary declarations in more detail.



2 The Netherlands Court of Audit's opinion on the Dutch EU member state declaration 2011

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We have examined the Dutch member state declaration for 2011 (including the associated consolidation statements⁴) and expressed an opinion thereon. Pursuant to European regulations, the management, audit and accountability requirements differ from one fund to another. Subsidiary declarations are therefore prepared for each fund.

Our opinion on the member state declaration 2011 considers:

- the preparation of the member state declaration and the underlying sub-declarations and associated consolidation statements;
- the assertion made on the systems and measures in place to manage and audit EU funds;
- the assertion made on the legality, regularity, accuracy and completeness of financial transactions down to the level of the final beneficiaries.

The EU member state declaration 2011 signed by the Minister of Finance on behalf of the government is reproduced in annexe I to this report. It is summarised in the box below.

⁴ Consolidation statements account for actual expenditures and receipts from each EU fund.

**EU member state declaration 2011 signed by the Minister of Finance**

The Minister of Finance signed the *National Declaration 2012* on 8 March 2012.

The National Declaration is positive about the management and control systems in place for eight of the nine EU funds in the Netherlands. The minister cannot yet express an opinion on the management and control system of the EIF, a responsibility of the Minister for Immigration, Integration and Asylum Policy. On account of organisational and personal circumstances and the complexity of some grant statements, a delay of about a year has arisen in the delivery of the 2008 EIF final report.

The declaration is positive regarding the regularity, accuracy and completeness of the expenditures and receipts relating to the agricultural funds, the ESF, EBF, RF and ERF. The declarations on the expenditures and receipts for the ERDF and the EFF include a reservation on the irregularities detected, a substantial number of which were corrected in a payment application for the following accounting reference period.

In the annexe, the Minister of Finance considers the € 52 million financial correction imposed by the European Commission in 2011. The minister also provides a summary of the European Commission's current investigations, with brief notes on the findings and, if known, the financial correction proposed by the European Commission.

In the accounting reference period covered by the member state declaration 2011 (see figure 1 in the Introduction), expenditure was declared to the European Commission in respect of eight funds. The EU member state declaration relates to the actual financial figures as shown in the table below.

**Table 2 Actual financial figures in the member state declaration 2011**

European Fund <i>Accounting period</i>	Expenditure declared (in millions of euros)		Receivables (in millions of euros)
Agricultural funds (EAGF + EAFRD) 16 October 2010 to 15 October 2011	Total	948.6 ⁵	12.1
	EAGF	877.2	12.0
	EAFRD	71.4	0.1
ERDF ⁶ 1 January 2010 to 31 December 2010	Eligible costs	139.4 ⁷	0
	Proportion from ERDF	59.9	
EFF 1 January 2010 to 31 December 2010	Eligible costs	11.0	0
	Proportion from EFF	1.6	
ESF 1 January 2010 to 31 December 2010	Eligible costs	46.7	0
	Proportion from ESF	20.4 ⁸	
Migration funds EIF, EBF, RF and ERF 1 January 2008 to 30 June 2010	Eligible costs, EIF	N.A.	0
	Proportion from EIF	N.A. ⁹	
	Eligible costs, EBF	1.5	0
	Proportion from EBF	1.0	
	Eligible costs, RF	0.7	0
	Proportion from RF	0.4	
	Eligible costs, ERF	3.6	0.1
	Proportion from ERF	2.4	

⁵ Net expenditures and receipts accounted for in the consolidation statement.

⁶ The consolidation statement for the ERDF aggregates the expenditures of the four ERDF programmes.

⁷ Cofinancing is in place for the structural funds (ERDF, ESF, EFF and migration funds). Total eligible costs are financed in part from the European funds and in part from other sources (ministry, local authorities, enterprises, institutions, etc.). Under European directives, both the total eligible costs and the proportion financed from the fund should be disclosed in the payment application.

⁸ The *National Declaration 2012* incorrectly discloses an amount of € 34.3 million. We found that this amount was higher than the actual funding from the ESF in 2010.

⁹ No annual report is available and the figures have not been audited. The unaudited amounts total € 2.5 million in eligible costs, including € 0.9 million from the fund.



2.1 Opinion on preparation

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Opinion

In our opinion, the EU member state declaration 2011, as issued by the Minister of Finance on behalf of the government, was on the whole prepared in a sound manner.

2.2 Opinion on the assertion on management and control systems

Opinion

In our opinion, the assertion made in the member state declaration 2011 is sound with regard to the functioning of the management and control systems and the measures in place in the Netherlands for expenditures and receipts from the European funds as accounted for in the member state declaration 2011 with the exception of the EIF (a responsibility of the Minister for IIA), as also considered in the member state declaration.

The shortcomings in the functioning of the systems in place for the European Integration Fund are explained in the member state declaration. A full annual report was not prepared on time, the audit authority has not yet expressed an opinion on the functioning of the management and control systems or issued a validity declaration on the payment application. Delivery of the final EIF report for 2008 was delayed by a year. We conclude that management is not in order as timely accounts could not be prepared even though the accounting reference period closed in June 2010.

Without prejudicing our opinion on the assertion made in the member state declaration on the functioning of the systems, we would make the following observations.

EFF and ERDF

There were weaknesses in the management exercised by the authorities responsible for the European Fisheries Fund and the European Regional Development Fund, as evidenced by the shortcomings detected by the audit authority. The irregularities detected in the payment applications submitted for the 2010 accounting reference period exceeded the 2% tolerable threshold. These errors have since been largely corrected in the payment applications submitted in 2011, as explained in the *National Declaration 2012*.



The high error rate in the EFF (5.9%) was the outcome of a series of errors in two larger projects detected by the audit authority that had not been discovered earlier by either the managing authority or the certifying authority.

The 2.16% error rate in the ERDF exceeded the tolerable threshold on account of various errors detected by the audit authority. The errors were made chiefly in public procurement procedures and corrections of non-eligible invoices and wage costs in two of the four ERDF funds (North and South; 3.15% and 2.56% respectively). The managing authority and the certifying authority had not detected these errors. Most of the errors in both the EFF and the ERDF were corrected in subsequent payment applications made to the European Commission.

Agricultural funds

Several recurrent shortcomings in the management and control of the agricultural funds are considered below. To date, the consequences for our opinion on the functioning of the systems have been limited. Additional measures have been taken to ensure that irregularities remain below the 2% threshold. Improvements have also been made in comparison with 2010. Reoccurrence of the problems considered below will create unnecessary financial risks as the European Commission may impose corrections and fines. The minister must act more resolutely to address these recurrent shortcomings.

Measures to prevent financial corrections still inadequate

Pursuant to EU regulations, the Ministry of ELI has introduced a system consisting of recognised paying agencies in combination with surveillance by an accreditation body¹⁰ (the Financial and Economic Affairs Directorate of the Ministry of Economic Affairs, Agriculture and Innovation) and a certifying body to certify the regularity of the expenditure of EU funds. Nevertheless, audits by the European Commission regularly found shortcomings and duly imposed financial corrections. The financial corrections recognised in the accounts for last year in respect of the period 2003-2008 amounted to nearly € 52 million. Of this amount, € 22.7 million related to the common market organisation for fruit and vegetables and € 29.3 million to payments to potato starch producers.

New and substantial corrections have been proposed in respect of, *inter alia*, shortcomings in land parcel registration (€ 35.4 million for the period

¹⁰ A body designated by the minister that is responsible for recognising and overseeing the functioning of the paying agencies.



2008-2009) and inadequate cross-compliance with animal welfare, environmental and animal health regulations in the period 2005-2007 (€ 14.6 million). The ministry settles the financial corrections from its own national budget. In practice, the money is not usually recovered from the beneficiaries and undue payments are therefore borne by the Dutch taxpayer.

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The measures taken in the past two years to reduce financial corrections have unfortunately met with little success. There are no concrete targets, actions or time-bound milestones to prevent future financial corrections. Furthermore, we would stress that under European regulations, financial corrections should be recovered from the beneficiaries unless the fault evidently lies with the ministry.

Shortcomings in the management of paying agencies

The Government Service for Sustainable Rural Development (the paying agency for the European Agricultural Fund for Rural Development) actively addressed the shortcomings in compliance with European procurement rules we identified last year. In other management areas, however, we again found shortcomings. They ranged from checks of payment applications and debtor management to the application of sanctions, administrative checks to prevent irregular double funding and information security.

Improvements can also be made in information security at the National Service for Implementation of Regulations (the paying agency for the European Agricultural Guarantee Fund). Allowing the management shortcomings to persist is inefficient and can lead to irregular expenditure and the imposition of financial corrections by the European Commission. Further details are provided in sections 3.2 and 3.3 of the notes to this report.

Checks of cross-compliance below standard

Checks of cross-compliance are below standard. Checks of compliance with national conditions were inadequate in 2011. Further details are provided in section 3.3.8 of the notes to this report.



2.3 Opinion on the assertion on financial transactions

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Opinion

In our opinion, the assertion made in the EU member state declaration 2011 on financial transactions down to the level of beneficiaries is sound.

The payment applications submitted to the European Commission in respect of the EFF and the ERDF contained too many irregularities. They were detected by the audit authority and have since been largely corrected by the implementing authorities in the payment applications for the subsequent accounting year.



3 Remittances to the European Union

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The Dutch EU member state declaration is an appropriate instrument for the Netherlands to account publicly for its use of EU funds. The declaration would have even greater value if it gave a comprehensive view of the management and control of the funds on which the member state must render account to the European Union. In addition to accounting for the use of EU funds spent in the Netherlands under shared management with the Commission (to date, this has been the scope of the member state declaration), the government could also account for its remittances to the European Union. This would produce an 'annual account' of both EU receipts and remittances. This was also the government's intention when it first introduced the member state declaration in 2006.¹¹

This chapter outlines our findings on the remittance of own resources to the European budget.¹²

3.1 Political accountability for remittances and control

The Ministry of Foreign Affairs (BuZa) accounts for the own resources the Netherlands remits to the European Commission's budget. Political responsibility for the remittances, however, is diffuse. As well as the Minister of Foreign Affairs, the Minister of Finance has certain responsibilities for the preparation of the remittances. Furthermore, the Minister of Economic Affairs, Agriculture and Innovation discloses agricultural duties in one of its budget articles.

The Ministry of BuZa's audit department is responsible for auditing the Minister of BuZa's annual report. To issue its report, it relies on the

¹¹ House of Representatives, 2006-2007, 30 455 and 24 202 no. 5 and no. 6.

¹² Own resources are the financing sources that are due to the European Union by law, without requiring further decisions by the national authorities.



underlying audit work and findings of the National Audit Authority (RAD), which carries out audits on behalf of the Minister of Finance.

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3.2 Dutch remittances to the European Union

The contributions to the European Union's budget are laid down in the Treaty of Rome (25 March 1957). Article 201 states: "*Without prejudice to other revenue, the budget shall be financed wholly from own resources*". A decision of 21 April 1970 replaced the member states' contributions to Europe with own resources. The own resources system originally consisted of four financial sources:

1. *Agricultural duties and sugar levies*

These sources relate chiefly to customs duties on agricultural products from third countries for which there is a common market organisation, and levies on sugar, isoglucose and insulin syrup.

2. *Customs duties*

These arise from the application of the common customs tariff and are charged on products imported from third countries.

3. *VAT-based own resources*

These arise from the application of a uniform percentage to the VAT basis of each member state.¹³

4. *GNI-based own resources (the "fourth resource")*

This resource, introduced in 1988, is known as a supplementary resource; its calculation takes account of the other three sources that feed the budget.¹⁴

The duties named under points 1 and 2 are classified together as import duties.¹⁵

Every month, the Government Accounts Division pays 1/12 of the contribution budgeted for the year in response to payment requests from the European Commission.

¹³ Since 2004, the uniform percentage has been 0.5% (previously 0.3%). The basis of application may not exceed 50% of a member state's GNI.

¹⁴ This resource is based on the application of a uniform percentage, adopted during the budget procedure, to the sum of all member states' GNI. In the period 2007-2013 only, the Netherlands' annual GNI-based contribution will be reduced by €605 million gross, expressed in 2004 prices.

¹⁵ See article 2 of the *Council Decision of 7 June 2007 on the system of the European Communities' own resources* (2007/436/EC, Euratom).



According to the European Commission's financial report 2010, the Netherlands remitted € 5,614 million to the European Commission in 2010. Of this contribution, 75% (€ 4,219 million) was based on gross national income. In return, the Netherlands received €2,146 million in funding. The Netherlands' net contribution to the European Union in 2010 was accordingly € 3,468 million, equal to 0.6 % of GNI in 2010.¹⁶

According to the Ministry of Foreign Affairs' annual report for 2011, the Netherlands remitted € 6,567 million to the European Commission in 2011. Precisely how much the Netherlands received is not yet known. The amount remitted is subject to a ceiling set in accordance with European regulations. The level of GNI is an important factor in the calculation. The EU's total own resources are equal to 1.24% of the aggregate GNI of all member states.¹⁷

3.2.1 Import duties

To check the accuracy and completeness of import duties, the Ministry of BuZa's audit department relies on the National Audit Authority's audit of the Tax and Customs Administration's management report to parliament (customs control of imports). We found that it did not actively review the National Audit Authority's work to determine what reliance it could place on the findings for its audit of the Ministry of BuZa's accounts.

3.2.2 VAT-based remittances

The Ministry of Finance calculates the VAT basis and the amount of VAT to be remitted to the European Commission. VAT revenue is included in the National Audit Authority's statutory audit of the Tax and Customs Administration's management report to parliament and the Ministry of Finance's annual report (IXB). The VAT collected is disclosed in full as tax revenue in the management report to parliament and the IXB report. The remittance to the EU is disclosed in the Ministry of BuZa's accounts.

The National Audit Authority audits the calculation of the VAT-based own resources and issues an annual report on its work to the Ministry of Finance's DG for Taxes. The audit is restricted to an assessment of the consistency, reasonableness and accuracy of the calculation of the basis and the accuracy of the remittances to the European Commission.

¹⁶ Annexe I to our *EU Trend Report 2012* presents a table with figures for all member states. See also our website www.eu-verantwoording.nl.

¹⁷ Council Decision 2007/436.



Harmonised VAT

Statistics Netherlands (CBS) prepares an annual report on the calculation of the VAT basis (the 'VAT report') so that the Ministry of Finance can calculate the weighted average VAT rate.

3.2.3 GNI-based remittances

Figures from the CBS are used to calculate the GNI-based remittance. The figures are submitted to the European Commission every year in the National Accounts. The Ministry of Foreign Affairs assumes that Eurostat provides assurance on the quality of the information by means of periodic evaluations.

3.2.4 Accounting and audit differences between type of remittance

The sections above show that the remittances are based on various sources and there are significant differences in the calculation of the basis. Physical transactions are important factors in the calculation of import duties (traditional own resources) and the VAT-based remittance, whereas the GNI-based remittance is calculated entirely using statistical information. Accountability and audit are simpler for the remittance of traditional own resources than for GNI-based remittances.

Since the GNI-based remittance is the most important component of the own resources and, in contrast to import duties and VAT, is not subject to statutory audit, we consider it in further detail in the section below.

3.3 Calculation of the GNI-based remittance

The CBS uses the following definition of gross national income:

Gross national income is the income that the sectors receive for their direct participation in the production process and the income they receive in exchange for the provision of capital, land, etc. Gross national income is equal to gross domestic product plus net foreign receipts of primary income, including depreciation and amortisation.

Gross domestic product in 2010 was € 588,414 million (provisional estimate). GDP can be calculated in three ways (production, expenditure and income); GNI can be derived by netting primary foreign flows. More information is provided in tables M1, M2 and M4 of the CBS's National



Accounts publication. If calculated on the basis of income formation, GNI is made up as follows:

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	Amounts in millions
Employee remuneration	€ 300,474
Net taxes on production and imports plus import subsidies	€ 63,739
Operating surplus/mixed income (gross)	€ 224,201
	€ 588,414

The CBS is required to submit a questionnaire along with the GNI figures for the previous year (plus amended prior-year figures) to the European Commission no later than 22 September each year. The figures are accompanied by a quality report, which presents changes from the Inventory.¹⁸ The quality of the member states' GNIs is assessed by means of a set audit procedure.

The GNI Committee¹⁹ has concentrated in recent years on making the process more transparent. Since the outcomes themselves are difficult to assess, attention has shifted to the process. It is important that processes are defined and that it is understood how the figures are produced. Transparency is created by means of comparisons between the source data and the data submitted to Eurostat.

GNI of t-4 is definite unless one or more reservations are made. If Eurostat has not completed its assessment, a general reservation is made. Specific reservations can be made on completion of the assessment. The remittance figures are then formally adopted with the exception of the specific reservations.

¹⁸ The report summarises the procedures and basic statistics that are used to calculate GNI and its components in accordance with ESA 95 (article 3 of Regulation 1287/2003). In 2006 the CBS sent the Inventory for the Netherlands for 2001 to Eurostat. In 2008 the CBS published the final version of this document on its website, (<http://www.cbs.nl/NR/rdonlyres/D6900700-8D0A-4E7E-B611-A7906B94A77B/0/-2009GROSSNATIONALINCOMEINVENTORYESA95pub.pdf>).

¹⁹ This committee was established in 1989 (originally named the GNP Committee) to harmonise the definition of GNI and establish a comparable basis to calculate the individual member states' remittance of own resources. The GNI Committee consists of representatives of the member states and is chaired by a representative of the Commission (Eurostat). Representatives of DG Budget and the European Court of Auditors always attend the committee's meetings.



Even if the figures for the Netherlands are definite, the Ministry of Finance cannot close the remittance because changes in other member states may lead to changes in the Netherlands' remittance. The remittance is based on an allocation ratio. A change in the figures of other member states therefore has consequences for the level of the remittance by all member states concerned.

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The CBS, like other national statistics office, does not give reliability margins for the outcomes of the National Accounts. It does not think this is possible on account of the different sources and methods of information collection (samples, model estimates, balancing and processing into an integrated figure). The quality of the outcomes of the National Accounts (including GNI) is assessed by means of a set audit procedure. The procedure and its constituent steps are described in section 8.3 of the notes to the report.

3.3.1 Complicating factors

There are several complicating factors in the process to convert basic data into statistics. The statistics are produced by means of a combination of surveys (usually based on samples), administrative sources and model estimates. The assurance provided on the reliability of the basic data is not the same in all cases.

Changes to improve sources and methods

National interests sometimes lead to changes in the available statistical information. The policy of reducing the administrative burden, for example, sometimes leads to the loss of certain input for the statistics. Surveys, for example, may be stopped and detailed questions may be scrapped from questionnaires. In practice, sources can be lost, but new and better sources for the GNI estimate can also emerge.

In addition to Eurostat, the IMF, World Bank, OECD and UN are playing an important role alongside the national statistics offices to improve methods, concepts and definitions. They have contributed to the System of National Accounts (SNA) and the European System of Accounts (ESA). The Committee on Monetary, Financial and Balance of Payments Statistics (CMFB, in which both central banks and statistics offices are represented) has played an important advisory role. It has advised, for example, on how UMTS licences should be dealt with in the excessive deficit procedure.



The Netherlands is often represented in task forces and international working groups that consider problems with new concepts, definitions and methods in anticipation of further decision-making or implementation. The Netherlands was also closely involved in the preparation of the new SNA2008 and ESA2010.

Different methods of information collection

A complex procedure is in place to calculate GNI accurately. Administrative sources are used (for example the policy records kept by the Employee Benefit Agency, or sales tax), as are questionnaires to seek information from sampled businesses and individuals, and model estimates. Separate estimates are made to take account of, for example, the black economy in the building trade, freelance hairdressers and undeclared bar workers. Owing to the nature of undeclared activities, it is difficult to form an opinion on the reliability of this information.

Reporting standards not uniform

Central government reporting rules differ from local government reporting rules. Central government uses obligation-cash accounting (with the exception of agencies that use accrual accounting), whereas local authorities use accrual accounting. This makes it more difficult to obtain unambiguous information as input for the statistics.

3.3.2 Checks of data reliability

At EU level, the European Court of Auditors is responsible for auditing the European Commission's budget. It checks the accuracy and completeness of the own resources. Partly on the initiative of the European Court of Auditors, direct verification has been introduced to systematically track and assess the way in which statistical sources are processed in the National Accounts system. The European Court of Auditors has expressed a positive opinion on the remittance of own resources but noted that its audit was limited as it could not audit directly the underlying transactions that are based on macroeconomic statistics. The audit therefore considers macroeconomic variables prepared by the member states and submitted to the Commission as a starting point. The Commission's data processing systems are then evaluated to determine the amounts included in the final accounts. The quality of the member states' basis data is therefore not covered by the European Court of Auditors' audit.



3.4 European developments

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The EU country crisis has revealed the need to strengthen assurances on the reliability of statistical information. The European Commission has responded by introducing a number of new Regulations²⁰ and rules to strengthen budgetary surveillance. They include measures to guarantee the quality of statistics. These new rules have encouraged statistics offices and audit institutions to take a series of initiatives to determine how they can improve the reliability of the statistics. The CBS and the Court of Audit have held exploratory talks on the quality of the data used as input for the Dutch statistics.

3.5 Conclusion

Remittances of own resources to the European Union are recognised in the Ministry of BuZa's accounts. They consist of import duties, VAT-based resources and GNI-based resources. The GNI-based remittance is financially the most significant, making up about 75% of total own resources.

The gap²¹ in the audit chain found by the European Court of Auditors can be rectified nationally by improving the quality of the data used as input for the statistics.

Accounting specifically for the own resources and providing assurance through independent audit at member state level would close the accounting and audit chain at national and European level. As in the case of European funding, inclusion of remittances in the member state declaration would help improve management, control and public accountability.

Inclusion of remittances in the member state declaration is desirable to produce integrated EU accounts at member state level (net position). It could also strengthen the quality of the basic data used as input for the

²⁰ Regulation (EU) No 1173/2011 effective enforcement of budgetary surveillance in the euro area (part of the six pack).

²¹ Underlying transactions based on macroeconomic statistics cannot be audited directly by the European Court of Auditors.



statistics. The European Commission's new Regulations²² and rules to strengthen budgetary surveillance are also relevant in this respect. They include measures to guarantee the quality of statistics. By paying extra attention to the quality of basic data, the Netherlands could strengthen and increase the assurance given in all EU member states.²³

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The CBS, like other national statistics offices, does not give reliability margins on the outcomes of the National Accounts owing to the diversity of sources and methods of information collection (samples, model estimates, balancing and processing in a single figure (integrated figure)). Many measures have been taken, however, to guarantee the quality of the outcomes and provide an insight into the processes that lead to the GNI figures. The outcomes are audited independently during the GNI procedure. Independent audit of the basic data requires tailoring, with account being taken of existing measures to provide assurance on the quality of the statistical figures relevant to Europe.

We recommend that the Ministers of Foreign Affairs, of Economic Affairs, Agriculture and Innovation and of Finance investigate with the parties concerned how more assurance can be given on the basic data underlying the statistics. The remittances based on import duties could be included in the member state declaration immediately because there is already sufficient assurance to prepare reliable public accounts.

²² Regulation (EU) No 1173/2011 effective enforcement of budgetary surveillance in the euro area (part of the six pack, the six new Regulations issued by the European Commission in response to the EU country crisis). See our digital dossier on EU Governance at www.rekenkamer.nl.

²³ Statistics offices and audit institutions have taken several initiatives to determine how the reliability of the statistics can be improved.



4 Recommendations

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This chapter considers the improvements we believe can be made. It first looks at the recommendations we made last year that are still applicable this year. We then make new recommendations. A list of all applicable recommendations has been annexed to this report.

Two open recommendations were adequately dealt with last year. They related to problems with European procurement rules at the DLG and the management of the ESF. Inadequate progress was made with a significant proportion of the recommendations still open last year.

Seven new recommendations have been made and we would draw special attention to remittances to the European Union:

Agricultural funds

1. We recommend that the Minister of ELI take adequate measures to reduce the risk of the European Commission imposing financial corrections (EU compliance) by identifying concrete points for improvement and recovering undue payments from beneficiaries.
2. We recommend that the Minister of ELI have the DLG, which is responsible for the implementation of the European Agricultural Fund for Rural Development, address shortcomings by tightening up its controls and implementing them more strictly. Shortcomings in the DLG's management relate to checks of payment applications, debtor management, administrative checks to prevent irregular double payments and the application of sanctions.
3. We recommend that the Minister of ELI take stricter measures to ensure cross-compliance by both the Netherlands Food and Consumer Product Safety Authority (NVWA) and local authorities. The NVWA should check cross-compliance during all on-the-spot inspections. Ensure that other enforcement organisations check, *inter alia*, compliance with groundwater protection regulations, the Nitrate Directive, the Bird Directive, the Habitat Directive and soil erosion regulations.



4. We recommend that the Minister of ELI implement the remaining information security measures for the paying agencies (DLG and DR). Check the proper operation of the security measures in accordance with the Information Security Management System (ISMS).

European Fisheries Fund and European Regional Development Fund

5. We recommend that the Minister of ELI improve management of the EFF and ERDF in order to anticipate and prevent irregularities in future payment applications. The responsible authorities are the Animal Agri-chains and Animal Welfare Department for the EFF and the ERDF North and South managing authorities for the ERDF. The aim is to prevent irregularities occurring in the payment applications submitted to the European Commission.

Auditor's report on ERDF, ESF and EFF funding declarations

6. We recommend that the Ministers of ELI and SZW have the audit authority (the National Audit Authority) express an opinion in its audit report on the consolidation statements (subsidiary declaration appendix) stating that both the total eligible costs and the proportion of the European funds (proportion of the ERDF, ESF and EFF) are free of error and regular. This should be specifically included in the National Audit Authority's audit engagement. For the member state declaration 2011, we carried out this audit ourselves in response to an error in the ESF.

Migration funds

7. We recommend that the Minister for IIA will improve management of the EIF by ensuring that accounts are closed on time in the future. We also recommend that the minister close and audit the EIF 2008 accounts in the very near future by:
 - preparing a full annual report for the EIF 2008;
 - having the audit authority express an opinion on the operation of the management and control systems;
 - having the audit authority issue a validity declaration on the payment application.

Remittances to the European Union

8. To arrive at comprehensive EU accounts at member state level, we recommend that:
 - the remittances based on import duties be included in the member state declaration. There are already sufficient assurances to prepare reliable public accounts;



- a joint study be conducted with the parties concerned to determine how assurance can be given on the basic data used as input for the statistics. Improving the quality of the basic data in the Netherlands would also strengthen and increase similar assurance in all EU member states.



5 Response of the government and afterword

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We received a response to our draft report from the Minister of Finance on 1 May 2012. He responded on behalf of the Minister of ELI, the Minister of SZW, the Minister for IIA and the Minister of BuZa. The complete text of his letter is included in this chapter (section 5.1). Our afterword is presented in section 5.2. In an annexe to his letter, the Minister of Finance responded to the recommendations made to the ministers as listed in the table at the end of this report. We have included this part of his response in the table. The minister's complete response is also available on our website at www.rekenkamer.nl.

5.1 Response of the ministers

"On behalf of the government, I hereby present the response to your draft Report on the National Declaration 2012.

The government is pleased that the Netherlands Court of Audit is on the whole positive about the National Declaration 2012. You point out areas for improvement. Below, I consider your main conclusions and recommendations for further improvement of the National Declaration and financial management.

Opinion on the National Declaration 2012

General

At the request of the Minister of Finance, the Court of Audit gives an opinion on the National Declaration to the House of Representatives.

The government has taken note of your opinion. In summary:

- the preparation of the National Declaration and the subsidiary declarations was on the whole sound;
- a positive opinion is given on the operation of the systems in place, except for those in place for the European Integration Fund;
- a positive opinion is given on the legality and regularity of the financial transactions accounted for down to the level of the beneficiaries.

Your comments and recommendations relate chiefly to your opinion on the management and control systems.



In addition to expressing an opinion on the object of your audit, the National Declaration 2012, you report on your audit of the remittance of own resources, on which you also present conclusions and recommendations. Our response to them follows our response to your opinion and recommendations on each fund.

Migration funds

Opinion on the assertion on management and control systems

You give a positive opinion, with the exception of the European Integration Fund. In your summary you state that the failure to close the accounts for this fund is undesirable.

As noted in the National Declaration, the accounts for the programming year in question have unfortunately not yet been closed and an opinion can accordingly not be expressed on them. The reasons are transparently explained in the National Declaration.

Regarding the Minister for Immigration, Integration and Asylum Policy's responsibility for the four migration funds (European External Borders Fund, European Refugee Fund, European Return Fund and the European Integration Fund), the minister notes that the Court of Audit's recommendations are concentrated on one of the four funds, namely the European Integration Fund (EIF). The Court of Audit makes no recommendations regarding the management of the other three migration funds. The Court of Audit considered the preparation and assertion on the management and control systems in the period from 1 January 2008 to 31 December 2010. The recommendation regarding the EIF considers the accounts for 2008.

The Minister for Immigration, Integration and Asylum Policy shares the Court of Audit's conclusions regarding the delay in preparing the 2008 accounts. The National Declaration states that the delay with the EIF was due to a combination of lack of capacity and the complexity of some of the grant statements. To prevent repetition, the minister has taken measures to improve management of this small but increasingly popular fund. The management and control system has been improved and the capacity to deal with EIF grants has been increased.

Without prejudicing your positive opinion, your report also identifies a number of concerns and makes recommendations regarding the following funds:



European Fisheries Fund (EFF) and European Regional Development Fund (ERDF)

Improved control of payments

You conclude that there are weaknesses in the management of these funds because the number of irregularities, as noted in the National Declaration, exceeded the 2% tolerable threshold and you accordingly make a number of recommendations. The Minister of Economic Affairs, Agriculture and Innovation (ELI) will adopt the recommendation to improve management of the EFF and ERDF. In concrete terms, management verifications will be brought forward in the managing authorities' internal control process and the Audit Authority will carry out its audits of the relevant operational programmes at an earlier date. As you confirm, the errors detected in the 2010 payment applications were largely corrected by the managing authorities in 2011. The Minister of ELI has recognised this by issuing a qualified audit report on these funds and disclosing the error rates. If the corrections made are taken into account, the error rates for the ERDF and EFF are below the tolerable threshold. The relevant managing authorities are preparing improvement plans that will be assessed by the audit authority during the current system audit.

The minister was pleased to read your comment that the Structural Funds Coordination Centre of the Ministry of ELI was better positioned to carry out its coordination in 2011. The Ministry of ELI will carry out its coordination duties actively and with full capacity in the years ahead in order to contribute to the effective and efficient management of the ERDF programmes.

Agricultural funds

You conclude that there are a number of persistent shortcomings in the management and control of the agricultural funds. To date, they have had limited consequences for your opinion on the functioning of the system. The shortcomings relate to:

Prevention of financial corrections

The financial corrections you named were due in full to expenditure declarations submitted in the period before 2010. These are disclosed transparently in the National Declaration. Measures were taken in response to the recommendation you had made in 2010 to minimise the risk of new financial corrections. In concrete terms, the measures were to (1) strengthen the internal organisation of the paying agencies in order to scale up problem files in EU-compliant execution, on a timely basis for decision-making and (2) identify and agree the interpretation of new EU



regulations with the European Commission on a timely basis. Undue support paid to beneficiaries is being recovered in accordance with administrative law and EU rules.

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Improved control of payments by the Government Service for Sustainable Rural Development

You recommend that existing shortcomings be addressed by strengthening controls and implementing them more strictly. Shortcomings at the DLG paying agency were found in the controls of payment applications, debtor management, administrative checks to prevent irregular double funding and the application of sanctions. The Minister of ELI has adopted this recommendation. In consultation with the ministry's Financial and Economic Affairs Department, the DLG, in its capacity as an accreditation body, has implemented an action plan to improve management and accountability in 2012.

Timely reports on cross-compliance

You recommend that stricter measures be taken to enforce checks of cross-compliance by both the Netherlands Food and Consumer Product Safety Authority (NVWA) and local authorities. The Minister of ELI has adopted this recommendation. Only parts of the 1% checks of cross-compliance with the Bird Directive, Habitat Directive (section 19d checks of the Nature Conservation Act) and soil erosion in South Limburg are carried out by the provinces. Since the local authorities do not carry out all 1% checks, the NVWA carried out the 1% checks of cross-compliance with the Groundwater Directive and the Nitrate Directive in 2011. Although the statistics on cross-compliance show that the percentage of checks carried out by local authorities (e.g. provinces, municipalities and water authorities) is higher than in previous years, the local authorities have not carried out all the checks. The provinces' conduct of the checks was therefore evaluated and actions were proposed to improve the local authorities' compliance with the agreements on the checks.

Conclusions and recommendations regarding remittances to the EU

With regard to your conclusions and recommendations on remittances to the European Union, we would note the following.

Gap in the audit chain for the EU budget

Your report refers to a gap in the audit chain for the EU budget. According to the European Court of Auditors' annual report concerning the 2010 financial year of the European Union, the underlying transactions are not audited directly. You recommend that a joint study be carried out



with the parties concerned to determine how more assurance can be provided on the basic data underlying the CBS's statistics. The government would observe the following:

- Several sources are used to compile the National Accounts and related GNI figures. According to the CBS, the quality is adequate to prepare reliable National Accounts. Furthermore, a large number of measures have been taken to ensure the quality and reliability of the outcomes and provide an insight into the processes that lead to the GNI figures. The basic data received by the CBS, for example, are checked in a variety of ways and corrected where necessary. This process leads to outcomes from the basic statistics. Before they are used in the National Accounts system, further checks of consistency and plausibility are made of the totals and subtotals and, if necessary, of individual figures. Within the National Accounts, various basic statistics are then checked against each other for consistency. In addition, the process is overseen by the Central Statistics Committee and the quality of the CBS is subject to peer review by statistics offices in other member states and by Eurostat. Finally, there is a form of evaluation by other professional users such as the Netherlands Bureau for Economic Policy Analysis and academic institutions. Internationally, too, the quality of the CBS is highly regarded and the CBS is even an example for other member states.
- The European Court of Auditors did not qualify the problems with the underlying statistics as a 'gap' in its report but – without further explanation – stated that it could not audit the data directly. This did not prevent it from expressing a positive opinion on the effectiveness of the systems in place to ensure the regularity of the own resources transactions; this is not the case with EU expenditure. If there were a gap, the European Court of Auditors would have made recommendations and would have set strict obligations for all EU member states. It did not do so.

In the light of the above, the government sees no reason to carry out a joint study with the parties concerned to determine how, as you recommend in the summary, more assurance can be provided on the basic data underlying the statistics.

You also see opportunities to include own resources in the National Declaration and recommend their gradual introduction. The government has repeatedly stated in response to similar recommendations that it will not include the remittance of own resources in the National Declaration, most recently in reply to questions in the House of Representatives during a parliamentary committee meeting of 9 June 2011 regarding financial



accountability for EU funds. The government has the following reasons for not including the remittance of own resources in the National Declaration:

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- Unlike expenditure under shared management, the remittance of own resources to the EU is in order, as confirmed each year by the European Court of Auditors. The government wants to direct its efforts at those parts of the EU budget that are not in order, particularly in the light of the sweeping spending cuts being made in the civil service.
- The management and control system was set up under the responsibility of the Commission and in accordance with its requirements. It would not be appropriate for the Netherlands to assume political responsibility for it. The independence of the CBS guarantees the objective determination of the figures used to calculate the remittance. If own resources were included in the National Declaration, the government would have to express an opinion based on its own controls. The government does not think that such political involvement is appropriate given the independent position of the CBS. In view of the controls already performed by EU institutions, such as Eurostat and the GNI Committee, and other institutions, it is difficult to see what the added value would be and the government therefore considers it unnecessary.
- The Netherlands would be the only EU member state to issue such an entirely voluntary declaration. The government is not encouraged by its experience with the National Declaration on expenditure under shared management to think that other member states would follow the Dutch example. If there is to be a declaration on own resources, the obligation should first be anchored in European law.

Our response to the remaining action points is provided in the annexe.”

5.2 Court of Audit's afterword

We are pleased that the Minister of Finance, responding on behalf of the government, has undertaken to adopt 13 of the 15 open recommendations in full. We would note the following regarding the recommendations that have not been adopted:

Prevention of financial corrections

The Minister of ELI states that our recommendation on compliance with European rules and the prevention of financial corrections (recommendation 7 in the table) has been adopted since 2010. Undue payments are recovered in accordance with administrative and EU rules. We will follow the effectiveness of these measures.



Remittances to the EU

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The government has not adopted our recommendation (recommendation 1 in the table) to include remittances to the EU in the member state declaration. We share the minister's response that the European Court of Auditors has given a positive opinion on the European Commission's receipts (including own resources). We would again observe, however, that the European Court of Auditors' audit does not consider basic data in the member states. In section 2.13 of the Annual Report on the Implementation of the Budget 2010, the European Court of Auditors states: "*The Court's audit does not provide a judgement on the quality of VAT and GNI data received by the Commission from the member states.*" In view of our responsibility for public accountability and transparency, we have a duty to sustain trust in the Netherlands' compliance with its European obligations. The quality of the statistics – especially that of the underlying basic data – will remain a matter of concern at EU level in the years ahead. The European Commission has introduced rules to strengthen the independence of national statistics offices and the effective enforcement of surveillance if national statistics prove to be unreliable. A working group of European audit institutions is investigating the feasibility of cooperating between national statistics offices and Eurostat.

Insight into budget exhaustion

The minister has not adopted our recommendation to include the exhaustion of the budget available for the entire programming period (recommendation 17 in the table). We agree with the government that the National Declaration contains information on an annual basis. Insight into the use of available budgets, however, is also important. As shown in the figure in the introduction to our report, the Netherlands is running the risk of not using budgets in full.



Recommendations to ministers

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The tables below show which of the recommendations we made last year have not yet been implemented in full. We also make a number of new recommendations.

NATIONAL DECLARATION BY THE MINISTER OF FINANCE (ON BEHALF OF THE GOVERNMENT)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>From 2010</p> <p>1. Carry out the original intention of including remittances to the EU in the member state declaration. In the Court of Audit's opinion, traditional own resources (agricultural duties and customs duties) could be accounted for in the member state declaration in the near future. We recommend that they be included in steps.</p>	<p>The EU is introducing rules to strengthen the quality of statistics. This is an extra reason to investigate with all parties concerned how the Netherlands can play its part by including own resources (including the GNI-based contribution) in the member state declaration</p>	<p>The government has not adopted this recommendation.</p>	<p>The quality of the statistics and the underlying basic data will remain matters of concern. The European Commission is introducing rules to strengthen the independence of national statistics offices and enforce effective surveillance if national statistics prove to be unreliable. A working group of European audit institutions is investigating cooperation with national statistics offices and Eurostat.</p>

SUB-DECLARATION BY THE MINISTER OF ELI (EAGF AND EAFRD)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>From 2007</p> <p>2. Improve the reliability of inspection results. The way in which data are recorded has consequences for the information based on those data.</p>	<p>The system that generates control statistics for the EAFRD is not functioning adequately. We recommend that the process to produce the control statistics be reviewed and measures be taken to guarantee the reliability of the control statistics.</p>	<p>The Minister of ELI has adopted the recommendation. Preparation of the control statistics is being reviewed. Measures will be taken to guarantee reliability.</p>	<p>We will consider the progress and developments in our audit.</p>
<p>From 2008</p> <p>3. Speed up the availability of inspection results, especially on</p>	<p>Inspection results are not yet delivered on time. The report for 2010 on checks of</p>	<p>The Minister of ELI has adopted the recommendation. The inspection results of the</p>	<p>We will consider the progress and developments in our audit.</p>



SUB-DECLARATION BY THE MINISTER OF ELI (EAGF AND EAFRD)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
cross-compliance, so that the information can be used for the member state declaration.	cross-compliance was not issued until November 2011. It is uncertain when the report for 2011 will be issued. We would ask the minister to make agreements with the NVWA to provide the inspection results for year t no later than 15 March in year t+1.	DLG and DR paying agencies are reported upon in accordance with EU regulations and with management agreements with the paying agencies. The agreements include safeguards on timeliness. The NVWA relies in part on other authorities. The management report for 2010 was issued in early May 2011. Only the supplement on the notification of inspection results by local authorities was issued in November 2011.	
From 2010 4. Take measures at the DLG and ELI audit department to ensure compliance with local procurement rules below the EU threshold for the EAFRD down to the level of beneficiaries.	Completed.	N.A.	
From 2010 5. Monitor the quality of the systems in place for area aid payments: <ul style="list-style-type: none"> • Keep the parcel registration system up to date and changes traceable. • Mark ineligible parcels as such in the parcel registration system. • Improve the quality of satellite checks and have the AID carry out rapid field visits if there are doubts. • Guarantee the quality of satellite checks by carrying out sample checks on the spot. 	A lot of work has been done. Rapid field visits and on-the-spot sample checks are carried out. However, improvement is still required to keep the parcel registration system up to date and changes traceable. The recommendation is maintained.	The Minister of ELI has adopted the recommendation. The parcel registration system is used to evaluate area aid payments. Keeping the system up to date and ensuring changes are traceable will be arranged more systematically as from 2012.	We will consider the progress and developments in our audit.



SUB-DECLARATION BY THE MINISTER OF ELI (EAGF AND EAFRD)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>New in 2011: EU compliance</p> <p>6. Include the analysis results and the resultant measures in the notes to the sub-declaration. Set clear, concrete and detailed goals for each point for improvement in order to achieve the required effect in due course. Recover undue payments from beneficiaries.</p>		<p>The Minister of ELI thinks this recommendation has been satisfied since 2010. Measures were first taken in 2010 to minimise new financial corrections. The measures are:</p> <ul style="list-style-type: none"> • strengthening the internal organisation within the paying agencies in order to scale up problem files in EU-compliant execution on a timely basis for decision-making; • timely identification and agreement of interpretations of new EU regulations with the European Commission. <p>Improvement measures are listed for the financial corrections named in the notes. The corrections relate to declarations made before 2010.</p> <p>Undue aid payments are recovered in accordance with administrative law and EU rules.</p>	<p>We will continue to follow the effectiveness of the measures.</p>
<p>New in 2011: Management of the Government Service for Sustainable Rural Development</p> <p>7. Improve management with regard to:</p> <ul style="list-style-type: none"> • the true and reliable presentation of tables III and III bis; • compliance with the sanction provisions; • compliance with the requirement to enclose bank 		<p>The Minister of ELI has adopted the recommendation. In consultation with the FEZ, the DLG, as an accreditation body, has implemented an action plan to improve management and accountability in 2012.</p>	<p>We will consider the progress and developments in our audit.</p>



SUB-DECLARATION BY THE MINISTER OF ELI (EAGF AND EAFRD)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>statements as proof of payment;</p> <ul style="list-style-type: none"> include procedures to prevent irregular double funding in administrative checks. 			
<p>New in 2011: Cross-compliance</p> <p>8. Check the baseline conditions in all on-the-spot checks.</p>		<p>The Minister of ELI has adopted the recommendation. The statistics for checks of cross-compliance show an increasing percentage of checks carried out by local authorities (e.g. municipalities, provinces and water authorities). The local authorities, however, have not carried out 100% of the checks. The NVWA has carried out the minimum of the 1% checks. Control by the provinces was evaluated last year and improvement measures were taken.</p>	<p>We will consider the progress and developments in our audit.</p>
<p>Repeated in 2011: Information security 2008</p> <p>9. Shortcomings were found in information security at both paying agencies. Carry out the action plan to improve information security at both paying agencies on a timely basis.</p>	<p>DICTU has taken important steps to design and have the ISMS operational. The project has not yet been completed. Measures still need to be implemented. The recommendation is maintained.</p>	<p>The Minister of ELI has adopted the recommendation. The FEZ, as the accreditation body, has asked all parties involved in ELI to implement the recommendation, monitor progress and report on it.</p>	<p>We will consider the progress and developments in our audit.</p>

SUB-DECLARATION BY THE MINISTER OF ELI (ERDF)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>From 2008</p> <p>10. We commented on the complicated structures and recommended that the minister pay critical attention to the quality of implementation, monitor progress and take corrective measures where necessary.</p>	<p>The risks are still present. However, the problems identified previously remained largely under control in 2011.</p>	<p>On the basis of a study completed in 2011, the Minister of ELI decided to maintain the management structure throughout the current 2007-2013 programming period. The Minister of ELI will continue to monitor implementation.</p>	<p>We will consider the progress and developments in our audit.</p>
<p>From 2009</p> <p>11. In view of the reservation in the declaration, we drew attention to the shortcomings detected at the certifying authority. They related to:</p> <ul style="list-style-type: none"> • the adequate recording and documentation of control activities; • tightening up and improving the checklists; • overseeing response and decision terms. 	<p>The shortcomings have been largely resolved. Further improvements are still necessary in the certifying activities and the recording of the certifying audit trail.</p>	<p>The Minister of ELI has adopted the recommendation. He will ensure that the certifying authority also follows up the recommendation.</p>	<p>We will consider the progress and developments in our audit.</p>
<p>New in 2011: Irregularities in payment applications</p> <p>12. Improve control of payment applications by having the ERDF North and South managing authorities and the certifying authority prevent irregularities in the payment applications.</p>		<p>The Minister of ELI has adopted the recommendation. He will bring forward management verifications in the internal control process in place for the operational programmes concerned. The audit authority's audits will also be brought forward. The managing authorities concerned will prepare improvement plans that will be assessed by the audit authority during the current system audit.</p>	<p>We will consider the progress and developments in our audit.</p>



SUB-DECLARATION BY THE MINISTER OF ELI (EFF)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>New in 2011: Irregularities in payment applications</p> <p>13. Improve control of payment applications by having the managing authorities and the certifying authority prevent irregularities in the payment applications.</p>		<p>The Minister of ELI has adopted the recommendation and together will consult with the Central Audit Service on the content, the standards framework and the audit engagement to be awarded.</p>	<p>We will consider the progress and developments in our audit.</p>

SUB-DECLARATION BY THE MINISTER OF SZW (ESF)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>From 2009</p> <p>14. Implement the improvement measures recognised by the managing authority and the minister.</p> <p>Implementation in 2010: Address the shortcomings detected by the audit authority, such as: inadequate dossier formation, inadequate internal review of verifications and lack of control capacity.</p>	<p>Completed.</p>	<p>N.A</p>	

SUB-DECLARATION BY THE MINISTER FOR IMMIGRATION, INTEGRATION AND ASYLUM POLICY (EUROPEAN REFUGEE FUND, EBF, RF, EIF)			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>New in 2011: EIF management</p> <p>15. Improve management of the EIF; in particular address the organisational and personnel problems so that accountability and control requirements can be satisfied on time.</p>		<p>The minister for IIA has adopted the recommendation.</p>	<p>We will consider the progress and developments in our audit.</p>



OTHER POINTS			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
<p>From 2010</p> <p>16. The National Audit Authority (in its capacity as the audit authority for the ERDF, ESF and EFF):</p> <ul style="list-style-type: none"> • Ensure there is sufficient capacity and provide intervention points if there are problems in the implementation of audits so that necessary work can be carried out. • Standardise the audit activities for comparable audit objects. • Prevent scope limitations during the implementation of the audits. • Annually assess all relevant essential requirements regarding the management and control systems. • Monitor the careful evaluation of all audit findings. 	<p>Many improvements were made in 2011. There are still some areas for improvement, especially in the ERDF, the most important being:</p> <ul style="list-style-type: none"> • Improve the planning of the project audits (timely completion). • Improve dossier formation: access to control information and records of the audit trail in the project audit dossiers. • Standardise the audit activities for comparable audit objects. • Streamline the internal reviews of project audit dossiers. • Annually assess all relevant essential requirements regarding the design, existence and operation of the management and control systems. In particular, assess the operation of requirement 6, ICT, in the ERDF in the near future. 		<p>We will consider the progress and developments in our audit.</p>
<p>New in 2011</p> <p>17. In the audit of the financial data on the ERDF, ESF and EFF, check the proportion of costs funded from the European Fund as well as the total eligible costs declared. The associated consolidation statement would increase in value if the exhaustion</p>		<p>The ministers concerned have adopted the first part of the recommendation. Further consultation will follow with the ADR on the content, framework of standards and audit.</p> <p>The National Declaration contains information on an</p>	<p>Insight into and monitoring of the exhaustion of available budgets is relevant to prevent the Netherlands not using them in full.</p> <p>We will consider the progress and developments in our audit.</p>



OTHER POINTS			
Recommendation	Current status	Undertaking by the minister	Court of Audit's afterword
of the budget available for the programming period (2007-2013) were disclosed.		annual basis of the operation of systems and the regularity of expenditure. Information on the use of the available budget does not matter, which is why it is not to be included.	



Annexe 1 Member state declaration 2011

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The Court of Audit received the *National Declaration 2012* from the Minister of Finance on 8 March. The official translation is reproduced below. The National Declaration is also available on our website at www.rekenkamer.nl.

National declaration 2012

On the basis of the Cabinet Decision of 2 March 2012, I hereby declare on behalf of the Dutch Cabinet, on the basis of my position and responsibility as Minister for Finance concerning the financial management of resources for the European funds under joint management listed below and on the basis of the information available to me that:

Declaration concerning the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD):

- (1) the operation of the systems set up by the Netherlands and the measures included in them for the management and control of the funds with regard to the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) during the financial year from 16 October 2010 to 15 October 2011, to the best of my knowledge, offer a reasonable degree of assurance that the underlying transactions are legal and regular and the subsidy applications concerned are eligible;
- (2) the expenditure and revenue for a total amount of € 948 583 651.12 to the debit and credit respectively of the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), which are shown in the enclosed consolidation statement of the accounts drawn up by Dutch paying agencies for the financial year from 16 October 2010 to 15 October 2011 and submitted to the Commission, to the best of my knowledge, are lawful, regular, accurate and complete up to the level of the final beneficiary;
- (3) outstanding claims amounting to a total of € 12 103 965.15 concerning the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) which are shown in the enclosed consolidation statement of the accounts drawn up by Dutch paying agencies for the financial year from 16 October 2010 to 15 October 2011 and submitted to the Commission, to the best of my knowledge, are lawful, regular, accurate and complete up to the level of the final beneficiaries.



Declaration concerning the European Fisheries Fund (EFF)

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- (1) the operation of the systems set up by the Netherlands and the measures included in them for the management and control of the funds with regard to the EFF for the period from 1 January 2010 to 31 December 2010, to the best of my knowledge, offer a reasonable degree of assurance that the underlying transactions are legal and regular and the subsidy applications concerned are eligible;
- (2) the expenditure and revenue for a total amount of € 10 952 440.35 (EFF share €1 553 560.32) to the debit and credit respectively of the EFF which are shown in the enclosed consolidation statement drawn up by the Dutch certifying authority for the period from 1 January 2010 to 31 December 2010 and applications for payment submitted to the Commission, to the best of my knowledge, are lawful, regular, accurate and complete up to the level of the final beneficiaries, with the exception of a total amount of € 645 849.68 (5.9%) in irregular expenditure in statements of expenditure submitted. At the end of 2011, part of this gross error was corrected, as a result of which the remaining net error as at 31 December 2011 has been reduced to 0.09%;
- (3) outstanding claims amounting to a total of € 0.00 in favour of the EFF, which are shown in the enclosed consolidation statement of the accounts drawn up by the certifying authority for the period from 1 January 2010 to 31 December 2010 and submitted to the Commission, to the best of my knowledge, are lawful, regular, accurate and complete.

Declaration concerning the European Regional Development Fund (ERDF)

- (1) the operation of the systems set up by the Netherlands and the measures included in them for the management and control of the funds with regard to the ERDF for the period from 1 January 2010 to 31 December 2010, to the best of my knowledge, offer a reasonable degree of assurance the underlying transactions are legal and regular and the subsidy applications concerned are eligible;
- (2) the expenditure and revenue for a total amount of € 139 424 785.41 (ERDF share € 59 933 674.53) to the debit and credit respectively of the ERDF which are shown in the enclosed consolidation statement drawn up by the Dutch certifying authority for the period from 1 January 2010 to 31 December 2010 and applications for payment submitted to the Commission, to the best of my knowledge, are lawful, regular, accurate and complete up to the level of the final beneficiaries, with the exception of a total amount of € 3 009 267.26 (2.16%) in irregular expenditure in statements of expenditure submitted. At the end of 2011, part of this gross error was corrected,



as a result of which the remaining net error as at 31 December 2011 has been reduced to 1.96%;

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- (3) outstanding claims amounting to a total of € 0.00 in favour of the ERDF, which are shown in the enclosed consolidation statement of the accounts drawn up by the certifying authority for the period from 1 January 2010 to 31 December 2010 and submitted to the Commission, to the best of my knowledge, are lawful, regular, accurate and complete.

Declaration concerning the European Social Fund (ESF)

- (1) the operation of the systems set up by the Netherlands and the measures included in them for the management and control of the funds with regard to the ESF Objective 2 2007-2013 programme, CCI2007NL052PO001, for the period from 1 January 2010 to 31 December 2010, to the best of my knowledge, offer a reasonable degree of assurance that the underlying transactions are legal and regular and the subsidy applications concerned are eligible;
- (2) the expenditure and revenue for a total amount of € 46 722 914 (ESF share € 34 306 197) to the debit and credit respectively of the ESF which are shown in the enclosed consolidation statement drawn up by the Dutch certifying authority for the period from 1 January 2010 to 31 December 2010 and applications for payment submitted to the Commission, in the context of the above-mentioned information are, to the best of my knowledge, are lawful, regular, accurate and complete up to the level of the final beneficiaries;
- (3) outstanding claims amounting to a total of €0.00 in favour of the ESF, which are shown in the enclosed consolidation statement of the accounts drawn up by the certifying authority for the period from 1 January 2010 to 31 December 2010 and submitted to the Commission, to the best of my knowledge, are lawful, regular, accurate and complete.

Declaration concerning the EU Migration Funds (the European Integration Fund (EIF), the European External Borders Fund (EBF), the European Return Fund (RF), the European Refugee Fund (ERF)):

- the operation of the systems set up by the Netherlands and the measures included in them for the management and control of the funds with regard to the annual programme ERF 2008, RF 2008 and EBF 2008 to the best of my knowledge, offer a reasonable degree of assurance that the underlying transactions are legal and regular and the subsidy applications concerned are eligible;
- the total eligible expenditure for an amount of € 3 603 020.14 (ERR share € 2 385 922.60) charged to the accounts for the ERF 2008



- annual programme drawn up and submitted to the Commission by the competent authority (receipts and expenditure) are accurate, complete and lawful and regular up to the level of the final beneficiaries (see Annex 10);
- the total eligible expenditure for an amount of € 673 763.06 (RF share € 442 081.81) charged to the accounts for the ER 2008 annual programme drawn up and submitted to the Commission by the competent authority (receipts and expenditure) are accurate, complete and lawful and regular up to the level of the final beneficiaries (see Annex 13);
 - the total eligible expenditure for an amount of € 1 521 223.15 (EBF share € 1 030 748.36) charged to the accounts for the EBF 2008 annual programme drawn up and submitted to the Commission by the competent authority (receipts and expenditure) are accurate, complete and lawful and regular up to the level of the final beneficiaries (see Annex 12);
 - outstanding claims for a total amount of € 99 687.29 in favour of the European Refugee Fund are shown in the enclosed table *List of current recovery orders* concerning the ERF 2008 annual programme, to the best of my knowledge, are lawful, regular, accurate and complete.
 - outstanding claims for a total amount of € 0.00 in favour of the European Return Fund concerning the RF 2008 annual programme, to the best of my knowledge, are lawful, regular, accurate and complete.
 - outstanding claims for a total amount of € 0.00 in favour of the European External Borders Fund concerning the EBF 2008 annual programme, to the best of my knowledge, are lawful, regular, accurate and complete.

No opinion can yet be expressed on the operation of the management and control systems and that the underlying transactions are correct, complete, legal and regular to the level of the final beneficiaries concerning the EIF 2008 annual programme. This is because a full annual report was not drawn up in time by the competent authority of the Ministry of the Interior and Kingdom Relations and the audit authority was unable to issue an opinion on the operation of the management and control systems and validation of the payment application. The total eligible expenditure shown in the EIF accounts submitted to the Commission at present stand at € 2 452 937.10 (EIF share € 854 652.79).

The investigations or correction proposals known to me in connection with approval by the Commission of the accounts submitted are accounted for



in the enclosed explanations. The confirmations in this declaration are confined to matters of material importance and derive directly from audits and have no bearing on inherent interpretation of European legislation.

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The Minister for Finance,
J.C. de Jager
The Hague



Explanation

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Assessment and accountability tolerance

The following criteria apply for the assessment of the points for attention to be recorded in the declaration:

- Does the point for attention constitute a substantial financial and/or political risk?
- Is an important quality improvement involved in the implementation of the European subsidy schemes?
- Does the point for attention count sufficiently in the implementation of the common agricultural policy, the European Fisheries Fund, the European Structural Funds and the Migrations Funds within the Netherlands?

The following criteria apply for final accountability for the important points for attention or deficiencies in the national declaration:

- From investigation into qualitative aspects, it appears that a significant deficiency exists in national control systems and
- the resulting irregularity is estimated for the sub-population concerned of the annual declaration at more than 2% (accountability tolerance) and
- the effect could not be negated by corrective measures.

For balance-sheet items, the accountability tolerance of 2% of the final balance accounted for, in so far as not yet corrected on the balance-sheet date.

In the event of overshooting the accountability tolerance, this is mentioned.

Approval by European Commission

The European Commission ultimately determines the EU conformity of the national implementation of EU legislation. As a result, there is always uncertainty about the nature and scale of the financial corrections which the Commission may impose.

Common Agricultural Policy (CAP)

Declaration by paying agencies

The paying agencies Implementation of Regulations Service (Dienst Regelingen) and Countryside Department (Dienst Landelijk gebied) declared pursuant to Article 8 of Council Regulation (EC) No 1290/2005 of 21 June 2005 in respect of the accounts submitted to the European



Commission for the period from 16 October 2010 to 15 October 2011 that the management measures are sufficiently effective and offer reasonable assurance that the underlying transactions are legal and regular.

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Assessment by certification body

The certification body confirmed pursuant to Article 8 of the above-mentioned Regulation the accuracy of the declaration by the by the paying agencies with a certification report. A number of important recommendations were made in the process which have been taken up by the paying agencies. If the opinion of the certification body is negative (rejection or with reservation), this must be clearly expressed.

Lawfulness of certification report

The departmental Audit Department, as a supplement to the European provisions, declared that the expenditure declared to the European Commission is lawful and compliant on the basis of the current European and national provisions to the level of final beneficiaries.

European Fisheries Fund (EFF)

Declaration by certifying authority

The National Service for Implementation of Regulations, in its role as Dutch certifying authority, pursuant to Article 61 of Council Regulation (EC) No 1198/2006 of 27 July 2006, concerning statements of expenditure submitted to the European Commission during the period from 1 January 2010 to 31 December 2010, declared that the management measures of the managing authority are sufficiently effective and provide reasonable assurance that the underlying transactions are legal and regular.

Report by audit authority on control and management system 2010

The National Audit Service (*Rijksauditedienst*), in its role as audit authority, pursuant to Article 62 of the above-mentioned Regulation deemed that for the period from 1 January 2010 to 31 December 2010 that the control and management systems of the managing authority and the certifying authority functioned sufficiently effectively to be able to provide reasonable assurance of the accuracy of the payment applications which were submitted to the European Commission, as well as, by way of inference, reasonable assurance that the underlying transactions are legal and regular. The audit authority made no important recommendations in its control reports on the management and control structure of the managing authority (Agri-chains and Fisheries Department) and the



certifying authority respectively. In the follow-up audit, the audit authority will ascertain that all recommendations are being observed.

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Report by audit authority on lawfully declared expenditure 2010

In its control report, the audit authority, on the basis of the sample taken found and reported errors totalling € 645 849.68. This high gross error rate does not alter the opinion of the audit authority concerning the functioning of the control and management system because primarily occasional and isolated errors were involved. Because the managing authority has already corrected errors in 2011, the error rate of 5.9%²⁴ has been reduced to 0.09% (net).

The EFF has a multiannual financing system. Budgets become available in 7 annual tranches. The managing authority has to submit interim payment applications of checked eligible expenditure incurred by beneficiaries and paid. The final payment application and the accompanying control report by the audit authority, after the closure of the programme, form the basis for the approval of the financial accountability of the programme by the European Commission.

Control declaration of lawfulness of declared expenditure 2010

The National Audit Service, by way of supplement to the European provisions, declared that the expenditure declared to the European Commission, with the exception of the above-mentioned corrections, is lawful and regular in all material aspects based on the current European and national provisions to the level of final beneficiaries. In accordance with the national system, this gives rise to a control declaration with reservation.

European Regional Development Fund (ERDF)

Declaration by the certifying authority

The Implementation of Regulations Service, in its role as Dutch certifying authority, pursuant to Article 61 of Council Regulation (EC) No 1083/2006 of 11 July 2006, declared, concerning statements of expenditure submitted to the European Commission during the period from 1 January 2010 to 31 December 2010, that the management measures of the managing authority are sufficiently effective and provide reasonable assurance that the underlying transactions are legal and regular.

²⁴ The audit authority reported an error rate of 6.3% for the expenditure in the sample in the EFF Annual Control Report. The extrapolated error for the total expenditure is 5.9%.

*Report by audit authority on management and control systems 2010*

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The National Audit Service, in its role as audit authority, pursuant to Article 62 of the above-mentioned Regulation, considered that, during the period from 1 January 2010 to 31 December 2010, the management and control systems of the managing authorities North, South, East and West and the certifying authority functioned sufficiently effectively to be able to provide reasonable assurance of the accuracy of the payment applications which were submitted to the European Commission, as well as, by way of inference, reasonable assurance that the underlying transactions are legal and regular. Important recommendations are made in the control reports of the managing authorities North, South, East and West. In the follow-up audit, the audit authority will ascertain that all recommendations are being observed.

Report by audit authority on the lawfulness of the declared expenditure 2010

In its control reports, the audit authority, on the basis of the sample taken, established a total amount of €3 009 267.26 in errors (gross error rate 2,16%). Because the managing authorities have already corrected errors in 2011, the error rate at the end of 2011 has been reduced to 1.96% (net).

The gross/net error for the separate regional programmes are as follows: West 1.47%/1.42%, East 1.52%/1.52%, South 2.56%/2.50% and North 3.15%/2.07%. Corrections are therefore still necessary to the individual programmes in 2012 in order to comply with the error rate allowed by the European Commission of 2%.

The ERDF has a multi-annual financing system. Budgets become available in 7 annual tranches. The managing authority has to submit interim payment applications of checked eligible expenditure incurred by beneficiaries and paid. The final payment application and the accompanying control report by the audit authority, after the closure of the programme, form the basis for the approval of the financial accountability of the programme by the European Commission. This means that Member States have the opportunity to correct errors found each year by the audit authority.

Control declaration of lawfulness of declared expenditure 2010

The National Audit Service, by way of supplement to the European provisions, declared that the expenditure declared to the European Commission, with the exception of the above-mentioned corrections, is lawful and regular in all material aspects based on the current European and national provisions to the level of final beneficiaries. In accordance



with the national system, this gives rise to a control declaration with reservation.

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European Social fund (ESF)

Certificate of interim payment by European Commission dated 30 November 2010

The Implementation of Regulations Service, in its role as certifying authority, pursuant to Article 61 of Council Regulation (EC) No 1083/2006 of 27 July 2006, declared concerning statements of expenditure submitted to the European Commission during the period from 1 January 2010 to 31 December 2010, that the management measures of the managing authority are sufficiently effective and provide reasonable assurance that the underlying transactions are legal and regular.

Report by audit authority

The National Audit Service, in its role as audit authority, pursuant to Article 62 of the above-mentioned Regulation, considered and confirmed the accuracy of the declaration by the certifying authority for the period from 1 July 2010 to 30 June 2011. A number of recommendations were made which have been taken into consideration by the managing authority and certifying authority. In the follow-up audit, the audit authority will ascertain whether these are sufficient.

Control declaration of lawfulness

The National Audit Service declared in addition that the expenditure declared to the European Commission in 2010 is lawful and regular in all material aspects based on the current European and national provisions to the level of final beneficiaries.

Known ESF investigations or correction proposals by the European Commission

No correction proposals were made by the European Commission for the period from 1 January 2010 to 31 December 2010.

In 2011, the European Commission conducted an investigation into compliance with EU legislation on the recovery of amounts unduly paid and the accounting of this.

European Migration Funds

General

Since the present government was formed, the Minister for Immigration, Integration and Asylum has been responsible for the management of the



European Refugee Fund, the European Return Fund and the European External Borders Fund in the Netherlands. From 16 December 2011, the Minister has also been responsible for the management of the European Integration Fund in the Netherlands. The declared expenditure concerns the 2008 annual programmes of these Funds. The eligibility period of these annual programmes runs from 1 January 2008 to 30 June 2010.

Outstanding claims

An amount of €667 192.30 for the project 'Implementation of the VIS in the Netherlands' of the Migration Policy Department of the Ministry of the Interior and Kingdom Relations has not been included as an outstanding claim. This relates to a claim which arose and is cleared directly within the Ministry itself.

The audit authority has carried out project audits, from which it appeared that the substantiated costs for a number of projects to a large extent do not comply with the laws and regulations. This impression corresponded to the findings from the activities of the delegated body (the European Funds Programme Secretariat), such as project monitoring, the assessment of administrative documents submitted by the projects, as well as the verification activities carried out by the auditors in accordance with the control protocol issued. It was necessary to make substantial corrections to the European Funds Programme regarding a number of reports of findings submitted to arrive at correct final reports on the annual programmes for the Commission. The audit authority has issued a positive opinion on the management and control systems and the statements of expenditure.

Spending by the Funds

From comparative figures it appears that the necessary recoveries on account of not meeting the eligibility conditions are falling. Nevertheless, the spending of the available resources is not yet optimal. On the basis of an investigation launched in the second half of 2011, work is being carried out on drawing up a number of recommendations which will bring further improvement in this respect.

Known investigations or correction proposals by the European Commission

I have not been aware of any correction proposals concerning the 2007–2013 programming period. The European Commission has announced that it will be carrying out ex-post audits in the course of 2012 for the 2007 programme year of the EBF and the EIF and for the 2008 programme year of the EBF and the RF.



Final report EIF

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Furthermore, on account of organisational and personal circumstances and the complexity of some grant statements, a delay of about a year has arisen in the delivery of the 2008 EIF final report.

The European Commission has been informed of this by the Netherlands. To avoid repetition, the following measures have been taken, also for other funds:

- the delegated body (the European Funds Programme Secretariat), which carries out the bulk of the activities concerning the management of the Funds, has in the meantime been located at the Directorate-General for Alien Affairs, i.e. at the Direction & Control Office; a special process coordinator there has been entrusted with the day-to-day running of the programme secretariat; as a result, there is strict control regarding the various deadlines for submission of annual programmes and annual reports for the Migration Funds to the European Commission;
- the European Funds Programme Secretariat has also been assigned more staff.

Further information is given in the Annex: 'further information on Migration Funds.

CAP

- Annex 1 Consolidation statement CAP 2011
- Annex 2 Settled financial corrections CAP 2011
- Annex 3 Overview of current investigations by the European Commission CAP

EFF

- Annex 4 Consolidation statement EFF 2011
- Annex 5 Overview of investigations by European Commission and correction proposals and decisions EFF 2011

ERDF

- Annex 6 Consolidation statement ERDF 2011
- Annex 7 Overview of current investigations by European Commission and correction proposals and decisions received ERDF 2011

ESF

- Annex 8 Consolidation statement 2010

Migration Funds

- Annex 9 Further information on Migration Funds
- Annex 10 FINANCIAL IMPLEMENTATION EFF Annual Programme 2008
- Annex 11 EFF Table 2. List of current recovery orders
- Annex 12 FINANCIAL IMPLEMENTATION EBF Annual Programme 2008
- Annex 13 FINANCIAL IMPLEMENTATION RF Annual Programme 2008



Annex 1 Consolidation statement CAP 2011

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Chapter	EAGF	Expenditure from 16 October 2010 to 15 October 2011 €	Corrections €	Final 2011 €
05 02 01	Cereals	8 876 138.90	0.00	8 876 138.90
05 02 02	Rice	0.00	0.00	0.00
05 02 03	Refunds for products not listed in Annex I	3 379 903.28	0.00	3 379 903.28
05 02 04	Food programmes	0.00	0.00	0.00
05 02 05	Sugar	0.00	0.00	0.00
05 02 06	Olive oil	0.00	0.00	0.00
05 02 07	Textile crops	923 837.64	0.00	923 837.64
05 02 08	Fruit and vegetables	102 339 235.49	642 280.17	102 981 515.66
05 02 09	Wine sector products	0.00	0.00	0.00
05 02 10	Promotion of sales	3 106 392.13	0.00	3 106 392.13
05 02 11	Other plant products / other measures	4 303 913.09	0.00	4 303 913.09
05 02 12	Milk and dairy products	-9 527 777.64	0.00	-9 527 777.64
05 02 13	Beef	3 562 960.52	0.00	3 562 960.52
05 02 14	Sheepmeat and goatmeat	0.00	0.00	0.00
05 02 15	Pigmeat, eggs, poultry, beekeeping products and other animal products	7 745 323.42	0.00	7 745 323.42
05 02 16	Fund for the restructuring of the sugar industry	4 477 167.37	0.00	4 477 167.37
Total 0502		129 187 094.20	642 280.17	129 829 374.37
05 03 01	Decoupled direct aids	783 089 703.92	0.00	783 089 703.92
05 03 02	Other direct aids	34 337 856.32	0.00	34 337 856.32
05 03 03	Extra aid amounts	5 530.09	0.00	5 530.09
Total 0503		817 433 090.33	0.00	817 433 090.33
05 04 01	Financing of rural development via the EAGGD, Guarantee Section – Programming period 2000-2006	0.00	0.00	0.00
Total 0504		0.00	0.00	0.00
05 07 01 06	Clearance of the accounts for the previous financial years with regard to shared management expenditure incurred by the EAGGF – Guarantee Section (previous measures) and the EAGF	0.00	0.00	0.00
05 07 01 07	Conformity clearance of the accounts for the previous financial years with regard to shared management expenditure incurred by the EAGGF – Guarantee Section (previous	0.00	0.00	0.00

	measures) and the EAGF			
Total 050701		0.00	0.00	0.00
05 07 02	Reconciliation	0.00	0.00	0.00
Total 050702		0.00	0.00	0.00
67 01 00	Approval of the EAGF accounts – Earmarked revenues	-51 994 625.87	0.00	-51 994 625.87
67 02 00	Irregularities in the context of the EAGF - Earmarked revenues	-3 636 211.97	-290 406.50	-3 926 618.47
67 03 00	Milk levy - Earmarked revenues	-14 189 284.75	0.00	-14 189 284.75
Total 67		-69 820 122.59	-290 406.50	-70 110 529.09
68 01 00	Temporary restructuring levy - Earmarked revenues	0.00	0.00	0.00
68 02 00	Irregularities in connection with the temporary restructuring fund - Earmarked revenues	0.00	0.00	0.00
68 03 00	Approval in connection with the temporary restructuring fund - Earmarked revenues	0.00	0.00	0.00
Total 68		0.00	0.00	0.00
Grand total		876 800 061.94	351 873.67	877 151 935.61

AXIS	EAFRD	Expenditure from 16 October 2010 to 15 October 2011 €	Corrections €	Final 2011 €
1	Improvement of competitive of agricultural and forestry sector	13 680 261.61	-189 262.85	13 490 998.76
2	Improvement of nature and the environment	16 627 976.66	6 135 346.70	22 763 323.36
3	Quality of life in rural areas and diversification of the rural economy	24 979 110.80	-776 793.13	24 202 317.67
4	Leader	10 720 693.78	-197 490.13	10 523 203.65
5	Technical assistance	451 872.07	0.00	451 872.07
Total		66 459 914.92	4 971 800.59	71 431 715.51
Total EAGF + EAFRD		943 259 976.86	5 323 674.26	948 583 651.12

Fund	Amount for which collection procedure is in progress (balance 15/10/2011)
EAFRD	93 196.90
EAGF	12 010 768.25
Total	12 103 965.15



Annex 2 Settled financial corrections CAP 2011

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The following correction decisions by the European Commission have been processed in the consolidation statement:

Correction decision	Period	Amount (in €)
2010/668/EU: Potato starch	2003-2008	29 303 218.08
2011/244/EU: Fruit and vegetables	2005-2008	22 691 407.79
Total		51 994 625.87

2010/668/EU: Potato starch

This flat-rate correction, amounting to €28.9 million, was imposed for payments to producers of potato starch during the years from 2003 to 2008. This refers to aid to farmers who grow potatoes for starch production and aid for the production of potato starch. EL&I has brought proceedings against this before the General Court of the EU. The European Commission Audit Service announced a follow-up audit in 2011. In addition, through this decision, a correction has been imposed concerning the payment of aid to producers of dried fodder and seed for the years 2005 to 2007 amounting to €0.4 million. EL&I is not appealing against this. In the meantime, remedial action has been taken to prevent repetition.

2011/244/EU: Fruit and vegetables

This flat-rate correction has been imposed for subsidy payments to recognised grower associations. This refers to the implementation of multiannual operational programmes on the market organisation for fruit and vegetables focusing on improving sales, quality and environmental protection. EL&I has brought proceedings against this decision before the General Court of the EU and is in discussion with the European Commission on improvements in the implementation for the period from 2009.

The European Commission carried out follow-up audits in October 2009 and November 2011 regarding the fruit and vegetables file which have not yet been completed.



Annex 3 Overview of current investigations by the European Commission CAP

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The European Commission can impose corrections on the basis of Article 11 of Regulation (EC) No 885/2006 if it concludes on the basis of its own investigations that the EU legislation is not being interpreted and implemented correctly by the Member State. The investigation is undertaken in phases. In the course of the investigation, the Audit Service of the European Commission can make correction proposals which may or may not be accepted by the Commission, after possibly having consulted the conciliation body. The investigation is concluded with a Commission decision, possibly together with a flat-rate or calculated financial correction. The Member State may appeal against this.

a. Correction decisions received

In 2011, the following correction decisions were received, which have not yet been reconciled with the statement:

Correction decision	Period	Amount (in €)
2011/689/EU: Entitlements	2007-2008	2 242 382.95
Total		2 242 382.95

Entitlements

This correction decision refers to non-compliance with the budget rules for the single payment and the calculation of the entitlement for flax and hemp, pursuant to Regulation (EC) No 795/2004 and Regulation (EC) No 796/2004. EL&I has foregone the conciliation and appeal process. In the meantime, remedial action has been taken to prevent repetition.

b. Correction proposals received

In 2010 and 2011, the following correction proposals were received, for which the European Commission has still not taken a final decision:

Correction proposal	Period	Amount (in €)
Cross-compliance	2006-2008	14 597 917.84
Rural development	2007-2008	2 018 471.00
Slaughter premium	2008	1 547 815.00
Parcel registration	2008-2009	35 430 616.96
Claims management	2006-2009	5 277 577.43
Total		58 872 398.23



Cross-compliance

This refers to the application of reductions to aid payments, as laid down in Regulation (EC) No 1782/2003 and Regulation (EC) No 796/2004 in the case of cross-compliance failures in the field of animal welfare, the environment and animal health. The European Commission did not accept the advice of the conciliation body and launched a follow-up investigation in 2011 into aid payments in 2009 and 2010.

Rural development

This refers to the agri-environmental measures within the operational programme for rural development in the Netherlands 2007-2013 (POP), pursuant to Regulation (EC) No 1974/2006 and Regulation (EC) 1975/2006. EL&I has foregone a conciliation procedure and has taken remedial action to avoid repetition.

Slaughter premium

This refers to the income support payments to beef farmers pursuant to Regulation (EC) No 796/2004 and Regulation (EC) No 1973/2004. EL&I is foregoing a conciliation procedure. In 2011, a follow-up audit was launched in which attention was also paid to the 'Article 68' aid for I&R sheep and goats. The unduly paid slaughter premium which was found during this follow-up audit has been reclaimed. No remedial action is necessary with regard to I&R sheep and goats. The control has not yet been completed.

Parcel registration

This refers to the payments of area-related income support. This flat-rate correction proposal follows an earlier correction decision amounting to € 16.6 million for 2005 to 2007. EL&I started remedial action at the end of 2009, which in the meantime has largely been completed. This remedial action resulted in correction to the EAGF and EAFRD 2010 statements. For legal reasons, EL&I has decided to compensate beneficiaries for the amount that they should have paid back on the basis of the new parcel register and informed the Lower House of this. The European Commission carried out a follow-up audit in November 2010 and found that improvement has occurred, but that parts of the system still require further improvement. EL&I has started a conciliation procedure.

Claims management

This refers to the application of legal interest on overdue outstanding claims, pursuant to Regulation (EC) 885/2006. EL&I has started a conciliation procedure.



c. Other information from current investigations

This refers to current investigations on which no correction proposals have yet been received and which are not included as follow-up investigations under (a) or (b).

Clearance of the accounts for the financial year 2007

This investigation concerns the clearance of the EAGF 2007 statement, pursuant to Regulation (EC) No 885/2006. This investigation has not yet been completed.

Clearance of the accounts for the financial year 2010

The European Commission has assumed the error quantified by the certifying authority concerning the unduly paid aid amounting to € 688 510 for the purchase bumblebees and honey bees as a finding.

Export refund on milk powder

This investigation concerns a refund payment dating back to 1997-2000 concerning the export of milk powder. This investigation has still not been completed.

Administrative post controls

This control relates to the application of the administrative post controls on subsidy payments, as provided for in Regulation (EC) No 4045/89, in 2006 by the NVWA (previously AID). This investigation has not yet been completed.

Restructuring of sugar and insurance against bad weather

This relates to the aid payment in 2010. This investigation has not yet been completed.

Application of POP procurement rules

This investigation relates to the application of national procurement rules in 2009 and 2010. This investigation has not yet been completed.



Annex 4 Consolidation statement EFF 2011

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The consolidation statement 2010 is based on the applications for payment by the Dutch certifying authority, which are checked by the audit authority.

Operational Programme	Priority axis	Declared eligible expenditure	EFF contribution
Prospects for a sustainable fisheries sector CCI:2007NL14FPO001			
	Measures to adapt the fishing fleet	909 947.47	167 566.22
	Aquaculture, inland fishing, processing and marketing of fisheries and aquaculture products	5 527 469.17	551 658.41
	Measures of common interest	4 354 409.87	754 028.77
	Sustainable development of fisheries areas	0.00	0.00
	Technical assistance	160 613.84	80 306.92
Grand total		10 952 440.35	1 553 560.32

Operational Programme	Amount for which collection procedure is in progress	EFF contribution
Prospects for a sustainable fisheries sector	0.00	0.00



Annex 5 Overview of current investigations by the European Commission and correction proposal and decisions EFF 2011

62

System audit 2010

This investigation by the European Commission relates to the performance of the activities of the national certifying authority (concerning amounts written off and reclaimed amounts) pursuant to Regulation (EC) No 1198/2006 and has not yet been completed.

Correction proposals and decisions

There is no question of correction proposals and decisions.



Annex 6 Consolidation statement ERDF 2011

63

The consolidation statement 2010 is based on the applications for payment of the Dutch certifying authority, which are checked by the audit authority.

Operational Programme	Priority axis	Declared eligible expenditure	ERDF contribution
North CCI:2007NL162PO001			
	Innovation, entrepreneurship and knowledge economy	16 488 355.79	
	Regional competitiveness and employment	1 349 856.67	
	Attractive towns and cities	2 625 597.81	
	Technical assistance	0.00	
Subtotal North		20 463 810.27	9 834 359.69
South CCI:2007NL162PO001			
	Innovation, entrepreneurship and knowledge economy	32 597 050.47	
	Regional competitiveness and employment	11 930 466.22	
	Attractive towns and cities	8 380 032.18	
	Technical assistance	2 919 100.34	
Subtotal South		55 826 649.21	23 477 218.23
West CCI:2007NL162PO003			
	Innovation, entrepreneurship and knowledge economy	24 201 062.53	
	Regional competitiveness and employment	2 236 216.81	
	Attractive towns and cities	14 658 247.72	
	Technical assistance	5 328 900.78	
Subtotal West		46 424 427.84	19 102 662.20
East CCI:2007NL162PO002			
	Innovation, entrepreneurship and knowledge economy	16 709 898.09	
	Regional competitiveness and employment	0.00	
	Attractive towns and cities	0.00	
	Technical assistance	0.00	
Subtotal East		16 709 898.09	7 519 434.41
Grand total		139 424 785.41	59 933 674.53

Operational Programme	Amount for which collection procedure is in progress	ERDF contribution
North	0.00	0.00
South	0.00	0.00
West	0.00	0.00
East	0.00	0.00



Annex 7 Overview of current investigations by European Commission and correction proposals and decisions received ERDF 2011

64

System audit 2010

This investigation by the European Commission relates to the performance of the activities of the national certifying authority (concerning amounts written off and reclaimed amounts) pursuant to Regulation (EC) No 1083/2006 and has not yet been completed.

Correction proposals and decisions

There is no question of correction proposals and decisions.



Annex 8 Consolidation statement 2010

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Operational programme ESF 2007-2013

Reference number: CCI2007NL052PO001

Objective: Regional competitiveness and employment

Priority axis	Total expenditure up to and including 2010	Total expenditure up to and including 2009	Expenditure 2010
Increasing the job supply	7 483 824	5 691 804	1 792 020
Promotion of labour market inclusion	66 516 789	57 800 140	8 716 649
Increasing adaptability and investment in human capital	64 880 363	41 221 313	23 659 050
Technical assistance	28 743 528	16 188 333	12 555 195
Total	167 624 504	120 901 590	46 722 914

Priority axis	Amount for which collection procedure is in progress
Increasing the job supply	0.00
Promotion of labour market inclusion	0.00
Increasing adaptability and investment in human capital	0.00
Technical assistance	n.a.



Annex 9 Further information on Migration Funds

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General

Partly in connection with the above-mentioned transfer of responsibility for the European Integration Fund, but also on account of the departmental reconfiguration when the present government entered into office, as well as the transfer of the delegated body from the Financial Economic Affairs department to the Direction & Control Office under the Directorate-General for Alien Affairs of the Ministry of the Interior and Kingdom Relations, the final touches are now being made to the new description of the management and control system. This will be presented to the European Commission in February 2012.

The European Commission approved the 2008 annual programmes of the European Refugee Fund, the European External Borders Fund and the European Integration Fund only in mid-December 2008 and the 2008 annual programme of the European Return Fund in mid-March 2009. The consequence of which was that the decisions could be sent to the final beneficiaries only in the course of 2009, when the eligibility period was already largely over.

With regard to the notification by the audit authority with regard to the acceptance of an amount of € 11 995 in audit costs which were incurred outside the eligible period, the following comments are made. An extension was granted to the project concerned in which to submit the final report. In the process, it was not explicitly stated that agreement was also granted for the later submission of the auditor's report. However, in view of the link, the extension was implicitly granted. The responsible authority is also competent to grant this under the European legislation. On account of this, these audit costs were accepted on grounds of reasonableness and fairness and in the spirit of the European legislation.

European External Borders Fund (EBF)

Following the 2008 final statement submitted by the Netherlands, the European Commission asked for further information concerning the content of the EBF 2008. This more detailed information has been given.

European Refugee Fund (ERF)

Following the ERF 2008 final statement submitted by the Netherlands, the European Commission asked for the amounts declared for technical assistance and resettlement to be included in the Audit Service and certifying authority reports. At the same time, the Commission asked the



certifying authority also to certify the number of resettlers in the relevant categories included in the final report. All these requests by the European Commission have been met.

Annex 10 Migration Funds:

FINANCIAL IMPLEMENTATION ERF Annual Programme 2008

Final report on the implementation of the Dutch Annual Programme ERF 2008

Table 1: Detailed financial report

Member State: Netherlands - Dutch Annual Programme concerned: European Refugee Fund 2008 - Priority / other actions: [...] - Situation at: August 2011

Actions		Projects	Ref. priority	Ref. specific priority (1)	Programmed by MS (as in the Commission-approved annual programme)			Committed at the level of the MS			Actual figures accepted by the responsible authority (costs incurred by the beneficiaries and final EC contribution)					
					Total programmed costs (a)	EC contribution (b)	% EC contribution (c=b/a)	Total eligible costs (d)	EC contribution (e)	% EC contribution (f=e/d)	Total eligible costs (g)	EC contribution (h)	% EC contribution (i=h/g)	Contributions from third parties (j)	Revenue generated by the project (k)	Payment/recovery to be made by the RA (l)
		<i>(all figures in euros)</i>														
Action 1	project 1: IND-increase customer friendliness	1					347 267.00	173 633.50	50.00%	348 787.37	173 633.50	49.78%	0.00	0.00	0.00	
Total Action 1					347 268.00	173 634.00	50.00%	347 267.00	173 633.50	50.00%	348 787.37	173 633.50	49.78%	0.00	0.00	
Action 2	project 1: COA – Review of special reception PIT/IBW/Amog, 1st phase		1				516 236.00	387 177.00	75.00%	223 902.31	167 926.73	75.00%	0.00	0.00	-25 661.77	
	project 2: COA – Development of methodology AMVs		1				253 351.00	190 013.25	75.00%	156 700.77	117 525.58	75.00%	0.00	0.00	0.00	
	project 3: COA - Reception Experts Teams, 1st phase	1					340 660.00	170 330.00	50.00%	87 985.94	43 992.97	50.00%	0.00	0.00	-41 172.03	
	project 4: St. Vrolijkheid – Thousand and one children		1				323 384.76	242 538.00	75.00%	322 069.87	241 223.11	74.90%	0.00	0.00	0.00	
	project 5: ASKV - ZAPP, 1st phase		1				216 390.97	162 293.23	75.00%	202 963.51	152.222.63	75.00%	0.00	0.00	0.00	
Total Action 2					1 650 023.00	1 152 351.00	69.84%	1.650.022,73	1.152.351,48	69,84%	993 622.40	722 891.02	72.75%	0.00	0.00	-66 833.80

Action 3	project 1: FSAN - Badbaado and guidance		1				177 383.17	132 383.17	74.63%	104 263.09	73 755.09	70.74%	30 508.00	0.00	0.00			
	project 2: Pharos – Somalia care	1					159 793.78	79 403.92	49.69%	117 896.58	58 907.08	49.97%	58 989.50	0.00	0.00			
	project 3: SNV Brabant Central - Meet & (Gr)eat, 2nd phase	1					80 814.53	35 814.53	44.32%	66 618.19	23 532.89	35.33%	42 000.00	1 085.30	0.00			
	project 4: ST. UAF – business start-ups	1					190 200.20	95 098.20	50.00%	144 603.62	67 301.81	46.54%	77 301.81	0.00	-8 776.75			
	project 5: VON - Changemakers #0	1					538 808.95	268 808.95	49.89%	475 407.25	205 407.25	43.21%	270 000.00	0.00	-9 639.92			
	project 6: VON - Changemakers #1	1					287 001.78	141 231.78	49.21%	264 676.63	118 906.63	44.93%	145 770.00	0.00	0.00			
Total Action 3							1 521 474.00	792 622.00	52.10%	1 434 002.41	752 740.55	52.49%	1 173 465.36	547 810.75	46.68%	624 569.31	1 085.30	-10 853.17
Action 4	project 1: [...]																	
Total Action 4							331 653.04	131 653.04	39.70%									
Action 5	project 1:COA – Review Reception invited refugees	3					215 703 00	107 851 50	50.00%	186 508.99	93 254.49	50.00%	0.00	0.00	0.00			
	project 2: St. UAF – Resettlement of higher trained refugees	3					166 850 00	83 425 00	50.00%	104 606.36	52 303.18	50.00%	0.00	0.00	-14 436.82			
Total Action 5							382 554.00	191 277.00	50.00%	382 553.00	191 276.50	50.00%	291 115.35	145 557.67	50.00%	0.00	0.00	-14 436.82
Technical assistance							216 029.66	216 029.66	100.00%	216 029.66	216 029.66	100.00%	216 029.66	216 029.66	100.00%	0.00	0.00	0.00
Other activities (1)							580 000.00	580 000.00	100.00%	580 000.00	580 000.00	100.00%	580 000.00	580 000.00	100.00%	0.00	0.00	0.00
TOTAAL							5 029 001.70	3 237 566.70	64.38%	4 609 874.80	3 066 031.69	66.51%	3 603 020.14	2 385 922.60	66.22%	624 569.31	1 085.30	-99 687.29

Annex 11 Migration Funds:

List of all current recoveries at 30 June of the year N+2 (N = the year of this Dutch annual programme)

Final report on the implementation of the annual programme

Table 2. List of current recovery orders

Member State: Netherlands - Fund: European Refugee Fund - Situation at: August 2011

Reference	Annual programme	Project	Total amount to be recovered	EC contribution to be recovered	Derived from the relevant financial report (Y/N)	Reason for recovery
Action 2	2008	Review special reception PIT/IBW/Amog, 1st phase	-25 661.77	-25 661.77	J	Non-eligible costs
Action 2	2008	Reception Expert Teams, 1st phase	-41 172.03	-41 172.03	J	Non-eligible costs
Action 3	2008	Business start-ups, 2nd phase	-8 776.75	-8 776.75	J	Non-eligible costs
Action 3	2008	Changemakers #0	-9 639.92	-9 639.92	J	Non-eligible costs
Action 5	2008	Resettlement of higher trained refugees	-14 436.82	-14 436.82	J	Non-eligible costs



Annex 12 Migration Fund:

FINANCIAL IMPLEMENTATION EBF Annual Programme 2008

Final report on the implementation of the annual programme

Table 1 Detailed financial report

Member State: The Netherlands - Annual programme concerned: EBF 2008 - Situation at: 30 / 06 / 2010

(all figures in euros)				Programmed by MS (as in the Commission approved annual programme)			Committed at the level of the MS			Actual figures accepted by the Responsible Authority (costs incurred by the beneficiaries and final EC contribution)					
Actions	Projects	Ref. priority	Ref. Specific priority (1)	Total programmed costs (a)	EC contribution (b)	% EC contribution (c = b/a)	Total eligible costs (d)	EC contribution (e)	% EC contribution (f = e/d)	Total eligible costs (g)	EC contribution (h)	% EC contribution (i = h/g)	Contributions from third parties (j)	(k)	Payment/ Recovery to be made by the RA (l)
Action 1	project 1: Setting-up of Central Control Room for Seaport Police/ Maritime External Border	1		1 068 495.30	534 247.65	50	733 381.90	533 381.90	73	450 635.49	337 976.62	75	0	0	71 285.67
Total Action 1				1 068 495.30	534 247.65	50	733 381.90	533 381.90	73	450 635.49	337 976.62	75	0	0	71 285.67
Action 2	project 1: Programme Office for Sustained Border Management	1		356 165.10	178 082.55	50	356 165.10	178 042.55	50	430 342.40	178 042.55	41	20 000	0	89 021.27
Total Action 2				356 165.10	178 082.55	50	356 165.10	178 042.55	50	430 342.40	178 042.55	41	20 000	0	89 021.27

Action 3	project 1: Implementation of the VIS in the Netherlands	4	2	2 849 320.62	2 136 990.50	75	2 783 278.18	2 087 481.05	75	502 064.30	376 548.23	75	0	0	-667.192,30
Total Action N				2 849 320.62	2 136 990.50	75	2 783 278.18	2 087 481.05	75	502 064.30	376 548.23	75	0	0	-667 192.31
Technical assistance				246 723.03	246 723.03	100	246 723.03	246 723.03	100	138 180.96	138 180.96	100	0	0	-108 542.07
Other operations (1)															
TOTAL				4 520 704.05	3 096 043.73	68	4 119 548.21	3 045 628.53	74	1 521 223.15	1 030 748.36	68	20 000	0	- 615 427.43

(1) If applicable.

Column (k): receipts generated by the project



**Annex 13 Migration Fund:
FINANCIAL IMPLEMENTATION RF Annual Programme 2008**

**Final report on the implementation of the annual programme
Table 1 Detailed financial report**

Member State: The Netherlands - Annual programme concerned: RF 2008 - Situation at: 21 July 2011

(all figures in euros)				Programmed by MS (as in the Commission approved annual programme)			Committed at the level of the MS			Actual figures accepted by the Responsible Authority (costs incurred by the beneficiaries and final EC contribution)					
Actions	Projects	Ref. priority	Ref. Specific priority (1)	Total programmed costs (a)	EC contribution (b)	% EC contribution (c = b/a)	Total eligible costs (d)	EC contribution (e)	% EC contribution (f = e/d)	Total eligible costs (g)	EC contribution (h)	% EC contribution (i = h/g)	Contributions from third parties (j)	Receipts generated by the project (k)	Payment/ Recovery to be made by the RA (l)
Action 1: assisted voluntary return	project 1: Assisted Voluntary Return from Detention	1	(1, 2) ²⁵	1.400.000,00	1.000.000,00	71.42	650 270.00	318 770.00	49.02	454 544.33	222 863.08	49.02	231 681.25	0.00	63 478.08
Action 2: durable reintegration	project 1: [...]	1	n.a.	2 000 000.0 0	1 000 000.00	50	0.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Action 3: informed and dignified return	project 1: [...]	3	1	783 907.00	483 907.00	61.73	0.00	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total Action N				4 183 907.00	2 483 907.00	59.36	650 270.00	318 770.00	49.02	454 544.33	222 863.08	49.02	231 681.25	0.00	63 478.08
Technical assistance				219 218.73	219 218.73	100	219 218.73	219 218.73	100%	219 218.73	219 218.73	100	n.a.	n.a.	n.a.
Other operations (1)															
TOTAL				4 403 125.73	2 703 125.73	61.39	869 488.73	537 988.73	61.87	673 763.06	442 081.81	65.61	231 681.25	0.00	63 478.08

(1) If applicable.

²⁵ Specific priority 1, 2 were foreseen in the AP but were not part of the activities described in the project proposal Assisted Voluntary Return from Detention.

As mentioned in the Final Report, the open call for proposals has resulted in just one project proposal.



Annexe 2 Abbreviations

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AID	(former) General Inspectorate
BuZa	(Ministry of) Foreign Affairs
CBS	Statistics Netherlands
DLG	Government Service for Sustainable Rural Development
DR	National Service for Implementation of Regulations
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EBF	European External Borders Fund
EFF	European Fisheries Fund
EIF	European Integration Fund
ELI	(Ministry of) Economic Affairs, Agriculture and Innovation
ERDF	European Regional Development Fund
ERF	European Refugee Fund
ESA	European System of Accounts
ESF	European Social Fund
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
IIA	(Minister) for Immigration, Integration and Asylum Policy
NVWA	Netherlands Food and Consumer Product Safety Authority
PDCA	Plan-do-check-act
RAD	National Audit Authority
RF	European Return Fund
SNA	System of National Accounts
SZW	(Ministry of) Social Affairs and Employment
UMTS	Universal Mobile Telecommunications System
VAT	Value added tax



Annexe 3 Glossary

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Assurance

The provision of a positive declaration on information by an auditor.

Audit

A systematic, independent and documented process to investigate and evaluate the activities and results of an organisation.

Audit authority

A body designated by the member state for every operational programme that is responsible for verifying the proper functioning of the management and control system. The audit authority is functionally independent of the managing authority and the certifying authority.

Audit department

A ministry department that carries out the statutory audit of a minister's annual report and periodically audits operational management and policy implementation.

Beneficiary

The ultimate recipient of funding.

Certification

An official declaration that something is free from error or complies with a standard.

Certifying authority

A body designated by the member state to certify expenditure declarations and payment applications before they are submitted to the European Commission.

Competent authority

The managing authority regarding migration funds.

Compliance assessment

Assessment of whether EU and other requirements are satisfied.

Conformity

The state of being in agreement with EU and other regulations.



Consolidation statement

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A statement of consolidated expenditure/payments.

Cross-compliance

Specific requirements in the fields of public health, animal health, plant and environmental health and animal welfare that a farmer must comply with to be eligible for full support.

Eligibility

Expenditure that qualifies under the European Commission's criteria for support from European funds.

Irregularity

Any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.

Managing authority

A body designated by the member state to manage an operational programme.

Material errors

Errors are material if they exceed a certain, acceptable percentage.

Materiality

The extent to which inaccuracies are acceptable.

Operational programme

A document submitted by a member state and approved by the European Commission setting out a development strategy based on a coherent body of priorities requiring financial support from a fund.

Paying agency

A body that makes payments on behalf of the European Commission.

Phases in the internal control process

1. Design: description and structure of the process;



2. Existence: whether there is actually a process that is consistent with the design;
3. Operation: whether the process functions throughout the entire period in accordance with the design and does what it is intended to do.

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Receivable

A legally enforceable right to a sum of money from a third party, usually the recovery of an undue payment.

Reliability

The extent to which information is true.

Reservation

An exception in a declaration.

Review

An assessment of the adequacy of an audit.

Tolerable threshold

A quantifiable financial level above which an error or uncertainty is considered important (material).

Validity declaration

A statement on whether expenditure declarations submitted to the European Commission in respect of the migration funds are free from error and compliant with regulations.

Uncertainty

The condition of not knowing whether certain expenditures or receipts are regular or disclosed accurately.



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